

**COUNTY OF MILWAUKEE**  
**INTEROFFICE COMMUNICATION**

DATE: June 8, 2011

TO: Lee Holloway, Chairman, County Board of Supervisors

FROM: Mark Grady, Acting Deputy Corporation Counsel

SUBJECT: Proposed Ordinance Amendments in Preparation for Implementation of Possible State-Mandated Employee Pension Contributions

**Issue**

It is anticipated that previously-adopted, but currently enjoined, state law, or new state law, will require employee contributions to Milwaukee County's retirement system of one-half of the annual required contribution. Once such a law becomes effective, the county must comply with it and DAS will do so.

The ordinances were previously amended with respect to the county-required contributions (2%-3%-4%) and the necessary language was included to allow those contributions to be made on a pre-tax basis. Based on advice of tax counsel to the retirement system, the anticipated state-mandated contributions, like the contributions already imposed by the County, can be made on a pre-tax basis, but only after the pension ordinances have been amended to do so. Without an amendment to county ordinances, all state-mandated employee contributions will be made on an after-tax basis.

**Recommendation**

Therefore, the attached resolution and ordinance amendments are recommended for adoption. If adopted prior to any change in state law, all contributions required by the state law will be made by employees on a pre-tax basis.

The Employee Benefits Workgroup has discussed and agrees with this recommendation. However, the Workgroup members have not reviewed the attached ordinance amendments.

This matter should be referred to the Committee on Finance and Audit, the Committee on Personnel, the Pension Study Commission and the Pension Board.

Memo to Chairman Lee Holloway  
Proposed Ordinance Amendments in Preparation for Implementation of Possible State-  
Mandated Employee Pension Contributions  
6/14/2011  
Page 2 of 2

A fiscal note will be prepared and submitted upon receipt of the actuary's analysis.

cc: Chris Abele, County Executive  
George Aldrich, Chief of Staff, County Executive  
Terry Cooley, Chief of Staff, County Board  
Carol Mueller, County Board Clerk  
Jody Mapp, County Board Clerk  
Employee Benefit Work Group members

1  
2 By Supervisor

Res. File 10-  
Journal,

3  
4  
5 **A RESOLUTION AND ORDINANCE**

6  
7 To amend Sections 201.24(3.3), (3.5) and (3.11) of the Milwaukee County  
8 General Ordinances as it pertains to pension benefits.

9  
10 WHEREAS, the State of Wisconsin previously adopted State Statute  
11 section 59.875, as part of 2011 Wisconsin Act 10, mandating that Milwaukee  
12 County collect from employees one half of the actuarially required contribution of  
13 the retirement system, and

14  
15 WHEREAS, 2011 Wisconsin Act 10 has been enjoined; and

16  
17 WHEREAS, the Governor and other state officials have stated an intent to  
18 adopt these same provisions as part of the state's biennial budget; and

19  
20 WHEREAS, any employee contributions that may be mandated by state  
21 law can only be made on a post-tax basis under current county ordinances; and;

22  
23 WHEREAS, an amendment to county ordinances is required in order for  
24 any state mandated employee pension contributions to be made on a pre-tax  
25 basis; and

26  
27 WHEREAS, any state-mandated contribution effective for pay periods in  
28 2011 shall be six percent (6%) based on the requirements of 2011 Wisconsin Act  
29 10; and

30  
31 WHEREAS, pursuant to Section 201.24(8.17) of the Milwaukee County  
32 Code of General Ordinances, the proposed changes have been referred to the  
33 Pension Board and the Pension Board has been given thirty (30) days to  
34 comment upon the proposed changes, and

35  
36 WHEREAS, the proposed changes have been referred to the pension  
37 fund actuary whose actuarial analysis indicates the changes will have no  
38 actuarial effect on the retirement system, but will result in reduced contributions  
39 by Milwaukee County; and

40  
41 WHEREAS, the Pension Study Commission reviewed the actuary's report  
42 on \_\_\_\_\_, 2011 and have recommended the County Board adopt the  
43 proposed changes (Vote X-X); now therefore

45 BE IT RESOLVED, that the Milwaukee County Board of Supervisors,  
46 consistent with section 201.24(3.11)(2)(c) below, establishes the amount of  
47 contribution for any required contributions in 2011 as six percent (6%);  
48

49 BE IT FURTHER RESOLVED, that the Milwaukee County Board of  
50 Supervisors hereby amends Section 201.24 of the Milwaukee County Code of  
51 General Ordinances by adopting the following:  
52

### 53 AN ORDINANCE

54  
55 The County Board of Supervisors of the County of Milwaukee does ordain  
56 as follows:  
57

58 **SECTION 1.** Section 201.24(3.11) of the General Ordinances of Milwaukee  
59 County is amended and restated in its entirety as follows:  
60

#### 61 **3.11 Employee Contribution**

62  
63 (1) Mandatory Employee Contributions. Each member of the Employees'  
64 Retirement System shall contribute to the retirement system a percentage  
65 of the "Member's Compensation" according to subsection 3.11(2) based  
66 on the following schedule:

67 (a) Effective January 1, 2011 through the effective date of any state  
68 law requiring member contributions, for any member who is not covered  
69 by the terms of a collective bargaining agreement, ~~who is an elected~~  
70 official, or who is covered by a collective bargaining agreement that has  
71 adopted this ordinance, other than members who make a contribution to  
72 the System under section 3.3(2), the member shall contribute the amount  
73 provided in subsection (2)(a);

74 (b) Effective January 1, 2011 through the effective date of any state  
75 law requiring member contributions, for any member who is an elected  
76 official, the member shall contribute the amount provided in subsection  
77 (2)(b);

78 (c) Upon the effective date of any state law requiring member  
79 contributions, for any individual who is a member as of that date and who  
80 on that date is, or on a subsequent date becomes, either (1) not covered  
81 by the terms of a collective bargaining agreement, or (2) an elected  
82 official, or (3) is covered by a collective bargaining agreement with the  
83 American Federation of State, County and Municipal Employees  
84 (AFSCME), the member shall contribute the amount provided in  
85 subsection (2)(c);

86 (d) Any member who is either (1) not covered by the terms of a  
87 collective bargaining agreement, or (2) is an elected official, or (3) is  
88 covered by a collective bargaining agreement with the American  
89 Federation of State, County and Municipal Employees (AFSCME), and  
90 whose initial date of membership in the retirement system is on or after

91 the effective date of any state law requiring member contributions, the  
92 member shall contribute the amount provided in subsection (2)(c);

93 (e) Upon the effective date of any state law requiring member  
94 contributions, or January 1, 2012, whichever is later, for a member who is  
95 covered by a collective bargaining agreement with the Association of  
96 Milwaukee County Attorneys, the Federation of Nurses and Health  
97 Professionals, the Milwaukee Building and Trades Council, TEAMCO and  
98 the International Association of Machinists and Aerospace Workers, the  
99 member shall contribute the amount provided in subsection (2)(c);

100 (f) Any member who is covered by the terms of a collective  
101 bargaining agreement with the Association of Milwaukee County  
102 Attorneys, the Federation of Nurses and Health Professionals, the  
103 Milwaukee Building and Trades Council, TEAMCO and the International  
104 Association of Machinists and Aerospace Workers, whose initial date of  
105 membership in the retirement system is on or after the effective date of  
106 any state law requiring member contributions, or January 1, 2012,  
107 whichever is later, shall contribute the amount provided in subsection  
108 (2)(c).

109  
110 ~~, shall contribute to the retirement system a percentage of the “Member’s~~  
111 ~~Compensation” according to subsection 3.11(2). “Member Compensation”~~  
112 ~~shall include all salaries and wages of the member, except for the~~  
113 ~~following: overtime earned and paid; any expiring time paid such as~~  
114 ~~overtime, and holiday; and injury time paid; and any supplemental time~~  
115 ~~paid such as vacation or earned retirement~~  
116

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

118  
119 (a) Two (2) percent of Member's Compensation earned between  
120 January 9, 2011 and June 11, 2011;

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

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

125 ~~(d) Notwithstanding the sections 3.11(2)(a) and (c), elected~~  
126 ~~officials shall contribute two (2) percent of Member’s Compensation~~  
127 ~~earned on and after between January 9, 2011 and the effective date of~~  
128 ~~any state law requiring member contributions.~~

129 (c) A percentage of Member’s Compensation as determined by the  
130 County Board. The percentage of Member’s Compensation shall be  
131 derived from the actuarially estimated pension contribution for the  
132 retirement system for the next budget year, with members being  
133 responsible for the contribution pursuant to State statutory requirements.  
134 The County Board shall establish in its annual adopted budget the  
135 percentage of a Member’s Compensation required to comply with the  
136 statutorily-required contribution. The percentage of a Member’s

137 Compensation may vary from year to year and shall be applicable for 26  
138 pay periods and shall apply on a prospective basis beginning with the first  
139 pay period each year.

140  
141 (3) Pick-Up Contributions. Notwithstanding the preceding, contributions  
142 shall be made by the County in lieu of contributions by the employee even  
143 though the contribution is designated as an employee contribution.  
144 Members have no option to choose to receive the contributions provided  
145 for in this section directly instead of having the contribution paid by the  
146 County to the retirement system. The contribution shall be made on a  
147 pre-tax basis, and there shall be a corresponding reduction in  
148 compensation actually paid to the member. These contributions shall  
149 qualify as pick-up contributions (pursuant to Internal Revenue Code  
150 section 414(h)(2)). These contributions shall have no impact on internal  
151 plan contribution limits or forms of benefit payment under the retirement  
152 system. The pick-up of these contributions shall not be construed to  
153 reduce the salary upon which final average salary is calculated, as  
154 defined in section 2.8. Unless specified otherwise, these contributions do  
155 not impact the calculation of a member's benefit. The designation and  
156 qualification of these contributions as pick-up contributions pursuant to  
157 Internal Revenue Code section 414(h)(2) does not, however, result in the  
158 County paying the required contribution on behalf of the employee in a  
159 manner inconsistent with State statutory requirements and its prohibition  
160 of an employer making the payment on behalf of the employee.

161  
162 Notwithstanding the preceding, contributions made under this section by  
163 optional members, as defined in section 3.3(2), shall not be picked up and  
164 made on a pre-tax basis as provided in this subsection unless and until  
165 the County receives a favorable private letter ruling from the IRS  
166 authorizing such pick-up. Corporation Counsel shall determine if and  
167 when a favorable private letter ruling has been received and pick up of  
168 these contributions shall then commence for optional employees.

169  
170 (4) Determination of Accumulated Contributions. A member's  
171 accumulated contributions shall be equal to the sum of his mandatory  
172 employee contributions.

173  
174 (5) Refund of Accumulated Contributions.

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

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

186 (c) The provisions of section 11.1 shall not apply to accumulated  
187 contributions withdrawn by members under this section.  
188

189 **SECTION 2.** Section 201.24(3.3) of the General Ordinances of Milwaukee  
190 County is amended and restated in its entirety as follows:  
191

192 **3.3. Employee membership accounts.**  
193

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

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

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

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

202 All such sums contributed by the county for members whose last period of  
203 employment began prior to January 1, 1971, shall be credited to the  
204 employe's membership account in addition to contributions made by the  
205 employe, other than voluntary savings. The contributions provided for in  
206 this section 3.3(1) shall be considered separate and distinct from the  
207 employe contributions required under section 3.11.  
208

209 (2) In addition to the contributions required by section 3.11, tThe  
210 following members, who have elected to become optional members of  
211 ERS, shall also contribute to the system, by payroll deduction, six (6)  
212 percent of their earnable compensation:

213 (a) All interns, students and trainees employed in non-civil-service  
214 positions.

215 (b) All resident physicians employed in non-civil-service positions.

216 (c) Seasonal employes, except those whose last period of  
217 continuous membership began prior to December 24, 1967.

218 (d) Employes serving under emergency appointments except:

219 (1) Employes whose last period of continuous membership  
220 began prior to December 24, 1967.

221 (2) Employes on leave of absence to accept an emergency  
222 appointment.

223 (3) Employes whose positions have been reclassified.

224 Every member required to make the above contribution shall be deemed  
225 to consent and agree to the payroll deductions made and provided herein.  
226 All sums contributed by a member shall be credited to his membership  
227 account. The contributions provided for in this section 3.3(2) shall be

228 considered separate and distinct from the employe contributions required  
229 under section 3.11.

230

231 **SECTION 3.** Section 201.24(3.3) of the General Ordinances of Milwaukee  
232 County is amended and restated in its entirety as follows:

233

234 **3.5. Refunds upon severance or death.**

235

236 Notwithstanding the following, a member shall not be eligible to receive a  
237 refund of the portion of his membership account attributable to  
238 accumulated contributions contributed under section 3.11 if the member's  
239 employment was terminated due to fault or delinquency on the member's  
240 part under section 4.5 or if the member or a beneficiary of the member is  
241 eligible, at the time the request for a refund is made, for the present  
242 receipt of any monthly annuity benefit under sections 4.1, 4.5, 6.1, 6.2,  
243 6.4, 7.1 or 7.2 of the Chapter 201.24 of the ordinances. Upon termination  
244 of employment, for reason other than death or retirement, a member shall  
245 be entitled to receive a refund of the balance as of the date of termination  
246 of his membership account and his savings account, accumulated at  
247 interest as set from time to time by the board. However, if a member who  
248 is eligible for a deferred vested pension withdraws his membership  
249 account, he shall forfeit all rights to a deferred vested pension.

250

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

263

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

266

(a) Lump sum payment.

267

(b) Life annuity with full cash refund or on a term certain basis.

268

(c) Installments of a designated amount or over a designated

269

period of time.

270

271

If under any of the above options a benefit becomes payable to some

272

other person as a result of the death of the retired member, payment shall

273 be made to the beneficiary designated by the member or, in the absence  
274 of a valid designation, than as provided in section 2.16.

275

276 **SECTION 4.** The provisions of this ordinance shall be effective upon  
277 passage and publication.

June 10, 2011

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

**RE: Actuary's Review of Proposed Ordinance Amendment to the Employees' Retirement System for State-Mandated Employee Pension Contributions**

Dear Supervisor Cesarz,

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached ordinance amendment. This ordinance amendment is a result of Section 166 of 2011 Wisconsin Act 10.

Section 166 of 2011 Wisconsin Act 10, if enacted, will add 59.875 of the State statutes, which reads:

**59.875 Payment of contributions in an employee retirement system of populous counties**

- (1) In this Section, "county" means any county having a population of 500,000 or more
- (2) Beginning the effective date of this subsection, in any employee retirement system, except as provided in a collective bargaining agreement entered into under subch. IV of ch. 111, employees shall pay half of all actuarially required contributions for funding benefits under the retirement system. The employer may not pay on behalf of an employee any of the employee's share of the actuarially required contributions.

If such a law becomes effective, the County must comply with the law. If adopted, the state-mandated employee pension contributions will not change the overall liability and costs of the Employees' Retirement System. Thus, the law does not have an actuarial impact on the retirement system. It will, however, shift the cost of the Employees' Retirement System from the County to some, but not all, of the active employees covered under the Employees' Retirement System. The shift will come in the form of employee contributions. These employee contributions will be based on the results of the annual actuarial valuation.

*Actuarial Analysis*

Our actuarial analysis is based on our interpretation of the language in Section 166 of Wisconsin Public Act 10. The reader is encouraged to refer to our section entitled “*Commentary on Section 166 of Wisconsin Public Act 10*” later in this letter.

Our actuarial interpretations include:

- Sheriffs and firefighters, both non-represented and represented, are not required to contribute nor are members receiving benefits (retirees) or deferred members of the retirement system. We refer to these members as “non-contributors” in this analysis. All other members will be required by the State to contribute and are referred to as “contributors” in this analysis.
- The employee contribution rate is to be consistent for all contributors despite differences in benefits between individual members. Using one contribution rate minimizes administration and variability in contributions from year to year, employee group to employee group, and employee to employee.
- Contributors that are already making contributions, such as most nonrepresented employees and elected officials, will migrate to the new rate upon the effective date of the law. Other represented groups will begin a contribution upon expiration of their respective bargaining agreements. A recalculation will not be needed in between valuation reports because their numbers are already included in our calculation of the contributors’ contribution rate.
- Contributors will pay for half of *their portion* of the actuarially required contributions. This entails allocating unfunded liabilities between contributors on one hand and retirees and other non-contributors on the other hand. In addition, contributors contribute one-half of the contributors’ normal cost.
- The term “employees shall pay half of all actuarially required contributions for funding *benefits* under the retirement system” means that contributors do not pay for the amortization of administrative *expenses* contained in the actuarially required contributions from the County.
- The draft ordinance amendments we reviewed base the employee contribution on the budget, or estimated contribution. We believe that a more accurate method for calculation of the employee contribution would be to base the calculation on the “current year” or “actual” contribution. The current year contribution is based on verified asset and liability experience rather than being an estimate. Thus, the contribution to be made by employees in 2012 should be based on the 2011 “current year” or “actual” contribution. The county makes the 2011 actual contribution in 2012 and employees would be making their share of the 2011 contribution at the same time as the county. It is our understanding that Corporation Counsel intends to offer an amendment to the pending proposal to follow our recommendation. Therefore, for purposes of determining employee contributions for calendar year 2012, we use the 2011 Actual Contribution of \$26,808,037 as the basis for the employee contribution rate. The derivation of this 2011 actual contribution is contained in the January 1, 2011 Actuarial Valuation report issued May 13, 2011.

The determination of the employee contribution is below. It is based on the interpretations above.

**Milwaukee County Employees' Retirement System  
 Development of State-Mandated Employee Pension Contributions  
 Based on January 1, 2011 Valuation Results**

| Item  | Results Based on Proposed Change |                |                  |
|---|----------------------------------|----------------|------------------|
|   | Non-Contributors                 | Contributors   | All Members      |
|   | Amounts                          | Amounts        | Amounts          |
| <b>Valuation Results as of January 1, 2011</b>        |                                  |                |                  |
| 1. Present Value of Future Benefits                   |                                  |                |                  |
| a) Active Participants *                              | \$ 123,674,010                   | \$ 647,041,952 | \$ 770,715,962   |
| b) Participants with Deferred Benefits                | 69,435,621                       | -              | 69,435,621       |
| c) Participants Receiving Benefits                    | 1,379,441,317                    | -              | 1,379,441,317    |
| d) Total  | \$ 1,572,550,948                 | \$ 647,041,952 | \$ 2,219,592,900 |
| 2. Present Value of Future Normal Cost                | \$ 27,844,427                    | \$ 99,821,822  | \$ 127,666,249   |
| 3. Actuarial Accrued Liability: (1 - 2)               | \$ 1,544,706,521                 | \$ 547,220,130 | \$ 2,091,926,651 |
| 4. Actuarial Value of Assets                          | \$ 1,424,715,251                 | \$ 504,712,613 | \$ 1,929,427,864 |
| 5. Funded Status: (4 / 3)                             | 92.2%                            | 92.2%          | 92.2%            |
| 6. Unfunded Actuarial Accrued Liability: (3 - 4)      | \$ 119,991,270                   | \$ 42,507,517  | \$ 162,498,787   |
| 7. Normal Cost Rate                                   | 11.567%                          | 8.006%         | 8.457%           |
| 8. Total Normal Cost for the Plan Year                | \$ 3,248,496                     | \$ 15,496,676  | \$ 18,745,172    |
| <b>Projected Contributions</b>                        |                                  |                |                  |
| 1. Actual Contribution for 2011                       |                                  |                |                  |
| a) Normal Cost with Interest                          | \$ 3,375,936                     | \$ 16,104,153  | \$ 19,480,089    |
| b) Net Annual Amortization Payments **                | 5,818,664                        | 1,509,284      | 7,327,948        |
| c) Total Contribution: ((a + b), not less than zero)  | \$ 9,194,600                     | \$ 17,613,437  | \$ 26,808,037    |
| 2. Employee Contribution (50% of 1c for Contributors) | N/A                              | \$ 8,806,718   | N/A              |
| 3. Expected Salaries in 2011                          | 28,084,168                       | 193,563,275    | 221,647,443      |
| 4. Employee Contribution Rate (2÷3)                   | N/A                              | 4.5%           | N/A              |

\* The actives in the Non-Contributor group include 448 members comprised of Represented Firefighters and Sheriffs and Non-Represented Firefighters and Sheriffs.

\*\* The Net Annual Amortization Payments for the Contributors do not include the Expense Amortization Payments and was prorated based on the contributors' actuarial accrued liability compared to total actuarial accrued liability of the Retirement System.

Based on the above analysis, if the state-mandated employee contributions are in affect for all of 2012 and all contributors contributed the state-mandated contribution rate for 2012, \$8,806,718 of the \$26,808,037 would be shifted from the County to active employees. Please note that some portion of the annual required contribution is already being made by nonrepresented members and elected officials. In the end, the county will contribute the difference between the actual contribution of \$26,808,037 and whatever employee contributions that are ultimately made during 2012.

Supervisor Paul M. Cesarz  
Chairman  
Pension Study Commission  
June 10, 2011  
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*Basis for the Analysis*

Unless otherwise noted below, we have based this analysis on the data, assumptions and methods used for the most recently completed valuation, which was as of January 1, 2011.

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

*Commentary on Section 166 of Wisconsin Public Act 10*

At first glance, the language in Section 166 of Wisconsin Public Act 10 seems quite straightforward. Unfortunately, from an actuarial standpoint, it is quite vague and potentially subject to what appears to be unanticipated consequences. These ambiguities lead to the necessity to make the actuarial interpretations that are noted above. We will address some of these ambiguities here.

- The language superficially appears to require an allocation to active, non-exempt employees of one half of the entire actuarially required contribution that would otherwise be paid by the County. For example, of the \$26,808,037 2012 actual contribution from page 16 of the Actuarial Valuation Report, employees would be required to pay one-half, or \$13,404,019. If we were to utilize that interpretation to derive the employee contribution rate, we would divide the employee contribution portion of \$13,404,019 over expected payroll of \$229,405,000 to arrive at an employee contribution rate of 5.8% for 2012. But Section 166 exempts sheriffs and firefighters from contributing. Following the superficial interpretation would effectively require the contributing County employees to pay for one-half of the cost of the exempt employee's benefits. This interpretation would reduce the payroll over which the employee contribution rate is based to \$200,337,990, resulting in an employee contribution rate of 6.7% of pay. This comes close to almost the entire normal cost of the contributor group, meaning that contributors would pay for almost all of their entire annual accruals. We do not believe such an interpretation to be appropriate.
- Without the inclusion of the Pension Obligation Bond proceeds in 2009, the 2012 actual Contribution would likely be in excess of \$60,000,000, resulting in an employee contribution rate of over 12% of pay. Such a contribution is substantially more than the average cost of a year's accrual for contributors (i.e., the normal cost) of roughly 8.0% of payroll.
- Most of the volatility inherent in the contribution is due to asset changes rather than liability or benefit changes. Over 65% of the assets are held for the benefit of retirees. Subjecting affected employees to contribution volatility of assets held for the benefit of retirees would result in excessive employee contribution volatility.
- Contribution rates are currently lower than anticipated due to the reflection of contribution variances over the past couple of years. In the future, total contributions are expected to almost double, resulting in a doubling of the employee contribution rate. Employee communications will be important.

Supervisor Paul M. Cesarz  
Chairman  
Pension Study Commission  
June 10, 2011  
Page 5

The above bullet points are in no means an exhaustive list of the challenges of this legislation. All stakeholders are encouraged to add input to the process.

We look forward to discussing this analysis with you.

Sincerely,



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

LFL:pl  
19150/C7145RET01-75&OutPricing April 13 2011.doc

cc: Mark Grady  
Paul Wilkinson

**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** 06/15/2011

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** State Mandated Employee Pension Contribution - Ordinance Change

**FISCAL EFFECT:**

- |  |  |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact  | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required  | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues     |
| <input type="checkbox"/> Absorbed Within Agency's Budget   | <input type="checkbox"/> Decrease Capital Revenues     |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget   |  |
| <input checked="" type="checkbox"/> Decrease Operating Expenditures                                    | <input type="checkbox"/> Use of contingent funds       |
| <input type="checkbox"/> Increase Operating Revenues   |  |
| <input type="checkbox"/> Decrease Operating Revenues   |  |

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

|                                   | <b>Expenditure or Revenue Category</b> | <b>Current Year</b> | <b>Subsequent Year</b> |
|-----------------------------------|--|---------------------|------------------------|
| <b>Operating Budget</b>           | Expenditure                            | -1,509,300          | -6,709,600             |
|                                   | Revenue                                | 0                   | 0                      |
|                                   | Net Cost                               | -1,509,300          | -6,709,600             |
| <b>Capital Improvement Budget</b> | Expenditure                            |                     |                        |
|                                   | Revenue                                |                     |                        |
|                                   | Net Cost                               |                     |                        |

## DESCRIPTION OF FISCAL EFFECT

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

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. Proposed County ordinance amendments are being made in preparation for implementation of the State-mandated employee pension contributions. The State budget repair bill included a statute change that would require employees to "pay half of all actuarially required contributions for funding benefits under the retirement system." The Pension Actuary, Buck Consultants, has issued a letter dated June 10, 2011, which provides for their interpretation of the State statute change, and the impact on Milwaukee County. The fiscal note is prepared based on letter issued by the actuary.

For 2011, the County adopted a pension contribution of 2% for non-represented employees, increasing to 3% in June, and 4% at the end of December. The pension contribution was matched with a wage increase of 1% in June and another 1% in December. The pension ordinance has already been adjusted for the pension contribution adopted for non-represented employees. The proposed ordinance changes would provide for the requirements that are proposed under the State statute.

In a question and answer document that was provided to employees, regarding the State Budget Repair Bill, a discussion occurred regarding the pension change. In that document, an initial pension contribution from employees was estimated at 6% for 2011. The City of Milwaukee currently has a 5% rate, and the State of Wisconsin was proposing a rate for members of its employee retirement system of 5.7%. The County contribution of 6% was based on an allocation of normal cost and prior service cost to contributing employees.

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

The rate being proposed by the Actuary in the June 10, 2011 letter to the Pension Study Commission is 4.5%. This rate is a reduction from the earlier estimate. The employee pension contribution represents a sharing of the annual pension expense of the County's Employee Retirement System (ERS). The ERS pension expense consists of Normal Cost and Prior Service Cost. The The Actuary's interpretation of the State Statute finds that full normal cost should be allocated to active contributors and non-contributors. The normal cost represents the cost of benefits earned by active employees in the current year. Per the actuary, the prior service cost should be allocated based on the active employees proportional share of the actuarial liability. Active employees represent 31% of the Actuarial Liability. In addition, the actuary finds that the administrative cost portion of the annual pension expense should not be allocated to active employees, since it is not a benefit.

Attached to this fiscal note are schedules that breakdown the calculation of the employee contribution for active employees (Exhibit A). In addition, there is a breakdown of the budget impact of the State Budget Repair bill, based on different contribution rates, including the proposed rate from the Actuary (Exhibit B).

Exhibit C - Exhibit F provide an outlook of the pension contribution for the years 2012 - 2017. During these years, the normal cost increases by 3.5% per year, but the prior service cost increases at a greater rate, based upon the items that have occurred in prior years including the loss on investments in 2008, and the runout of the Mercer settlement that was contributed in 2009.

Under the proposed ordinance change, the actuary has based their estimates on waiting for actual pension expenses to be determined prior to determining an employee pension contribution rate. Exhibit G and Exhibit H provide a comparison of two methods of calculating the employee contribution. Exhibit G shows the change in employee contributions (based on actual expense) matched with the change in pension expense. Due to employee contributions lagging pension expense by one year, there is a delay in the catchup of employee contributions with pension expense of that one year. Exhibit H provides a comparison if both the pension expense and employee contributions were calculated on the same basis.

Exhibit I and J provide an estimate of the pension contribution by Union under different rate scenarios for 2012. Exhibit K and L provide an estimate of the pension contribution by Union under different rate scenarios for 2011. For 2011, the contribution rates would only apply to AFSCME DC-48, and non-represented employees.

B. Per Exhibit L, the County would have cost savings in 2011 of \$1,509,300 over a current budget for employee contributions of \$1,260,000. This estimate is based on an implementation of the State Budget Repair Bill on September 1, 2011. These additional savings would be used to offset fringe benefit costs that are currently not being achieved in org unit 1950, or in org unit 1972.

Per Exhibit J, the County would have net cost savings of \$6,709,600 for the 2012 year. The savings are after consideration of any revenue offsets for departments that receive outside revenue. The full gross contribution received would be \$8,807,000 for 2012. The schedule is broken down by union. It is anticipated that all unions will be participating in the employee contribution, except Deputy Sheriffs and Firefighters. These two unions are identified as the public safety unions. They have been exempted from the employee contribution under the State Statute. The County could negotiate a contribution from the public safety unions, but it is not anticipated that they will contribute in 2012.

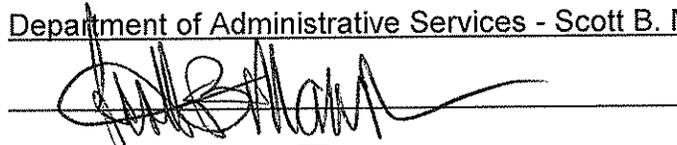
C. The savings generated by the change in State Statute, if made into law, will provide an offset to the costs in the 2011 and 2012 budget, and for years going forward. The cost savings is tied to

the pension expense and therefore provides an offset to the pension expense. The pension expense generally fluctates more due to prior service cost then due to normal cost. As stated earlier, the employee contribution is more tied to the normal cost then the prior service cost, therefore, the employee contribution will not fluctuate to the level of the pension expense. For example, in 2015, it is anticipated that pension expense will increase by \$9.2 million. Half of that contribution increase is \$4.5 million. However, the employee contribution would only be increased by \$1.4 million under a budget basis or by \$0 under an actual contribution calculation basis. The increase in pension expense in future years, due to changes in prior service costs, will have to be provided from other means then the employee contribution.

D. Calculations were based upon the June 10, 2011 report from the Actuary to the Pension Study Commission, the Annual Actuarial Report as of January 1, 2011 from Buck Consultants, a spreadsheet of the projection of annual pension cost prepared by the County and the County's Actuary, and calculations done by the Department of Administrative Services.

Department/Prepared By Department of Administrative Services - Scott B. Manske

Authorized Signature



Did DAS-Fiscal Staff Review?  Yes  No

Milwaukee County

Analysis of Required Contribution based on State Budget Repair Bill

ERS Members only. OBRA is not in these numbers.

**EXHIBIT A**

|  |                    | 2012 |                      |    |  | <u>Proposed</u>     | <u>Pcnt Salaries</u>   |
|--|--------------------|------|----------------------|----|--|---------------------|------------------------|
|  |                    |      |                      |    |  | <u>Dollars</u>      | <u>of Contributors</u> |
| 1  | Normal Cost        | \$   | 19,480,100           | 9  | Full Contribution                                      | \$ 26,808,000       | 13.85%                 |
| 2  | Prior Service Cost |      | <u>7,327,900</u>     | 10 | Reduction for Administrative Cost                      | (1,558,200)         | -0.81%                 |
| 3  | Total Pension Exp  | \$   | <u>26,808,000</u>    | 11 | Reduction for Retiree portion of<br>Prior Service Cost | (3,938,900)         | -2.03%                 |
| 4  | Prior Service Cost |      |                      | 12 | Reduction for Non-Contributors<br>"Public Safety"      | <u>(3,696,900)</u>  | -1.91%                 |
| 5  | Admin Expense      | \$   | 1,558,200            |    |  | \$ 17,614,000       | 9.10%                  |
| 6  | Active             |      | 1,830,800            |    |  | <u>50%</u>          |                        |
| 7  | Retirees           |      | <u>3,938,900</u>     | 13 | Half of Actuarial Contribution                         |                     |                        |
| 8  |                    | \$   | <u>7,327,900</u>     | 14 | Employee Contribution                                  | <u>\$ 8,807,000</u> | 4.55%                  |
| Actuarial Liability of Contributors            |                    | \$   | 547,220,130          | 15 | Salaries of Contributors                               | \$ 193,563,275      |                        |
| Act Liability Non-Contributors and<br>Retirees |                    | \$   | <u>1,544,706,521</u> |    |  |                     |                        |
| Total Actuarial Liability                      |                    | \$   | <u>2,091,926,651</u> |    |  |                     |                        |

Schedule is intended to show the allocation of pension costs under the interpretation of the State Statute 59.875 (Budget Repair Bill) of half of all actuarially required contributions for funding benefits under the retirement system. The Actuary finds that normal cost is fully allocable under the State Statute to active employees. However, administrative costs charged to the pension plan, plus the prior service cost related to retirees is only partially allocable, therefore a portion of these costs are removed from allocation formula. Final adjustment is for the cost of non-contributors which reduces the contribution for employee groups who provide a contribution.

**Exhibit B**

| <u>Employee Contributions</u>               | <u>2011 Budget</u> | <u>2012 Budget</u> | <u>Contribution Rate</u> |                 |
|---|--------------------|--------------------|--------------------------|-----------------|
| Half ARC - No Adjustment                    | \$ 2,006,083       | \$ 8,917,800       | 6.05%                    |                 |
| Adjusted Rate - Before Public Safety Offset | \$ 1,594,767       | \$ 7,089,600       | 4.81%                    |                 |
| Adjusted Rate - with Public Safety Offset   | \$ 1,509,300       | \$ 6,709,600       | 4.55%                    | <u>Proposed</u> |

Estimate of Budget impact under different scenarios presented in this fiscal note.

**EXHIBIT C**

Contribution Rate from Employees - 2012 - 2017

|      | <u>Full Contribution</u> | <u>Alloc Half ARC :<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> |
|------|--------------------------|-------------------------------------|---|---|
| 2012 | 12.09%                   | 6.05%                               | 4.81%                                       | 4.55%   |
| 2013 | 13.73%                   | 6.86%                               | 5.07%                                       | 4.80%   |
| 2014 | 15.03%                   | 7.52%                               | 5.27%                                       | 4.99%   |
| 2015 | 13.73%                   | 6.87%                               | 5.07%                                       | 4.80%   |
| 2016 | 16.88%                   | 8.44%                               | 5.57%                                       | 5.27%   |
| 2017 | 17.40%                   | 8.70%                               | 5.65%                                       | 5.35%   |

The Full Contribution represents the total employee contribution based on the pension expense, including normal cost and prior service cost. The Allocation of the Half Arc, is simply half of the Full Contribution rate. The Adj for Prior Service Combined reduces prior service cost allocation for administrative cost and prior service cost allocatable to retirees based on their portion of the actuarial accrued liability. The non-public safety - adj for prior service cost, attempts to split the normal cost between public safety and non-public safety. Public safety has a higher percentage of normal.

Milwaukee County

Analysis of Required Contribution based on State Budget Repair Bill

ERS Members only. OBRA is not in these numbers.

**EXHIBIT D**

**Future Full Pension Expense versus Allocable Pension Expense**

|      | Full Pension Expense |                    |                      | Allocated Under Proposal |                    |                                   |
|------|----------------------|--------------------|----------------------|--------------------------|--------------------|-----------------------------------|
|      | Normal Cost          | Prior Service Cost | Full Pension Expense | Normal Cost              | Prior Service Cost | Proposed Pens Exp To Be Allocated |
| 2012 | \$ 19,480,000        | \$ 7,328,000       | \$ 26,808,000        | \$ 19,480,000            | 1,830,800          | 21,310,800                        |
| 2013 | \$ 20,162,000        | \$ 11,327,000      | \$ 31,490,000        | \$ 20,162,000            | 3,086,600          | 23,248,600                        |
| 2014 | \$ 20,868,000        | \$ 14,827,000      | \$ 35,695,000        | \$ 20,868,000            | 4,181,100          | 25,049,100                        |
| 2015 | \$ 21,598,000        | \$ 12,144,000      | \$ 33,742,000        | \$ 21,598,000            | 3,313,900          | 24,911,900                        |
| 2016 | \$ 22,354,000        | \$ 20,574,000      | \$ 42,928,000        | \$ 22,354,000            | 5,972,800          | 28,326,800                        |
| 2017 | \$ 23,137,000        | \$ 22,668,000      | \$ 45,804,000        | \$ 23,137,000            | 6,621,400          | 29,758,400                        |

The actuary has determined that Normal Cost has a true relationship to active employees, and the actuary is allocating that cost to the groups based upon their pensionable wages. Contributions, as proposed, consist mostly of normal cost allocation. Prior Service Cost is being allocated based on the percentage of the actuarial accrued liability. As a result, the active employees are only 31% of the actuarial accrued liability, so they have a smaller share of that cost. As prior service cost rises, the employee contribution rises slower.

\* - employee contributions from contributors only. Non-contributors, as a result, do not make a contribution, and therefore are not part of this number.

**EXHIBIT E**

**Comparison of Employee Contributions based on Full and Allocable Pension Expense**

| Contribution | Pension Expense      | Employee Contib                   | Proposed Pens Exp To Be Allocated | Proposed Employee Contributions |                                     |                                 |
|--------------|----------------------|-----------------------------------|-----------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|              | Full Pension Expense | Alloc Half ARC - No Expense Adj.* |                                   | Adj For Prior Svc - Combined *  | Non Public Safety - Adj Prior Svc * | Pub Safety Only - Adj Prior Svc |
| 2012         | \$ 26,808,000        | 11,706,000                        | 21,310,800                        | 9,306,000                       | 8,807,000                           |                                 |
| 2013         | \$ 31,490,000        | 13,750,000                        | 23,248,600                        | 10,152,000                      | 9,606,000                           |                                 |
| 2014         | \$ 35,695,000        | 15,586,000                        | 25,049,100                        | 10,938,000                      | 10,349,000                          |                                 |
| 2015         | \$ 33,742,000        | 14,733,000                        | 24,911,900                        | 10,878,000                      | 10,294,000                          |                                 |
| 2016         | \$ 42,928,000        | 18,744,000                        | 28,326,800                        | 12,369,000                      | 11,702,000                          |                                 |
| 2017         | \$ 45,804,000        | 20,000,000                        | 29,758,400                        | 12,994,000                      | 12,293,000                          |                                 |

The Full Pension Expense represents the annual pension expense, as estimated by the Acutary, over the next several years. The proposed employee contributions, are based on the proposed pension expense to be allocated. Reductions have been made to the pension expense, based on an allocation of prior service costs, between active and retired participants.

\* - employee contributions from contributors only. Non-contributors, as a result, do not make a contribution, and therefore are not part of this number.

**EXHIBIT F**

**Variance of Employee Contributions based on Full and Allocable Pension Expense**

| Employee Contribution Variance | Alloc Half ARC - No Expense Adj.* | Adj For Prior Svc - Combined * | Variance from Est Employee Contrib | Non Public Safety - Adj Prior Svc * | Proposed Variance from Est Employee Contrib |
|--------------------------------|-----------------------------------|--------------------------------|------------------------------------|-------------------------------------|---|
| 2012                           | 11,706,000                        | 9,306,000                      | (2,400,000)                        | 8,807,000                           | (2,899,000)                                 |
| 2013                           | 13,750,000                        | 10,152,000                     | (3,598,000)                        | 9,606,000                           | (4,144,000)                                 |
| 2014                           | 15,586,000                        | 10,938,000                     | (4,648,000)                        | 10,349,000                          | (5,237,000)                                 |
| 2015                           | 14,733,000                        | 10,878,000                     | (3,855,000)                        | 10,294,000                          | (4,439,000)                                 |
| 2016                           | 18,744,000                        | 12,369,000                     | (6,375,000)                        | 11,702,000                          | (7,042,000)                                 |
| 2017                           | 20,000,000                        | 12,994,000                     | (7,006,000)                        | 12,293,000                          | (7,707,000)                                 |

The variance between the Half Arc contribution and the other options, shows a growing gap, as the prior service cost increases in the future years.

Milwaukee County

Analysis of Required Contribution based on State Budget Repair Bill

ERS Members only. OBRA is not in these numbers.

**EXHIBIT G**

**Contribution based on Actual Expense**

|      |                 |                      | <u>Alloc Half ARC -<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> |               |
|------|-----------------|----------------------|-------------------------------------|---|---|---------------|
|      | <u>Budgeted</u> | <u>Change in Exp</u> | <u>Change Contrib</u>               | <u>Change Contrib</u>                       | <u>Change Contrib</u>   | <u>Actual</u> |
| 2012 | \$ 31,490,000   |                      |                                     |   |   | \$ 26,808,000 |
| 2013 | \$ 35,695,000   | \$ 4,205,000         | 2,044,000                           | 846,000                                     | 799,000   | \$ 31,490,000 |
| 2014 | \$ 33,742,000   | \$ (1,953,000)       | 1,836,000                           | 786,000                                     | 743,000   | \$ 35,695,000 |
| 2015 | \$ 42,928,000   | \$ 9,186,000         | (853,000)                           | (60,000)                                    | (55,000)  | \$ 33,742,000 |
| 2016 | \$ 45,804,000   | \$ 2,876,000         | 4,011,000                           | 1,491,000                                   | 1,408,000   | \$ 42,928,000 |
| 2017 | \$ 47,392,000   | \$ 1,588,000         | 1,256,000                           | 625,000                                     | 591,000   | \$ 45,804,000 |

Under the current proposal contributions from employees would be based on actual costs and would therefore lag the budgeted pension expense. As can be seen on the table above, in 2015 there is a \$9.1 million increase in pension expense, but a \$55,000 decrease in pension contribution, based on actual expense from the prior year. Actual cost is a better method of determining pension contribution, since it is based on actual experience. Normal cost and plan prior service activity are trued up.

**EXHIBIT H**

**Contribution based on Budgeted Expense**

|      |                 |                      | <u>Alloc Half ARC -<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> |               |
|------|-----------------|----------------------|-------------------------------------|---|---|---------------|
|      | <u>Budgeted</u> | <u>Change in Exp</u> | <u>Change Contrib</u>               | <u>Change Contrib</u>                       | <u>Change Contrib</u>   | <u>Actual</u> |
| 2012 | \$ 31,490,000   |                      |                                     |   |   | \$ 26,808,000 |
| 2013 | \$ 35,695,000   | \$ 4,205,000         | 1,836,000                           | 786,000                                     | 743,000   | \$ 31,490,000 |
| 2014 | \$ 33,742,000   | \$ (1,953,000)       | (853,000)                           | (60,000)                                    | (55,000)  | \$ 35,695,000 |
| 2015 | \$ 42,928,000   | \$ 9,186,000         | 4,011,000                           | 1,491,000                                   | 1,408,000   | \$ 33,742,000 |
| 2016 | \$ 45,804,000   | \$ 2,876,000         | 1,256,000                           | 625,000                                     | 591,000   | \$ 42,928,000 |
| 2017 | \$ 47,392,000   | \$ 1,588,000         | 1,256,000                           | 625,000                                     | 591,000   | \$ 45,804,000 |

Under a modified proposal contributions from employees would be based on budgeted costs and would therefore match the actual expense. As can be seen on the table above, in 2015 there is a \$9.1 million increase in pension expense, but a \$1,408,000 increase in pension contribution, based on actual expense from the prior year.

Milwaukee County  
 Analysis of Required Contribution based on State Budget Repair Bill  
 ERS Members only. OBRA is not in these numbers.

**EXHIBIT I**  
**Contrib By Union 2012 - If Annualized Full Contribution**

|                   | <u>Alloc Half ARC -<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> | <u>Pub Safety<br/>Only - Adj<br/>Prior Svc</u> |
|-------------------|-------------------------------------|---|---|--|
|                   | 6.05%                               | 4.81%                                       | 4.55%   | 6.58%  |
| Attorneys         | 297,700                             | 236,600                                     | 224,000   |  |
| Bldg Trades       | 330,500                             | 262,700                                     | 248,600   |  |
| Dist Council 48   | 6,786,600                           | 5,395,100                                   | 5,105,900   |  |
| Dist Counc Seas   | 38,800                              | 30,800                                      | 29,200  |  |
| Firefighter       |                                     |   |   | 67,400   |
| Machinists        | 18,000                              | 14,300                                      | 13,600  |  |
| Non Represented   | 3,025,400                           | 2,405,100                                   | 2,276,200   |  |
| Nurses            | 1,014,700                           | 806,700                                     | 763,400   |  |
| State Prosecutors | 52,900                              | 42,100                                      | 39,800  |  |
| Sheriff Deputies  |                                     |   |   | 1,781,300                                      |
| Teamco            | 141,400                             | 112,600                                     | 106,300   |  |
|                   | <u>11,706,000</u>                   | <u>9,306,000</u>                            | <u>8,807,000</u>  | <u>1,848,700</u>                               |

This schedule shows the breakdown in employee contributions by Union, under the different scenarios. The effective date is different for different unions depending on their contract expiration date.

**EXHIBIT J**  
**2012 Contribution Netted for Revenue Offset**

|                   | <u>Alloc Half ARC -<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> | <u>Pub Safety<br/>Only - Adj<br/>Prior Svc</u> |
|-------------------|-------------------------------------|---|---|--|
| Attorneys         | 222,800                             | 177,100                                     | 167,700   |  |
| Bldg Trades       | 252,900                             | 201,000                                     | 190,300   |  |
| Dist Council 48   | 4,719,400                           | 3,751,800                                   | 3,550,700   |  |
| Dist Counc Seas   | 38,800                              | 30,800                                      | 29,200  |  |
| Firefighter       | -                                   | -   | -   | -  |
| Machinists        | 17,800                              | 14,200                                      | 13,500  |  |
| Non Represented   | 2,541,100                           | 2,020,100                                   | 1,911,800   |  |
| Nurses            | 950,800                             | 755,900                                     | 715,400   |  |
| State Prosecutors | 37,000                              | 29,500                                      | 27,900  |  |
| Sheriff Deputies  | -                                   | -   | -   | 1,781,300                                      |
| Teamco            | 137,200                             | 109,200                                     | 103,100   |  |
|                   | <u>8,917,800</u>                    | <u>7,089,600</u>                            | <u>6,709,600</u>  | <u>1,781,300</u>                               |

This schedule shows the breakdown in employee contributions by Union, under the different scenarios. The effective date is different for different unions depending on their contract expiration date. This shows the impact after revenue offset.

Milwaukee County

Analysis of Required Contribution based on State Budget Repair Bill  
ERS Members only. OBRA is not in these numbers.

**EXHIBIT K**

**Contrib By Union 2011 - If Annualized Full Contribution**

Assume a four month contribution

|   | <u>Alloc Half ARC -<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> |
|---|-------------------------------------|---|---|
|   | 6.05%                               | 4.81%                                       | 4.55%   |
| Attorneys                               |                                     |   |   |
| Bldg Trades                             |                                     |   |   |
| Dist Council 48                         | 2,262,200                           | 1,798,367                                   | 1,701,967   |
| Dist Counc Seas                         | 12,933                              | 10,267                                      | 9,733   |
| Firefighter                             |                                     |   |   |
| Non Represented Budgeted                | 1,500,000                           | 1,500,000                                   | 1,500,000   |
| Non Represented Additional Contribution | 500,066                             | 397,537                                     | 376,231   |
| Nurses                                  |                                     |   |   |
| State Prosecutors                       |                                     |   |   |
| Sheriff Deputies                        |                                     |   |   |
| Teamco                                  |                                     |   |   |
|   | <u>4,275,200</u>                    | <u>3,706,171</u>                            | <u>3,587,931</u>  |
| Budgeted                                | 1,500,000                           | 1,500,000                                   | 1,500,000   |
| Addl Contributions                      | <u>2,775,200</u>                    | <u>2,206,171</u>                            | <u>2,087,931</u>  |

**EXHIBIT L**

**2011 Contribution Netted for Revenue Offset**

|   | <u>Alloc Half ARC -<br/>No Adj.</u> | <u>Adj For Prior<br/>Svc -<br/>Combined</u> | <u>Proposed<br/>Non Public<br/>Safety - Adj<br/>Prior Svc</u> |
|---|-------------------------------------|---|---|
| Attorneys                               |                                     |   |   |
| Bldg Trades                             |                                     |   |   |
| Dist Council 48                         | \$ 1,573,133                        | \$ 1,250,600                                | \$ 1,183,567  |
| Dist Counc Seas                         | 12,933                              | 10,267                                      | 9,733   |
| Firefighter                             |                                     |   |   |
| Non Represented Budgeted                | 1,260,000                           | 1,260,000                                   | 1,260,000   |
| Non Represented Additional Contribution | 420,017                             | 333,901                                     | 316,000   |
| Nurses                                  |                                     |   |   |
| State Prosecutors                       |                                     |   |   |
| Sheriff Deputies                        |                                     |   |   |
| Teamco                                  |                                     |   |   |
|   | <u>\$ 3,266,083</u>                 | <u>\$ 2,854,767</u>                         | <u>\$ 2,769,300</u>   |
| Budgeted                                | \$ 1,260,000                        | \$ 1,260,000                                | \$ 1,260,000  |
| Addl Savings                            | <u>\$ 2,006,083</u>                 | <u>\$ 1,594,767</u>                         | <u>\$ 1,509,300</u>   |

COUNTY OF MILWAUKEE  
INTER-OFFICE COMMUNICATION

2

**Date:** May 23, 2011  
**To:** Supervisor Lee Holloway, Chairman  
Milwaukee County Board of Supervisors  
**From:** Fredrick J. Bau  Interim Director of Labor Relations  
**RE:** Ratification of the 2012 Memorandum of Agreement between Milwaukee County and the Federation of Nurses and Health Professionals

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Milwaukee County has reached an understanding with the bargaining team for the Federation of Nurses and Health Professionals that establishes a memorandum of agreement for 2012.

I am requesting that this item be placed on the May 26, 2011 agenda for the special joint meeting of Finance and Audit Committee and of the Personnel Committee as an action item. If the Committees' would like to meet in closed session to discuss the changes first, please request that the Committee make appropriate arrangements when noticing the meeting.

The following documents will be provided to the Committees for their review:

- 1) A comparison copy agreed upon language for each MOA. These copies contain both the old and new contract language. The old language will be indicated with "~~strike through~~" and the new language will be "underlined";
- 2) A Union notification that the MOAs was ratified by the membership;
- 3) A draft Resolution approving the MOAs, this will also be provided electronically to the appropriate committee clerks;
- 4) The Department of Administrative Services (DAS) is preparing a fiscal note, which will be reviewed by the Department of Audit and County Board Staff. The finalized fiscal note will be sent to the Committees by DAS as soon as it is completed.

If you have any questions, please call me at 223-1932.

cc: County Board of Supervisors  
Stephen Cady, County Board Staff  
Richard Ceschin, County Board Staff  
Terrence Cooley, Chief of Staff, County Board  
Jerome Heer, Director, Dept. of Audit  
Scott Manske, Controller, DAS  
Candace Richards, Interim Director of Human Resources  
John Jorgensen, Acting Corporation Counsel  
Cynthia (CJ) Pahl, Acting Asst. Fiscal & Budget Administrator.  
George Aldrich, Chief of Staff, Office of the County Executive  
Jodi Mapp, Personnel Committee Clerk  
Carol Mueller, Finance and Audit Committee Clerk



**Wisconsin Federation  
of Nurses & Health  
Professionals** AFT  
AFL-CIO 

*A Union of Professionals*

9620 West Greenfield Ave.  
West Allis, WI 53214-2601  
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800/828-2256  
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May 24, 2011

Mr. Fred Bau, Action Director  
Milwaukee County  
Department of Labor Relations  
Milwaukee County Courthouse  
901 N. 9<sup>th</sup> Street – Room 302  
Milwaukee, WI 53233

Dear Mr. Bau:

This is to inform you that the Wisconsin Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO, has ratified the agreement reached with Milwaukee County for the 2012 contract.

I want to also offer my personal thanks and appreciation for your assistance with these negotiations. I believe both Milwaukee County and the members of Local 5001 were well served by your efforts and the actions of the Personnel Committee.

Sincerely,



Candice Owley, R.N.  
President, WFNHP Local 5001

CO/DAK

1w/md/mc/ratification5-24-11

- Local 5001*  
Dynacare Laboratories  
Milwaukee County  
St. Francis Hospital
- Local 5011*  
Sheboygan City  
Professionals  
Sheboygan County  
Health Care Centers  
Sheboygan County  
Divisions of Public Health &  
Community Programs
- Local 5012*  
Memorial Hospital of  
Burlington
- Local 5024*  
Dodge County Public  
Health & Human Services
- Local 5032*  
Clement J Zablocki Veterans  
Administration Medical  
Center
- Local 5033*  
Langlade Memorial Hospital
- Local 5034*  
Eagle River Memorial  
Hospital
- Local 5035*  
Middle River Health &  
Rehabilitation Center
- Local 5037*  
Wood County Health  
Department
- Local 5038*  
West Allis Health  
Department
- Local 5039*  
Ridgewood Care Center
- Local 5040*  
Cumberland Memorial  
Hospital
- Local 5061*  
Brookside Care Center  
Kenosha County Division of  
Health
- Local 5068*  
Manitowoc County Health  
Department
- Local 5084*  
Columbia County  
Department of Health &  
Human Services

An affiliate of the  
American Federation  
of Teachers, AFL-CIO



1  
2  
3 2009-2011 2012

4 AGREEMENT

5 BETWEEN

6 COUNTY OF MILWAUKEE

7 AND

8 FEDERATION OF NURSES AND HEALTH PROFESSIONALS

9 LOCAL 5001, AFT, AFL-CIO

10 1.04 DURATION OF AGREEMENT

11 (1) The provisions of this Agreement shall become effective January 1, ~~2009~~ 2012, unless  
12 otherwise herein provided. Unless otherwise modified or extended by mutual agreement of  
13 the parties, this Agreement shall expire on December 31, ~~2011~~ 2012. If during the term of  
14 this Agreement the State Legislature modifies the educational requirements for the licensure  
15 of Registered Nurses, the County agrees to meet with the Federation for the singular  
16 purpose of negotiating the impact of such legislative action on wages, hours and conditions  
17 of employment.

18  
19 2.01 WAGES

20 ~~(1) Effective Pay Period One (1) 2010, (December 27, 2009) wages of bargaining unit~~  
21 ~~employees shall be increased by one and one quarter percent (1.25%).~~

22 ~~(2) Effective Pay Period Fourteen (14) 2010, (June 27, 2010) wages of bargaining unit~~  
23 ~~employees shall be increased by one percent (1%).~~

24 ~~(3) Effective Pay Period One (1) 2011, (December 26, 2010) wages of bargaining unit~~  
25 ~~employees shall be increased by one and one quarter percent (1.25%).~~

26 ~~(4) Effective Pay Period Fourteen (14) 2011, (June 26, 2011) wages of bargaining unit~~  
27 ~~employees shall be increased by one percent (1%).~~

28 ~~(1)(5)~~ The adjusted salary schedules are detailed in Appendix B.

29 ~~(2)(6)~~ The County may reopen the Agreement at any time during its term for the sole purpose of  
30 discussing economic benefits.

31 ~~(3)(7)~~ The following formula is established for payment of steps in the range to employees:

| <u>Years of Recent Experience</u> | <u>Hiring Step</u> |
|-----------------------------------|--------------------|
| 0 - 1                             | First Step         |
| 1 - 2                             | Second Step        |

|   |                   |             |
|---|-------------------|-------------|
| 1 | 2 - 3             | Third Step  |
| 2 | 3 - 4             | Fourth Step |
| 3 | More than 4 years | Fifth Step  |

4 This formula is not applicable to the new classifications of Occupational Therapists and  
5 Music Therapists

6 ~~(4)(8)~~ Payment of steps in the range other than as above requires the approval of the Director of  
7 Human Resources.

8 ~~(5)(9)~~ The Federation of Nurses and Health Professionals shall be notified of any petition of the  
9 Director of Human Resources to modify or deviate from the above formula.

10 ~~(6)(10)~~ Employees hired at a step in the pay range higher than the first on account of certified  
11 experience shall be paid the appropriate rate from date of hire.

12 ~~(7)(11)~~ Employees shall advance from one step in the range to the next higher step based upon  
13 meritorious performance at each step of at least 2,080 hours of straight time hours  
14 worked and upon completion of a performance appraisal by the appointing authority or  
15 designee. Effective January 01, 2012, all step increases provided for in Chapter 17 of the  
16 Milwaukee County General Ordinances are eliminated for a twelve (12) month period.

17 ~~(12) Effective Pay Period Thirteen (13) 2010, (June 13, 2010), pay range 26NT is created with~~  
18 ~~the following steps:~~

| <u>Step</u> | <u>Hourly Pay</u> |
|-------------|-------------------|
| 1           | 26.59             |
| 2           | 27.79             |
| 3           | 29.04             |
| 4           | 30.34             |
| 5           | 31.71             |

25 ~~(13) Effective Pay Period Thirteen (13) 2010, (June 13, 2010), all positions of Occupational~~  
26 ~~Therapists 1 (pay range 18NT), Occupational Therapists 2 (pay range 22NT), and~~  
27 ~~Occupational Therapists 3 (pay range 24NT) shall be re-titled to Occupational Therapist~~  
28 ~~and reallocated to pay range 26NT. Placement of employees into the new pay range shall~~  
29 ~~be in accordance with (15) below.~~

30 ~~(14) Effective Pay Period Thirteen (13) 2010, (June 13, 2010), all Employees in the~~  
31 ~~classifications of Music Therapists 1 (pay range 18NT), and Music Therapists 2 (pay~~  
32 ~~range 22NT) shall be re-titled to Music Therapist and reallocated to pay range 26NT.~~  
33 ~~Placement of employees into the new pay range shall be in accordance with (15) below.~~

1 (15) ~~The following formula is established for initial payment of steps in pay range 26NT to~~  
2 ~~employees moving into the classifications of Occupational Therapists and Music~~  
3 ~~Therapists in 2010:~~

|                  |                                    |                  |                        |
|------------------|------------------------------------|------------------|------------------------|
| <del>_____</del> | <del>Years of County Service</del> | <del>_____</del> | <del>Hiring Step</del> |
| <del>_____</del> | <del>Under Five (5) Years</del>    | <del>_____</del> | <del>First Step</del>  |
| <del>_____</del> | <del>Between 5 to 10 Years</del>   | <del>_____</del> | <del>Second Step</del> |
| <del>_____</del> | <del>Over Ten (10) Years</del>     | <del>_____</del> | <del>Third Step</del>  |

8 (16) ~~Effective January 1, 2010, all employees that are in classifications in Pay Range~~  
9 ~~17NZ will be reallocated to Pay Range 18N upon the beginning of the following~~  
10 ~~pay period upon reaching their merit date. Current incumbents of positions in~~  
11 ~~classifications in Pay Range 17NZ will be moved to the step in Pay Range 18N~~  
12 ~~that provides at least a ten cent (\$0.10) per hour increase in pay. Effective~~  
13 ~~December 31, 2010, Pay Range 17NZ will be abolished.~~

## 15 2.02 OVERTIME

16 (1) Overtime shall be defined as hours worked in excess of ~~8 per day or~~ forty (40) per week  
17 for all bargaining unit employees. Overtime shall be compensated or liquidated at time  
18 and one-half unless otherwise specified in this Contract.

## 20 2.11 RETIREMENT SYSTEM

21 (14) For all employees who became members of the employees retirement system after  
22 January 1, 1971, all pension service credit earned on and after January 1, 2012 shall be  
23 credited in an amount equal to 1.6% of the member's final average salary, who at the  
24 time the service credit is earned, is covered by the terms of this agreement.

25 (15) An employee whose initial membership in the retirement system began on or after  
26 January 1, 2012 and began while covered by the terms of this agreement shall be eligible  
27 for a normal pension if his or her employment is terminated on or after he or she has  
28 attained age fifty-five (55) and has completed thirty (30) years of service, or if his or her  
29 employment is terminated on or after he or she has attained age sixty-four (64).

30 (16) Mandatory employee contributions.

31 (a) Each employee of the Employees' Retirement System, shall contribute to the  
32 retirement system a percentage of the "Member's Compensation" according to (b).  
33 "Member Compensation" shall include all salaries and wages of the member,  
34 except for the following: overtime earned and paid; any expiring time paid such

1 as overtime, and holiday; and injury time paid; and any supplemental time paid  
2 such as vacation or earned retirement.

3 (b) Contribution percentage: The percentage shall be as follows: When authorized  
4 by State Law or effective January 1, 2012, whichever is later, a contribution of  
5 one-half (1/2) of the Annual Required Contribution (ARC) to the Employees'  
6 Retirement System or, in the absence of State Law, effective January 1, 2012, a  
7 four percent (4%) employee contribution to the Employees' Retirement System.

8  
9 2.20 EMPLOYEES' HEALTH AND DENTAL BENEFITS

10 (1) Health and Dental Benefits shall be provided for in accordance with the terms and  
11 conditions of the current Plan Document and the Group Administrative Agreement  
12 for the Milwaukee County Health Insurance Plan or under the terms and  
13 conditions of the insurance contracts of those Managed Care Organizations  
14 (Health Maintenance Organizations or HMO) approved by the County.

15 (2) Eligible employees may choose health benefits for themselves and their  
16 dependents under a Preferred Provider Organization (County Health Plan or PPO)  
17 or HMO approved by the County.

18 (3) All eligible employees enrolled in the PPO or HMO shall pay a monthly amount toward  
19 the monthly cost of health insurance as described below:

20 (a) ~~Effective January of 2009, employees enrolled in the PPO shall pay seventy-five~~  
21 ~~dollars (\$75.00) per month toward the monthly cost of a single plan and one~~  
22 ~~hundred fifty dollars (\$150.00) per month toward the monthly cost of a family~~  
23 ~~plan.~~

24 (b) ~~Effective January of 2010, employees enrolled in the PPO shall pay ninety dollars~~  
25 ~~(\$90.00) per month toward the monthly cost of a single plan and one hundred~~  
26 ~~eighty dollars (\$180.00) per month toward the monthly cost of a family plan.~~

27 (c) ~~Effective January of 2011~~2012, employees enrolled in the PPO shall pay ~~one~~  
28 ~~hundred ten dollars (\$110.00)~~ seventy-five dollars (\$75.00) per month toward the  
29 monthly cost of a single plan and ~~two hundred twenty dollars (\$220.00)~~ one  
30 hundred fifty dollars (\$150.00) per month toward the monthly cost of a family  
31 plan.

1 ~~(d)~~ Effective January of 2009, employees enrolled in the HMO shall pay thirty five  
2 dollars (\$35.00) per month toward the monthly cost of a single plan and seventy  
3 dollars (\$70.00) per month toward the monthly cost of a family plan.

4 ~~(e)~~ Effective January of 2010, employees enrolled in the HMO shall pay fifty dollars  
5 (\$50.00) per month toward the monthly cost of a single plan and one hundred  
6 dollars (\$100.00) per month toward the monthly cost of a family plan.

7 ~~(f)~~(b) Effective January of ~~2011~~ 2012, employees enrolled in the HMO shall pay  
8 ~~seventy dollars (\$70.00)~~ seventy-five dollars (\$75.00) per month toward the  
9 monthly cost of a single plan and ~~one hundred forty dollars (\$140.00)~~ one  
10 hundred fifty dollars (\$150.00) per month toward the monthly cost of a family  
11 plan.

12 ~~(g)~~(c) The appropriate payment shall be made through 24 equal payroll deductions.  
13 When there are not enough net earnings to cover such a required contribution, and  
14 the employee remains eligible to participate in a health care plan, the employee  
15 must make the payment due within ten working days of the pay date such a  
16 contribution would have been deducted. Failure to make such payment will cause  
17 the insurance coverage to be canceled effective the first of the month for which  
18 the premium has not been paid.

19 ~~(h)~~(d) The County shall deduct employees' contributions to health insurance on a pre-tax  
20 basis pursuant to a Section 125 Plan. Other benefits may be included in the  
21 Section 125 Plan as mutually agreed upon by the County and the Union. Such  
22 agreement would be by collateral agreement to this contract.

23 ~~(i)~~(e) The County shall establish and administer Flexible Spending Accounts (FSA's) for  
24 those employees who desire to pre-fund their health insurance costs as governed by  
25 IRS regulations. The County retains the right to select a third party administrator.

26 (4) In the event an employee who has exhausted accumulated sick leave is placed on leave of  
27 absence without pay status on account of illness, the County shall continue to pay the  
28 monthly cost or premium for the Health Plan chosen by the employee and in force at the  
29 time leave of absence without pay status is requested, if any, less the employee  
30 contribution during such leave for a period not to exceed one (1) year. The 1-year period  
31 of limitation shall begin to run on the first day of the month following that during which  
32 the leave of absence begins. An employee must return to work for a period of sixty (60)  
33 calendar days with no absences for illness related to the original illness in order for a new  
34 1-year limitation period to commence.

- 1 (5) Where both husband and wife are employed by the County, either the husband or the wife  
2 shall be entitled to one family plan. Further, if the husband elects to be the named  
3 insured, the wife shall be a dependent under the husband's plan, or if the wife elects to be  
4 the named insured, the husband shall be a dependent under the wife's plan. Should  
5 neither party make an election the County reserves the right to enroll the less senior  
6 employee in the plan of the more senior employee.
- 7 (6) Coverage of enrolled employees shall be in accordance with the monthly enrollment  
8 cycle administered by the County.
- 9 (7) Eligible employees may continue to apply to change their health plan to one of the  
10 options available to employees on an annual basis. This open enrollment shall be held at  
11 a date to be determined by the County and announced at least forty-five (45) days in  
12 advance.
- 13 (8) The County shall have the right to require employees to sign an authorization enabling  
14 non-County employees to audit medical and dental records. Information obtained as a  
15 result of such audits shall not be released to the County with employee names unless  
16 necessary for billing, collection, or payment of claims.
- 17 (9) The County reserves the right to terminate its contracts with its health plans and enter  
18 into a contract with any other administrator. The County may terminate its contract  
19 with its current health plan administrator and enter into a replacement contract with any  
20 other qualified administrator or establish a self-administered plan provided:
- 21 (a) That the cost of any replacement program shall be no greater to individual  
22 group members than provided in par. (3) above immediately prior to  
23 making any change.
- 24 (b) That the coverages and benefits of such replacement program shall remain  
25 the same as the written Plan Document currently in effect for employees  
26 ~~and retirees~~.
- 27 (c) Prior to a substitution of a Third Party Administrator (TPA)  
28 or implementing a self-administered plan, the County agrees to provide the  
29 Union with a full 60 days to review any new plan and/or TPA.
- 30 (10) The County reserves the right to establish a network of Preferred Providers. The  
31 network shall consist of hospitals, physicians, and other health care providers  
32 selected by the County. The County reserves the right to add, modify or delete  
33 any and all providers under the Preferred Provider Network.

- 1 (11) Upon the death of any retiree, only those survivors eligible for health insurance  
2 benefits prior to such retiree's death shall retain continued eligibility for the  
3 Employee Health Insurance Program.
- 4 (12) Employees hired after September 27, 1995, may upon retirement opt to continue  
5 their membership in the County Group Health Benefit Program upon payment of  
6 the full monthly cost.
- 7 (13) All eligible employees enrolled in the PPO or HMO shall have a deductible equal  
8 to the following:
- 9 (a) ~~The in-network deductible shall be one hundred fifty dollars (\$150.00) per~~  
10 ~~insured, per calendar year; four hundred fifty dollars (\$450.00) per family,~~  
11 ~~per calendar year. The in-network deductible for the PPO shall be five~~  
12 ~~hundred dollars (\$500.00) per insured, per calendar year; one thousand~~  
13 ~~dollars (\$1,000.00) for a two-member family, per calendar year; or one~~  
14 ~~thousand five hundred dollars (\$1,500.00) for a three-member or more~~  
15 ~~family, per calendar year.~~  
16 (b) ~~The out-of-network deductible shall be four hundred dollars (\$400.00) per~~  
17 ~~insured, per calendar year; one thousand two hundred dollars (\$1,200.00) per~~  
18 ~~family, per calendar year. The out-of-network deductible for the PPO shall be one~~  
19 ~~thousand dollars (\$1,000.00) per insured, per calendar year; two thousand dollars~~  
20 ~~(\$2,000.00) for a two-member family, per calendar year; or three thousand dollars~~  
21 ~~(\$3,000.00) for a three-member or more family, per calendar year.~~  
22 (c) ~~The deductible for the HMO shall be five hundred dollars (\$500.00) per insured,~~  
23 ~~per calendar year; one thousand dollars (\$1,000.00) for a two-member family, per~~  
24 ~~calendar year; one thousand five hundred dollars (\$1,500.00) for a three or more~~  
25 ~~member family, per calendar year.~~  
26 (d) ~~Co-payments do not apply towards meeting deductibles for the HMO or PPO.~~
- 27 (14) All eligible employees and/or their dependents enrolled in the PPO shall be subject to a  
28 ~~twenty dollar (\$20.00) thirty dollar (\$30.00) in-network office visit co-payment or forty~~  
29 ~~dollar (\$40.00) sixty dollar (\$60.00) out-of-network office visit co-payment for all illness~~  
30 ~~or injury related office visits. The in-network office visit co-payment shall not apply to~~  
31 ~~preventative care, which includes prenatal, baby-wellness, and physicals, as determined~~  
32 ~~by the plan.~~
- 33 (15) All eligible employees and/or their dependents enrolled in the PPO shall be subject to a

1 co-insurance co-payment after application of the deductible and/or office visit co-  
2 payment.

3 (a) The in-network co-insurance co-payment shall be equal to ten percent (10.00%)  
4 of all charges subject to the applicable out-of-pocket maximum,

5 (b) ~~The out-of-network co-insurance co-payment shall be equal to twenty percent~~  
6 ~~(20.00%) of all charges subject to the applicable out-of-pocket maximum,~~

7 (c) ~~Effective January of 2010, the out-of-network co-insurance co-payment shall be~~  
8 ~~equal to thirty percent (30.00%) of all charges subject to the applicable out-of-~~  
9 ~~pocket maximum.~~

10 (c) Co-insurance does not apply to those services that require a fixed amount co-  
11 payment.

12 (d) The in-network co-insurance shall not apply to preventative care, as determined  
13 by the plan.

14 (16) All eligible employees enrolled in the PPO shall be subject to the following out-of-pocket  
15 expenses including any applicable deductible and percent co-payments to a calendar year  
16 maximum of:

17 (a) ~~one thousand five hundred dollars (\$1,500.00)~~ two thousand five hundred dollars  
18 (\$2,500.00) in-network under a single plan.

19 (b) ~~two thousand five hundred dollars (\$2,500.00)~~ five thousand dollars (\$5,000.00)  
20 in-network under a family plan.

21 (c) ~~three thousand dollars (\$3,000.00)~~ five thousand dollars (\$5,000.00) out-of-  
22 network under a single plan.

23 (d) ~~five thousand dollars (\$5,000.00)~~ seven thousand five hundred dollars (\$7,500.00)  
24 out-of-network under a family plan.

25 (e) Office visit co-payments are not limited and do not count toward the calendar  
26 year out-of-pocket maximum(s).

27 (f) Charges that are over usual and customary do not count toward the calendar year  
28 out-of-pocket maximum(s).

29 (g) Prescription drug co-payments do not count toward the calendar year out-of-  
30 pocket maximum(s).

31 (h) Other medical benefits not described in 16 (e), (f), and (g) shall be paid by the  
32 County at 100% after the calendar year out-of-pocket maximum(s) has been  
33 satisfied.

34 (17) All eligible employees and/or their dependents enrolled in the PPO shall pay a ~~fifty dollar~~

1 ~~(\$50.00)~~ one hundred fifty dollar (\$150.00) emergency room co-payment in-network or  
2 out-of-network. The co-payment shall be waived if the employee and/or their dependents  
3 are admitted directly to the hospital from the emergency room. In-network and out-of-  
4 network deductibles and co-insurance percentages apply.

5 (18) All eligible employees and/or their dependents enrolled in the PPO or HMO shall pay the  
6 following for a thirty (30) day prescription drug supply at a participating pharmacy:

7 (a) Five dollar (\$5.00) co-payment for all generic drugs.

8 (b) ~~Twenty dollar (\$20.00)~~ Thirty dollar (\$30.00) co-payment for all brand name  
9 drugs on the formulary list.

10 (c) ~~Forty dollar (\$40.00)~~ Fifty dollar (\$50.00) co-payment for all non-formulary  
11 brand name drugs.

12 (d) Non-legend drugs may be covered at the five dollar (\$5.00) generic co-payment  
13 level at the discretion of the plan.

14 (e) ~~Twenty dollar (\$20.00)~~ co-payment for all diabetic covered supplies.

15 (f) ~~Mail order is mandatory for all maintenance drugs. There is no coverage for~~  
16 maintenance drugs filled at retail pharmacy after the third fill.

17 (g) ~~Co-payments for mail order maintenance drugs is the same as retail but for a 90-~~  
18 day supply.

19 (e)(h) The plan shall determine all management protocols.

20 (19) All eligible employees and/or their dependents enrolled in the HMO shall be subject to a  
21 ~~ten dollar (\$10.00)~~ twenty dollar (\$20.00) office visit co-payment for all illness or injury  
22 related office visits. The office visit co-payment shall not apply to preventative care, as  
23 determined by the plan. ~~The County and/or the plan shall determine preventative care.~~

24 (20) All eligible employees and/or their dependents enrolled in the HMO shall pay a one  
25 hundred dollar (\$100.00) co-payment for each in-patient hospitalization. ~~There is a~~  
26 ~~maximum of five (5) co-payments per person, per calendar year.~~

27 (21) All eligible employees and/or their dependents enrolled in the HMO shall pay fifty  
28 percent (50.0%) co-insurance on all durable medical equipment to a maximum of fifty  
29 dollars (\$50.00) per appliance or piece of equipment.

30 (22) All eligible employees and/or their dependents enrolled in the HMO shall pay a ~~fifty~~  
31 ~~dollar (\$50.00)~~ one hundred fifty dollar (\$150.00) emergency room co-payment (facility  
32 only). The co-payment shall be waived if the employee and/or their dependents are  
33 admitted to the hospital directly from the emergency room.

34 (23) In accordance with Wisconsin Act 218 that was passed by the State of Wisconsin in

1 2010, mental health care for all eligible employees and/or their dependents shall be  
2 provided in the same manner as regular health care as describe in section 17.14(7). As  
3 such, all co-payments, co-insurance, deductibles, and out-of-pocket maximums shall  
4 apply accordingly. All eligible employees and/or their dependents Benefits for the in-  
5 patient and out-patient treatment of mental and nervous disorders, alcohol and other drug  
6 abuse (AODA) are as follows:

7 ~~(a) If the employee and the dependent use an in-patient PPO facility, benefits are~~  
8 ~~payable at eighty percent (80.0)% of the contracted rate for thirty (30) days as long~~  
9 ~~as the PPO approves both the medical necessity and appropriateness of such~~  
10 ~~hospitalization.~~

11 ~~(b) If the employee and the dependent use a non-PPO facility, benefits are payable at~~  
12 ~~fifty percent (50.0%) of the contracted rate for a maximum of thirty (30) days. The~~  
13 ~~hospitalization is still subject to utilization review for medical necessity and~~  
14 ~~medical appropriateness.~~

15 ~~(c) The first two (2) visits of outpatient treatment by network providers will be~~  
16 ~~reimbursed at one hundred percent (100.0%) with no utilization review required.~~  
17 ~~Up to twenty five (25) further visits for outpatient treatment when authorized by~~  
18 ~~the PPO, will be reimbursed at ninety five percent (95.0%) of the PPO contracted~~  
19 ~~rate. In addition, when authorized by the PPO, up to thirty (30) days per calendar~~  
20 ~~year, per insured, of day treatment or partial hospitalization shall be paid at ninety~~  
21 ~~five percent (95.0%) of the contracted rate for all authorized stays at PPO facilities.~~

22 ~~(d) The first fifteen (15) visits of out-patient treatment authorized by the PPO but not~~  
23 ~~provided by a PPO provider shall be paid at fifty percent (50.0%) of the contracted~~  
24 ~~rate for all medically necessary and appropriate treatment as determined by the~~  
25 ~~PPO. When authorized by the PPO, up to thirty (30) days per calendar year, per~~  
26 ~~insured, of day treatment or partial hospitalization shall be paid at fifty percent~~  
27 ~~(50.0%) of the contracted rate for all authorized stays at non-PPO facilities.~~

28 (24) Each calendar year, the County shall pay a cash incentive of five hundred dollars  
29 (\$500.00) per contract (single or family plan) to each eligible employee who elects to dis-  
30 enroll or not to enroll in a Milwaukee County Health Plan. Any employee who is hired on  
31 and after January 1, and who would be eligible to enroll in health insurance under the  
32 present County guidelines who chooses not to enroll in a Milwaukee County health plan  
33 shall also receive five hundred dollars (\$500.00). Proof of coverage in a non-Milwaukee  
34 County group health insurance plan must be provided in order to qualify for the five

1 hundred dollars (\$500.00) payment. Such proof shall consist of a current health  
2 enrollment card.

3 (a) The five hundred dollars (\$500.00) shall be paid on an after tax basis. When  
4 administratively possible, the County may convert the five hundred dollars  
5 (\$500.00) payment to a pre-tax credit which the employee may use as a credit  
6 towards any employee benefit available within a flexible benefits plan.

7 (b) The five hundred dollars (\$500.00) payment shall be paid on an annual basis by  
8 payroll check no later than April 1st of any given year to qualified employees on  
9 the County payroll as of January 1st. An employee who loses his/her non-  
10 Milwaukee County group health insurance coverage may elect to re-join the  
11 Milwaukee County Conventional Health Plan. The employee would not be able  
12 to re-join an HMO until the next open enrollment period. The five hundred  
13 dollars (\$500.00) payment must be repaid in full to the County prior to coverage  
14 commencing. Should an employee re-join a health plan he/she would not be  
15 eligible to opt out of the plan in a subsequent calendar year.

16 (25) The County shall implement a disease management program. Such program shall be  
17 designed to enhance the medical outcome of a chronic illness through education,  
18 treatment, and appropriate care. Participation in the program by the patient shall be  
19 strictly voluntary, and the patient can determine their individual level of involvement.  
20 Chronic illness shall be managed through a variety of interventions, including but not  
21 limited to contacts with patient and physician, health assessments, education materials,  
22 and referrals. The County shall determine all aspects of the disease management  
23 program.

24 (26) The County shall provide a Dental Insurance Plan equal to and no less than is currently  
25 available to employees. Bargaining unit employees hired on or after September 8, 1989  
26 and each eligible employee enrolled in the Milwaukee County Dental Benefit Plan shall  
27 pay two dollars (\$2.00) per month toward the cost of a single plan, or six dollars (\$6.00)  
28 per month toward the cost of a family plan. Employees may opt not to enroll in the  
29 Dental Plan.

30 (27) Effective January 2012, active employees with health care benefits (those who pay  
31 monthly health care premiums) will receive an automatic contribution to a Flexible  
32 Spending Account (FSA) of \$500 for single and \$1,500 for family plans. Unused FSA  
33 monies at the end of the year will flow back to Milwaukee County.

34 (28) If any of the preceding provision in Section 2.20 are modified in Chapter 17.14 (7) of the

1                   Milwaukee County Code of General Ordinances, as a result of the 2012 Milwaukee  
2                   County Adopted Budget, the provisions of Chapter 17.14 (7) shall apply to this section.  
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(ITEM ) From Interim Director, Department of Labor Relations, submitting documents relating to the tentative agreement with Federation of Nurses and Health Professionals Local 5001, AFT, AFL-CIO, by recommending adoption of the following:

**A RESOLUTION**

WHEREAS, the negotiation staff of the Personnel Committee of the Milwaukee County Board of Supervisors and the Federation of Nurses and Health Professionals Local 5001, AFT, AFL-CIO, have reached agreements on all issues relating to wages, hours, and conditions of employment for employees in the bargaining unit represented by Federation of Nurses and Health Professionals Local 5001, AFT, AFL-CIO, and for the period January 1, 2012 through December 31, 2012, modifying the previous agreement in the following respects:

- (1) Providing for the termination of the Agreement on December 31, 2012.
- (2) Providing for no cost of living increase.
- (3) Providing for effective January 01, 2012, all step increases provided for in Chapter 17 of the Milwaukee County General Ordinances are eliminated for a twelve (12) month period
- (4) Providing for a change in overtime in that overtime shall be defined as only forty hours worked in a week.
- (5) Providing for effective January 1, 2012 pension service credit shall be defined as 1.6% of a member's final average salary.
- (6) Providing for new employee hired after January 1, 2012 the normal retirement age will be at age 64.
- (7) When authorized by State Law or effective January 1, 2012, whichever is later, providing for a mandatory employee contribution of one-half (1/2) of the Annual Required Contribution (ARC) to the Employee' Retirement system or, in the absence of State Law, effective January 1, 2012, a four percent (4%) employee contribution to the Employees' Retirement System.
- (8) Providing for employees enrolled in the HMO and PPO shall pay \$75 per month towards the monthly cost of the single plan and \$150 per month towards the monthly cost of the family plan.
- (9) Providing for "and retirees" being struck from the Health Insurance provision of the labor agreement.
- (10) Providing a deductible for employees enrolled in the PPO and HMO. PPO in network deductible of \$500 for single/\$1,000 for a two person family/\$1,500 for a family, PPO out of network deductible \$1,000 for single/\$2,000 for a two person

- 42 family/\$3,000 for a family, HMO deductible \$500 for single/\$1,000 for a two  
43 person family/\$1,500 for a family.
- 44 (11) Providing increases to the PPO out of pocket maximum to \$2,500 in network under  
45 a single plan, \$5,000 in network under a family plan, \$5,000 out of network under  
46 a single plan, \$7,500 out of network under a family plan.
- 47 (12) Providing for an increased to the Emergency room co-payment for those in the  
48 HMO and PPO to \$150.
- 49 (13) Providing for an increase in prescription drug supply for brand name drugs to \$30,  
50 and for non-formulary brand name drugs to \$50, mail order is mandatory for all  
51 maintenance drugs.
- 52 (14) Providing for an increased co-payment for those enrolled in the HMO for office  
53 room visits to \$20.
- 54 (15) Providing for if any provision in Section 2.20 "Employee' Health and Dental  
55 Benefits" is modified in Chapter 17.17 (7) of the Milwaukee County Code of  
56 General Ordinances, as a result of the 2012 Milwaukee County Adopted Budget,  
57 the provisions of Chapter 17.17 (7) shall apply to this section.
- 58 (16) Amend the Health Insurance mental health care language to conform to State law.
- 59 (17) Providing for active Members with health care benefits (those who pay monthly  
60 health care premiums) an automatic contribution to a flexible spending account  
61 (FSA) of \$500 for single and \$1,500 for family plans. Unused FSA monies at the end  
62 of the year will flow back to Milwaukee County.

63

64 WHEREAS, such agreement was ratified by the membership of the Federation of  
65 Nurses and Health Professionals, Local 5001 on May XX, 2011; and

66

67 WHEREAS, the Committee on Finance and Audit, on May XX, 2011, recommended  
68 approval (vote X-X) of the Federation of Nurses and Health Professionals, Local 5001  
69 agreement; and

70

71 WHEREAS, the Committee on Personnel, on May ZZ, 2011, recommended  
72 approval (vote X-X) of the Federation of Nurses and Health Professionals, Local 5001  
73 agreement; now, therefore,

74

75 BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby approves  
76 the agreement on wages, benefits and conditions of employment with the Federation of  
77 Nurses and Health Professionals, Local 5001, which is incorporated herein by reference to  
78 this File No. 11-XXX, and hereby authorizes and directs the County Executive and the  
79 County Clerk to execute the agreement; and

80

81 BE IT FURTHER RESOLVED that the Director of the Department of Administration is  
82 hereby authorized and directed to prepare and submit appropriation transfer requests  
83 reflecting this agreement at a later date, if necessary.

This fiscal note was prepared by the Department of Administrative Services and submitted to the Department of Audit and County Board staff for review on June 8, 2011.

## FISCAL NOTE

The following provides a summary of the fiscal impact of the proposed **Federation of Nurses and Health Professionals (FNHP Union), Local 5001 contract agreement for the years 2012.** The impact estimates are inclusive of all wage-related negotiated items for title codes under the FNHP Union. The following estimates are based upon current personnel in the union and negotiated changes impacting the wages and other benefit costs. The actual fiscal impact may be greater than or less than the impact that is estimated below.

The following table presents the key wage and benefit elements of the proposed contract:

| <b>Table 1: Wage and Benefit Proposals</b>   |          |                                  |                              |
|--|----------|----------------------------------|------------------------------|
| <b>FNHP Contract 2012</b>  |          |                                  |                              |
| <b>Wage Rate Increases:</b>  |          |                                  | <b><u>Non-Rep Impact</u></b> |
| No wage rate increases proposed for 2012   |          |                                  |                              |
| <b>Step Freeze for One Year:</b>   |          | <b><u>Effective *</u></b>        |                              |
| Step increases shall be eliminated for a twelve month period.  | 1/8/2012 |                                  | 2010 & 2011                  |
| <b>Other Wage Related Items</b>  |          | <b><u>Effective *</u></b>        |                              |
| Overtime based only on hours worked over 40 hours in a week. Overtime for hours worked over 8 in a day is eliminated.  | 1/8/2012 | ✔                                | 2010                         |
| <b>Health Care Plan Changes</b>  |          | <b><u>Effective</u></b>          |                              |
| Increase PPO Out of Pocket Maximums for in-network and out-network by \$1,000 single, and \$2,500 family.  | 1/1/2012 |                                  | 2010 & 2011                  |
| Increase PPO and HMO Emergency Room Co-pay from \$50 to \$150  | 1/1/2012 |                                  | 2010 & 2011                  |
| Increase Prescrip Drug Co-Pay \$5/\$30/ \$50   | 1/1/2012 | ✔                                | 2011                         |
| Increase In-Network deductible to \$500/ \$1000/ \$1500 for PPO plans, Increase Out-Network deductible for PPO to \$1000/\$2000/\$3000, Increase Network deductible for HMO to \$500/\$1000/\$1500 | 1/1/2012 |                                  | 2010 & 2011                  |
| Incr PPO Office Visit Co-Pay to \$30/ \$60   | 1/1/2012 | ✔                                | 2011                         |
| Incr HMO Office Visit Co-Pay to \$20   | 1/1/2012 | ✔                                | 2011                         |
| FSA Contribution of \$500, \$1,000, and \$1,500 made by County to employee account depending on single, two-member, or family, respectively  | 1/1/2012 | ✔                                | 2011                         |
| Contract Health Coverage will only apply to employees (Nurse retirees will now follow health policies identified in County Ordinances)   | 1/1/2012 | ✔                                | 2010                         |
| <b>Employee Contributions to Health Insurance Premiums</b>   |          | <b><u>Effective 1/1/2012</u></b> |                              |
|  |          | <b><u>Single</u></b>             | <b><u>Family</u></b>         |
| PPO Plan 2012  | \$       | 75                               | \$ 150                       |
| HMO Plan 2012  |          | 75                               | 150                          |
| <b><u>Current Contribution Rates</u></b>   |          |                                  |                              |
| PPO Plan 2011  | \$       | 110                              | \$ 220                       |
| HMO Plan 2011  |          | 70                               | 140                          |



The following tables present the fiscal impact summary by year:

| <b>Table 2: Fiscal Impact by Year</b>      |  |                       |  |
|--|--|-----------------------|--|
| <b>FNHP Contract 2012</b>                  |  |                       |  |
|  |  | <b>2012</b>           |  |
| <b>Wage Related Items</b>                  |  |                       |  |
|  | Wage Rate Increases  | \$ -                  |  |
|  | Step Freeze for One Year   | (223,664)             |  |
|  | Overtime Eliminated for Hours Worked over 8 in a day   | (128,047)             |  |
| <b>Sub-Total Wages</b>                     |  | <b>(351,711)</b>      |  |
|  | 7.65% FICA   | (26,910)              |  |
|  | 8.90% Pension  | (31,300)              |  |
| <b>Sub-Total Wages, FICA &amp; Pension</b> |  | <b>(409,921)</b>      |  |
| <b>Health Care Plan Changes</b>            |  |                       |  |
|  | Increase PPO Out of Pocket Maximums (\$1,000 single, \$2,500 family)   | (51,240)              |  |
|  | Increase PPO and HMO Emergency Room Co-pay from \$50 to \$150  | (31,300)              |  |
|  | Increase Prescrip Drug Co-Pay to \$5/\$30/ \$50  | (22,200)              |  |
|  | Increase In-Network deductible to \$500/ \$1000/ \$1500 for PPO plans, Increase Out-Network deductible for PPO to \$1000/\$2000/\$3000, Increase Network deductible for HMO to \$500/\$1000/\$1500 | (293,400)             |  |
|  | Incr PPO Office Visit Co-Pay to \$30/ \$60   | (35,000)              |  |
|  | Incr HMO Office Visit Co-Pay to \$20   | (38,800)              |  |
|  | FSA Contribution of \$500, \$1,000, and \$1,500 made by County to employee account depending on single, two-member, or family, respectively  | 231,500               |  |
|  | Contract Health Coverage will only apply to employees (Nurse retirees will now follow health policies identified in County Ordinances)   |                       |  |
| <b>Contributions to Health Insurance</b>   |  |                       |  |
|  | PPO  | 39,900                |  |
|  | HMO  | (19,980)              |  |
| <b>Pension Plan Changes</b>                |  |                       |  |
|  | Decrease multiplier from 2.0% to 1.6%, after 1/1/2012  | (234,000)             |  |
|  | Increase retirement age from 60 to 64 - new employees after 1/1/2012   | (12,300)              |  |
|  | Provide for Employee Pension Contribution of approx 6%   | (860,388)             |  |
| <b>Total Wage and Benefit Change</b>       |  | <b>\$ (1,737,129)</b> |  |
| <b>Amounts Used in Calculations:</b>       |  |                       |  |
|  | Total Count of Employees   | 334                   |  |
|  | Full-time equivalents  | 248.0                 |  |
|  | Total calculated wages   | 17,494,168            |  |
|  | Average wage rate/hour   | \$ 34.60              |  |
|  | Total base wages   | \$ 17,845,879         |  |
|  | Annual Lift Pcntg Wages on base wage   | -1.97%                |  |
|  | Cumulative Lift Pcntg Wages on base wage   | -1.97%                |  |
|  | Annual Lift Pcntg All Costs on base wage   | -9.73%                |  |
|  | Cumulative Lift Pcntg All Costs on base wage   | -9.73%                |  |

**CHANGES IN PROPOSED OFFER:**

Following are the changes that are in the tentative contract agreement for FNHP:

**1. Wage rate increases – The tentative agreement calls for no wage increases:**

| Item | Date Effective | Percent Increase |
|------|----------------|------------------|
|      | None           |                  |

For purposes of this fiscal note, there are no wage increases. The last wage increases given to the Nurses were on December 26, 2010 for 1.25% and on June 26, 2011 for 1.00%. A total of four wage increases were included in the previous contract with the Nurses for 2009-2011. For 2011, the non-represented employees received a wage increase of 1% at mid-year and 1% increase at the end of 2011. These wage increases corresponded with an increase of employee contributions to the pension plan of 1% and 1%, as of the same dates.

The wage costs do not include the cost of step increases.

**2. Elimination of Step Increases for a One-Year Period**

The proposed agreement calls for the following changes:

| Item | Date Effective  | Drop Steps   | Annual Savings 2012 |
|------|-----------------|--|---------------------|
| 1    | January 1, 2012 | Upon effective date of step increases delay next step for one additional year. | (\$223,664)         |

There are 141 represented members that could be getting step increases for 2012. These members would be delayed from step increases for a one year period, which would provide savings of \$223,000. The average step increase is 3.3% over current wage rates. The step increases range from 1.7% to 7.0%.

**3. Overtime is eliminated for hours worked over 8 hours in a day.**

The proposed agreement calls for the following changes:

| Item | Date Effective  | Eliminate Overtime  | Annual Savings 2012 |
|------|-----------------|---|---------------------|
| 1    | January 1, 2012 | Eliminate requirement of overtime for hours worked over 8 in a day. | (\$128,047)         |

Approximately 8,700 hours of overtime were paid out based on the rule of over 8 hours in a day. These hours would now be paid out on a straight time basis, thus eliminating the overtime premium. The savings noted above is the overtime premium.

**4. Change in health care contributions for 2012**

The proposed agreement calls for the following changes:

| <u>Proposed Change to Active Health Plan</u>   | <u>Cost Savings</u> |
|--|---------------------|
| Increase PPO Out of Pocket Maximums (increase will be \$1,000 single, and \$2,500 family). In-network will be \$2,500 Single and \$5,000 family. Out-network will be \$5,000 single and \$7,500 family.                              | (\$51,240)          |
| Increase PPO and HMO Emergency Room Co-pay from \$50 to \$150  | (\$31,300)          |
| Increase Prescription Drug Co-Pay \$5/\$30/ \$50 (current plan is \$5/ \$20/ \$40)   | (\$22,200)          |
| Increase In-Network deductible to \$500/ \$1000/ \$1500 for PPO plan, Increase Out-Network deductible for PPO to \$1000/\$2000/\$3000, Increase network deductible for HMO to \$500/\$1000/\$1500 (no deductible previously for HMO) | (\$293,400)         |
| Increase PPO Office Visit Co-Pay to \$30/ \$60 (amount was \$20/ \$40)   | (\$35,000)          |
| Increase HMO Office Visit Co-Pay to \$20 (amount was \$0)  | (\$38,800)          |
| Provide for an Flexible Spending Account contribution to employees of \$500, \$1,000, \$1,500, depending on single, two-member, and family.  | \$231,500           |

There are currently 61 members who are in the County PPO plan and 192 members who are in the HMO plan. A cost estimate for this change was based on a report received from an outside actuary for purposes of the preparation of the 2011 budget. This estimate uses the 2010 costs and the factors provided by the outside actuary for each of the items noted above. The changes mirror the changes made for the non-represented employees during 2010 and 2011. In 2011, the active non-represented employees received a

Flexible Spending Account (FSA) contribution of \$500, \$1,000, or \$1,500 depending on single, couple, or family. This same provision is provided here for the Nurses.

The contract also contains a provision that if any health care changes are proposed for the 2012 budget, these changes will be automatically applied to the Nurses. The provision states the following. “If any of the preceding provisions in Section 2.20 (Health Care Provisions for Nurse Members) are modified in Chapter 17.14 (7) (Non-Represented Health Care Provisions) of the Milwaukee County Code of General Ordinances, as a result of the 2012 Milwaukee County Adopted Budget, the provisions of Chapter 17.14 (7) shall apply to this section.

**5. Change in Employee Contribution for Health Care:**

Table 1 is self-explanatory with regards to the changes in health care contributions by employees of the union. The new rates are a slight increase for HMO members and a decrease for PPO members.

**6. Changes in Pension Benefits**

The tentative agreement proposes the following changes to the pension plan:

| Item | Effective Date | Pension Plan  | Annual Cost Impact 2011 |
|------|----------------|---|-------------------------|
| 1    | 1/1/2012       | The annual multiplier on future years of pension service credits shall decrease from 2.0% to 1.6% | \$ (234,000)            |
| 2    | 1/1/2012       | The normal retirement age shall be increased from 60 to 64 for employees hired after 1/1/2012     | \$ (12,300)             |
| 3    | 1/1/2012       | Provide for an employee contribution to the ERS pension plan. (approximately 6% of wages)         | \$ (860,338)            |

On December 14, 2009, the Pension Study Commission reviewed an actuarial report from Buck Consultants, Inc. regarding the pension changes proposed for Chapter 201.24 of the Code of General Ordinances (Items 1 and 2). The following was stated in the report of the Pension Study Commission, “The actuarial review showed that the retirement age change and the multiplier change have the effect of decreasing the present value of future normal costs and decreasing the annual required contribution.” The pension changes provided for in the actuarial analysis of December 14, 2009, are the same pension changes provided to this union in the proposed contract. The December 14, 2009 actuarial cost savings, prepared by Buck Consultants, was used by DAS to determine a cost savings related to this union, for the same plan provision changes, with one slight change.

The proposal included in the Nurses contract does not eliminate the 25% salary bonus for any employee who began their employment with Milwaukee County Prior to January 1, 1982. This provision remains in effect and as a result, the 1.6% pension rate is equivalent to a 2.0% pension contribution. There are 14 members who this provision would effect.

The employee contribution is based on an actuarial analysis of the current Annual Required Contribution. The current wages of the employees were multiplied by 6% using the current contribution factor.

**Budgetary Fiscal Impact**

Based on the data provided in the previous tables, the following provides a summary of the budgetary fiscal impact for the year 2012:

| <b>Table 3: Budgetary Fiscal Impact</b>   |  |                             |  |
|---|--|-----------------------------|--|
| <b>FNHP Contract 2012</b>   |  |                             |  |
|   |  | <b>2012</b>                 |  |
| <b>Cost</b>   |  |                             |  |
| Wage Related Items  |  | \$ (409,921)                |  |
| Health Care Plan Changes  |  | (240,440)                   |  |
| Contributions to Health Insurance   |  | 19,920                      |  |
| Pension Plan Changes  |  | (1,106,688)                 |  |
|   |  | <u>                    </u> |  |
| <b>Total Cost</b>   |  | <u>(1,737,129)</u>          |  |
| <b>Funding Source</b>   |  |                             |  |
| Prior Year Funds  |  | -                           |  |
| Current Year Appropriations   |  | -                           |  |
|   |  | <u>                    </u> |  |
| Pension Budget Appropriations   |  | -                           |  |
| <b>Total Sources</b>  |  | <u>-</u>                    |  |
| <b>Additional Resources</b>   |  |                             |  |
|   |  |                             |  |
| <b>Required</b>   |  | <u>\$ (1,737,129)</u>       |  |
| The 2012 Budget has not been developed as of this date, so no funds are available or are being anticipated for the settlement of the Nurses's Contract. |  |                             |  |

**Wage and Benefit Lift for 2012**

The following table projects the cumulative dollar change and percentage lift in costs for the proposed contract. It includes costs for 2012, as previously shown in the other schedules. The 2012 budget year is included to illustrate the full impact of the proposed contract. No changes are expected between this table and the table previously shown.

| <b>Table 4: 2012 Cumulative Lift for 2012</b>              |  |  |  |                   |
|--|--|--|--|-------------------|
| <b>FNHP Contract 2012</b>                                  |  |  |  |                   |
|  |  |  | <i>As if all costs were annualized</i> |                   |
|  |  |  | <b>Final Offer</b>                     |                   |
|  |  |  | <b>Cumulative</b>                      | <b>Cumulative</b> |
|  |  |  | <b>Total Lift</b>                      | <b>Lift %</b>     |
| <b>Continuing Cost Increase (Decrease) Over Prior Year</b> |  |  |  |                   |
|  | Wage Rate Increases  |  | \$ -                                   | 0.00%             |
|  | Step Freeze for a one year period                                |  | (223,664)                              | -1.25%            |
|  | Overtime Basis eliminates overtime for work hours over 8 per day |  | (128,047)                              | -0.72%            |
|  | <b>Sub-total Wage Decrease</b>                                   |  | <b>(351,711)</b>                       | <b>-1.97%</b>     |
|  | FICA   |  | (26,910)                               | -0.15%            |
|  | Pension  |  | (31,300)                               | -0.18%            |
|  | <b>Total Decrease from Wages</b>                                 |  | <b>(409,921)</b>                       | <b>-2.30%</b>     |
|  | Health Care Plan Changes   |  | (240,440)                              | -1.35%            |
|  | Contributions to Health Insurance                                |  | 19,920                                 | 0.11%             |
|  | Pension Plan Changes   |  | (1,106,688)                            | -6.20%            |
|  | <b>Total Decrease From Benefits</b>                              |  | <b>(1,327,208)</b>                     | <b>-7.44%</b>     |
|  | <b>Total Decrease</b>  |  | <b>\$ (1,737,129)</b>                  | <b>-9.73%</b>     |
| <b>Drop as a Percentage of Base Wages</b>                  |  |  |  |                   |
|  | Annual Lift Percentage   |  |  | -9.73%            |
|  | Cumulative Lift Percentage                                       |  |  | -9.73%            |
|  | Base Wages   |  | \$ 17,845,879                          |                   |

**Administrative Costs Associated with Implementing this Contract**

To implement this contract, personnel in the Department of Administrative Services and IMSD will have to input the rate changes into the Ceridian HPW System. For wage rates, and health plan changes, the implementation will require internal time and effort. Health Plan Changes will be effectuated during the annual open enrollment process. The number of personnel hours to complete this task has not been determined yet, but other projects may be delayed to implement this contract.

*The above information was prepared by the Department of Administrative Services and will be reviewed by the Department of Audit and County Board Fiscal and Budget Analyst. A separate report will be issued by them based upon their review.*

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE : June 8, 2011

TO : Supervisor Joe Sanfelippo, Chair, Committee on Personnel  
Supervisor John Thomas, Chair, Committee on Finance and Audit

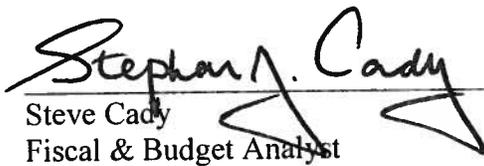
FROM : Steve Cady, Fiscal & Budget Analyst, County Board  
Jerome J. Heer, Director of Audits

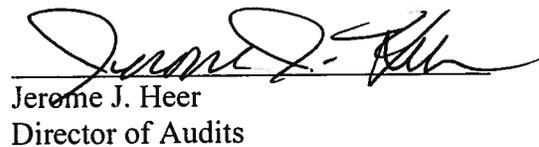
SUBJECT : Fiscal Note Review for the 2012 Contract between Milwaukee County and the Federation of Nurses and Health Professionals (FNHP Union), Local 5001

We have reviewed the fiscal note prepared by the Department of Administrative Services regarding the 2012 tentative agreement between County of Milwaukee and Federation of Nurses and Health Professionals.

We agree with the assumptions, methodologies and conclusions presented in the fiscal note.

If you have any questions, do not hesitate to call us.

  
Steve Cady  
Fiscal & Budget Analyst

  
Jerome J. Heer  
Director of Audits

cc: Members, Committees on Personnel and Finance and Audit  
Candace Richards, Acting Director, DAS – Human Resources Division  
Fred Bau, DAS – Labor Relations  
Cynthia Pahl, Acting Asst Fiscal and Budget Admin, DAS  
Carol Mueller, Committee Clerk, Committee on Finance and Audit  
Scott Manske, Controller, Department of Administrative Services  
Richard Ceschin, Research Analyst, County Board Staff  
Jodi Mapp, Committee Clerk, Committee on Personnel