

**INTEROFFICE COMMUNICATION
COUNTY OF MILWAUKEE**

DATE: September 19, 2011
TO: Lee Holloway, Chairman, County Board of Supervisors
FROM: Mark A. Grady, Deputy Corporation Counsel
Chair, Employee Benefits Workgroup
SUBJECT: Rule of 75 for nonrepresented employees

The Employee Benefits requests that this matter be referred to the Committee on Finance and Audit and to the Committee on Personnel. The matter should also be referred to the Pension Study Commission and to the Pension Board, as set forth below.

The County Board previously adopted ordinance amendments to prevent the potential for increased pension benefits under the Rule of 75 that could occur from the promotion of deputy sheriffs to nonrepresented deputy sheriff positions and from the creation of nonrepresented Correction Officer Lieutenant positions. Consistent with this adopted policy, the Employee Benefits Workgroup submits the attached proposed ordinance amendment. This amendment would have the same effect as the prior adopted amendments, but this amendment would affect any future change by any employee from a represented position to a nonrepresented position. This amendment limits eligibility for the Rule of 75 for nonrepresented employees to only those nonrepresented employees who are eligible for that benefit as of September 29, 2011. This amendment does not change the current pension benefits of any employee.

This change must be referred to the Pension Study Commission, under Chapter 200 of the ordinances, and to the Pension Board, under section 201.24(8.17) of the ordinances, for review, actuarial analysis, and comment prior to action by the County Board of Supervisors. A fiscal note will be completed once the actuarial report is received.

MARK A. GRADY
Deputy Corporation Counsel

Attachment

cc(w/att.): County Executive Chris Abele
Carol Mueller
Jodi Mapp

A RESOLUTION

To amend Sections 201.24(4.1) of the Milwaukee County Code of General Ordinances as it pertains to the "Rule of 75" for non-represented employees.

WHEREAS, nonrepresented employees and employees covered by a collective bargaining agreement with the Association of Milwaukee County Attorneys whose membership in the retirement system began prior to January 1, 2006 are eligible for a normal retirement when their age and years of pension service equal seventy-five (75), known as the "Rule of 75"; and

WHEREAS, employees covered by a collective bargaining agreement with the American Federation of State, County and Municipal Employees, with District No. 10 of the International Association of Machinists and Aerospace Workers, or with the Technicians, Engineers and Architects of Milwaukee County, are eligible for the Rule of 75 only if the employee's membership in the retirement system began prior to January 1, 1994; and

WHEREAS, employees covered by a collective bargaining agreement with the Federation of Nurses and Health Professionals are eligible for the Rule of 75 only if the employee's membership in the retirement system began prior to January 1, 1997; and

WHEREAS, because pension benefit entitlement is generally tied to the date of membership in the Employee's Retirement System of the County of Milwaukee, differences between the Ordinances and collective bargaining agreements currently permit some represented employees to qualify for an enhanced pension benefit under the Rule of 75 that they would not otherwise qualify for should those employees change from a represented position to a nonrepresented position; and

WHEREAS, the receipt of the Rule of 75 would represent a pension gain for such represented employees, as described above; and

WHEREAS, because of the past, current and future costs to Milwaukee County and its pension fund related to the Rule of 75, and because policymakers have clearly expressed in prior ordinance amendments their intent to limit the Rule of 75 benefit to those nonrepresented employees already eligible to receive it, it is appropriate and desirable to prevent any current employee from gaining that benefit; and

WHEREAS, limiting the Rule of 75 to those nonrepresented employees currently eligible for the Rule of 75 does not affect the current pension benefit of any member of the retirement system; and

WHEREAS, the Pension Study Commission reviewed the actuary's report on _____, _____, 2011 and has recommended the County Board adopt the proposed changes (Vote X-X); and

WHEREAS, the Pension Board was provided an opportunity to comment on the proposed change and its response has been received;

NOW THEREFORE

BE IT RESOLVED, the Milwaukee County Board of Supervisors hereby amends Section 201.24(4.1) of the Milwaukee County Code of General Ordinances by adopting the following:

AN ORDINANCE

The County Board of Supervisors of the County of Milwaukee does ordain as follows:

SECTION 1. Section 201.24(4.1) of the General Ordinances of Milwaukee County is amended as follows:

Section 4.1. Normal retirement.

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

(b) Notwithstanding the provisions of subparagraph (a), a member of the International Association of Machinists and Aerospace Workers whose initial membership date is before January 1, 2012 shall not be eligible for a normal pension until the member has attained normal retirement age as defined in section 2.18 and has completed five (5) years of service.

(c) Notwithstanding the provisions of subparagraph (a), a member of the Federation of Nurses and Health Professionals whose initial membership date is before January 1, 2012 shall not be eligible for a normal pension until the member has attained normal retirement age as defined in section 2.18 and has completed five (5) years of service.

(2) Rule of 75.

(a) A member who, on September 29, 2011, is employed and is not covered by the terms of a collective bargaining agreement, at the time his employment is terminated and whose initial membership in the retirement system under section 201.24 began prior to January 1, 2006, and who retires on and after September 1, 1993, shall be eligible for a normal pension when the age of the member when

added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5 nor to any nonrepresented deputy sheriff who was hired as a deputy sheriff after December 31, 1993 and whose appointment to a nonrepresented position was first effective after June 30, 2009, nor to a member who was formerly a represented correction officer who was hired as a correction officer after December 31, 1993 and who was appointed to a non-represented position effective after May 1, 2011.

(b) A member who, on September 29, 2011, is employed and is covered by the terms of a collective bargaining agreement with ~~of~~ the American Federation of State, County and Municipal Employees District Council 48, ~~or of~~ with the Technicians, Engineers and Architects of Milwaukee County, ~~or of~~ with the International Association of Machinists and Aerospace Workers, and whose initial membership date is prior to January 1, 1994, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

(c) A member who, on September 29, 2011, is employed and is covered by the terms of a collective bargaining agreement with ~~of~~ the Federation of Nurses and Health Professionals, and whose initial membership date is prior to January 1, 1997, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

(d) A member who, on September 29, 2011, is employed and is covered by the terms of a collective bargaining agreement with ~~of~~ the Association of Milwaukee County Attorneys, and whose initial membership date is prior to January 1, 2006, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

(e) A member who, on September 29, 2011, is employed and is covered by the terms of a collective bargaining agreement with ~~of~~ the Milwaukee Building and Construction Trades Council, and whose initial membership date is prior to February 21, 2006, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: September 19, 2011

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution amending section 201.24(4.1) pertaining to eligibility for the Rule of 75 of nonrepresented employees.

FISCAL EFFECT:

- No Direct County Fiscal Impact Increase Capital Expenditures
- Existing Staff Time Required Decrease Capital Expenditures
- Increase Operating Expenditures Increase Capital Revenues
(If checked, check one of two boxes below)
- Absorbed Within Agency's Budget Decrease Capital Revenues
- Not Absorbed Within Agency's Budget
- Decrease Operating Expenditures Use of contingent funds
- Increase Operating Revenues
- 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.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

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.¹ 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.

Approval of this Resolution will not change the current pension benefits for any employee and therefore will not have a fiscal impact on the County. Unknown fiscal savings are possible in the future depending on changes by an unknown number of employees from represented to nonrepresented positions. An actuarial report has been requested and will be submitted when received.

Department/Prepared By Corporation Counsel

Authorized Signature _____

Did DAS-Fiscal Staff Review? Yes X No

¹ 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.

September 15, 2011

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

Re: Actuary's Review of Non-Represented Employees Ordinance Amendment of Rule of "75" to the Employees' Retirement System

Dear Supervisor Cesarz:

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached, proposed ordinance amendment to Section 201.24(4.1) of the Milwaukee County Code of General Ordinances as it pertains to the "Rule of 75." Currently, there are various employee groups within the county which could become eligible for the "Rule of 75" if these groups become non-represented. This amendment, if adopted, would eliminate the "Rule of 75" for various represented members who become non-represented.

Actuarial Analysis

The ordinance amendment maintains "status-quo" in the Retirement System in the event that current represented members become non-represented. Specifically, the amendment provides that an employee who is eligible for the Rule of 75 on September 29, 2011 will maintain that eligibility regardless of any change in their position or any change in their union status; conversely, any employee who is not eligible for the Rule of 75 on that date will not become eligible regardless of any change in their position or any change in their union status. Because the amendment does not change any current employee's current eligibility for this benefit, there is no actuarial impact by adopting the proposed ordinance amendment.

There is an actuarial impact, however, if this proposed amendment *is not* adopted. If this amendment is not adopted, and some unknown number of employees changes their status at some unknown date in the future, Retirement System costs will increase. Because of the unknown circumstances regarding any employee's future changes in status, a projection of future savings cannot be calculated. In other similar circumstances, we have calculated a savings (see our report dated April 13, 2011). In this case, we have roughly estimated the impact of not adopting this amendment to be roughly \$10,000 to \$50,000 per member of affected groups that become non-represented and eligible for "Rule of 75," depending on the classification of the employees potentially involved.

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.

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
September 15, 2011
Page 2

Please call if you have any questions.

Sincerely,



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

LFL:pl
19150/C7236RET01-Review-Rule-75.doc

cc: Mark Grady
Marco Ruffini