

**INTEROFFICE COMMUNICATION
COUNTY OF MILWAUKEE**

DATE: November 22, 2011
TO: Lee Holloway, Chairman, County Board of Supervisors
FROM: Mark A. Grady, Deputy Corporation Counsel
SUBJECT: State Employees with County Pension Benefits

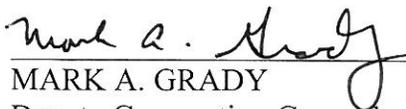
It is requested that this matter be referred to the Committee on Finance and Audit, the Committee on Personnel and the Pension Study Commission.

As you know, state legislation has transferred income maintenance (MiLES) and childcare (MECA) programs from the County to the State for administration. Sections 49.825 and 49.826 of the statutes provide that some of the county employees who have become state employees will retain membership in the County's retirement system. The statute also requires the State to reimburse Milwaukee County for the employer's share of the actuarial cost of membership related to these employees.

The County retirement system has defined membership to cover only County employees. The attached ordinance amendment modifies that definition to include those state employees who are members of the County retirement system as a result of the state legislation. This ordinance amendment is necessary to bring the ordinances into compliance with the state legislation and to ensure that the operation of the system matches the ordinances.

The Pension Board requests the adoption of this ordinance. I am attaching the Pension Board's comment.

An actuarial report has been requested for the Pension Study Commission review.



MARK A. GRADY
Deputy Corporation Counsel

Attachment

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

1
2 **By Supervisor**

Res. File 11-
Journal,

3
4
5 **A RESOLUTION**

6
7 To amend Section 201.24(2.4) of the Milwaukee County General
8 Ordinances.

9
10 WHEREAS, the Employees' Retirement System of the County of
11 Milwaukee ("ERS") is a tax-qualified governmental retirement plan that must
12 comply with the applicable provisions of the Internal Revenue Code of 1986 (the
13 "Code"); and

14
15 WHEREAS, the Pension Board of the Employees' Retirement System of
16 the County of Milwaukee (the "Pension Board") serves as a fiduciary for and
17 oversees administration of ERS, and as such, seeks to suggest amendments to
18 the Ordinances to preserve the tax-qualified status of ERS; and

19
20 WHEREAS, recently enacted state statutes have transferred some ERS
21 members from County employment to State employment while mandating or
22 allowing these individuals to remain members of ERS; and

23
24 WHEREAS, the Ordinance section 201.24(2.4) definition of "employee"
25 should be amended to clarify that the transferred individuals are included within
26 the definition; and

27
28 WHEREAS, the State reimburses the County for the actuarial cost of
29 membership, but pays the employees their compensation directly; and

30
31 WHEREAS, the Pension Board recommends enactment of this Ordinance
32 amendment; and

33
34 WHEREAS, pursuant to Section 201.24(8.17) of the Milwaukee County
35 Code of General Ordinances, the proposed changes have been referred to the
36 Pension Board and the Pension Board has been given thirty (30) days to
37 comment upon the proposed changes, and the Pension Board has repeated its
38 recommendation that the Ordinance be amended; and

39
40 WHEREAS, the proposed changes have been referred to the pension
41 fund actuary whose actuarial analysis indicates that the changes will have no
42 negative impact on the funding of ERS because the State will reimburse the
43 County for the actuarial cost of membership; and

45 WHEREAS, the Pension Study Commission reviewed the actuary's report
46 on _____, 2011 and has recommended that the County Board adopt the
47 proposed changes (Vote X-X); now therefore
48

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

53 AN ORDINANCE
54

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

58 **SECTION 1.** Section 201.24(2.4) of the General Ordinances of Milwaukee
59 County shall be revised to state in its entirety as follows:
60

61 Employe shall mean any person regularly employed by the county at an
62 annual wage or salary including any person who is employed by the state
63 but receives part of his/her wage or salary from the county, as well as any
64 person regularly employed by the state but who was previously employed
65 by the county and who has, pursuant to a state statute, continued to be a
66 member of ERS during such state employment and for whom the state
67 shall reimburse the county the employer required contributions related to
68 such employee's membership. In the event of a question arising as to the
69 right of any person in the service of the county to be classified as an
70 employe under this act, the decision of the board shall be final.
71

72 **SECTION 2.** The provisions of this ordinance shall be effective upon passage
73 and publication.
74

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: November 22, 2011

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: State employees receiving County pension benefits.

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 and Ordinance Amendment will broaden the definition of membership in the County Retirement System to include those state employees who are entitled to such membership as a result of state legislation. Membership is conditioned on the state's payment of the employer share of the contribution related to these employees. As a result, it is not expected that this amendment will have any cost for Milwaukee County. An actuarial report has been requested and will be provided upon receipt.

Department/Prepared By Corporation Counsel

Authorized Signature Mark A. Brady

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.

EMPLOYEES' RETIREMENT SYSTEM (ERS)



Milwaukee County

Pension Board

John M. Maier, J.D.
Chairman

Linda S. Bedford
Vice Chairman

Don Cohen
Keith Garland
David Sikorski
Jeffrey J. Mawicke
Dr. Sarah W. Peck

Gerald J. Schroeder
ERS Manager

SECRETARY'S CERTIFICATE

The Pension Board of the Employees' Retirement System of the County of Milwaukee ("Pension Board") adopted the following resolution at its regular monthly meeting held on November 16, 2011:

The Pension Board recommends enactment of the proposed Ordinance amendments to sections 201.24(2.4) of the Milwaukee County Code of General Ordinances modifying the definition of employee to clarify the status of individuals transferred to state employment, and waives the balance of its 30 day comment period provided for under section 201.24(8.17) of the Milwaukee County Code of General Ordinances. The Employees' Retirement System ("ERS") Manager estimates that implementation of the proposed Ordinance amendments would not result in additional cost to the System. The Pension Board believes that it is in the best interests of ERS for the County Board to adopt Ordinance amendments which clarify the intended operation of the Ordinances.

Dated: November 16, 2011.

Certified by:

A handwritten signature in blue ink that reads "Steven D. Huff".

Steven D. Huff, Secretary

Pension Board of the Employees'
Retirement System of the County
of Milwaukee

REINHART\8011607

December 6, 2011

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

Re: Actuary's Review of Proposed Amendment regarding State Employees Remaining in the Milwaukee County Employees' Retirement System

Dear Supervisor Cesarz:

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System (ERS) of State employees remaining in the ERS under the attached resolution. The resolution modifies the definition of an employee to allow for the inclusion of state employees as members when required by state statute and when the State provides reimbursement of the employer's share of the actuarial costs for those employees.

Actuarial Analysis

Because the impact differs from group to group, we have split this analysis into three groups: future affected employees, current MiLES employees and current MECA employees.

Future affected employees: The actuarial impact for future affected employees is pretty straight forward. The State will pay the actuarial costs for State employees remaining in ERS that might be covered by state legislation in the future. Thus, there will be no actuarial effect on Milwaukee County with respect to contribution costs for any such future employees.

Current MECA employees: Current MECA employees who have opted to remain members of ERS will see no change in the benefit they receive from ERS. What does change is that the State will now pay the employer's share of the actuarial costs of these employees. We previously developed the actuarial cost for a select group of MiLES State supervisory employees. We understand that the State reimburses the County for this cost. The legislation will now affect MECA employees similarly, but our methodology will not change.

Current MiLES employees: Unlike MECA and Future affected employees, current MiLES Employees will see a change in the benefits they are to receive under ERS. Under 49.825(4)(e) of the Wisconsin Statutes, when these members become vested they will stop participating in the ERS and will be transferred to the Wisconsin Retirement System. The impact on the ERS is that the liabilities held by ERS will be reduced. This is because we currently assume that most employees covered under ERS will work long beyond vesting and accrue much more than a vested benefit. Similar to all other affected employees, the state will pay the employer's share of the actuarial costs for State employees remaining in ERS.

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.

Please call if you have any questions.

Sincerely,



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

LFL:pl
19150/C7303RET01-State-Emp-Remaining-12-5-11.doc

cc: Mark Grady