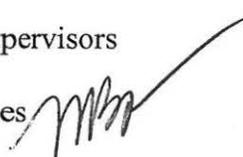




Department of Human Resources
Division of Employee Benefits

INTER-OFFICE COMMUNICATION

Date: September 24, 2013
To: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors
FROM: Marian Ninneman, ERS Manager – Department of Human Resources 
SUBJECT: **Report from the ERS Manager, Department of Human Resources, requesting an amendment to Ordinance section 201.24(3.11)**

Please refer the attached resolution and ordinance amendment to the Committee on Finance, Personnel and Audit and to the Pension Study Commission.

Background

To comply with state law, Ordinance section 201.24(3.11) requires ERS members to contribute to ERS a percentage of their compensation to fund a portion of their pension benefits.

If an ERS member terminates employment with the County, Ordinance section 201.24(3.11)(6)(a) requires any request for a refund of accumulated employee contributions to be made within 60 days of terminating County employment.

ERS has observed several challenges in administering the terms of the current Ordinance, including:

- Some ERS members have indicated that they were unaware of the deadline and did not receive the notice in a timely manner, resulting in requests for withdrawals after the stated deadline.
 - The circumstances of the end of an ERS member's employment may prevent ERS from providing timely notice.
 - Ordinance section 201.24(3.11)(6)(a) provides no exceptions to the 60-day deadline for requesting a refund, regardless of any extenuating circumstances.
- When an ERS member requests a refund of his or her employee contributions, the member receives a refund of all assets in his or her membership account because he or she will no longer be an ERS member following the refund. However, the Ordinances do not explicitly state that all assets will be refunded in this instance.

*Courthouse Room 210 901 North 9th Street, Milwaukee, WI 53233
Phone: (414) 278-4148 Fax: (414) 223-1379
www.county.milwaukee.gov/HumanResources*

Proposed Amendments

To address the issues observed in administering the current Ordinance, the Employee Benefits Division, Department of Human Resources requests the following amendments to section 201.24(3.11):

- Prospectively extend the deadline for requesting a refund of accumulated contributions from 60 to 180 days following termination of County employment.
 - Extending the deadline allows the Retirement Office adequate time to distribute the written notice to all members to ensure they are aware of the refund option.
 - Extending the deadline also allows members additional time to consider all options and determine whether requesting a refund is in their best interests.
- Require that notice be sent to all terminating employees via U.S. mail or its equivalent informing members of their right to request a refund of accumulated contributions within the time period set by Ordinance section 201.24(3.11)(6)(a).
 - ERS currently sends notice of the deadline to request a refund of accumulated contributions to former employees, although it is not required. Requiring the notice will improve the consistency of, and add credibility to, ERS's current practice.
- Restrict refunds of accumulated contributions to individuals who are not vested at the time of termination.
 - Currently, Ordinance section 201.24(3.11)(6)(a) permits vested members to receive a lump sum distribution of their membership accounts upon terminating County employment. Upon receiving a distribution, the vested member forfeits **all** ERS service credit and becomes ineligible for any ERS pension benefit (e.g., a vested employee may request one year of contributions, but forfeit 10 years of service).
 - The Ordinance amendment seeks to ensure that vested members will receive a benefit from ERS upon reaching retirement by not permitting the withdrawal of their employee contributions and thereby forfeiting their ERS service credit.
- Solely for the purpose of determining eligibility for a refund of accumulated contributions, the amendment would limit the service considered when determining the member's vested status to County service only. Other governmental service credit will continue to be considered as set forth in the Ordinances for other pension benefit purposes.

- A member would not have made contributions to ERS under Ordinance section 201.24(3.11) related to service with other entities (e.g., the State of Wisconsin, City of Milwaukee or military service). Accordingly, it follows that this service need not be counted for purposes of receiving a refund of accumulated contributions.
- The Ordinance amendment would permit the Pension Board or ERS to allow members to receive a refund after the deadline set forth in Ordinance section 201.24(3.11)(6)(a) if ERS and/or the Pension Board finds that the member did not receive timely notice.
 - The member bears the burden to demonstrate to the satisfaction of the Pension Board and/or ERS that he or she did not receive notice.

Further, changes to Ordinance section 201.24(3.5) are requested as follows:

- The Ordinance amendment clarifies that upon requesting a refund of contributions, a member will receive a refund of all amounts contained in the individual's membership account. However, the Ordinance recognizes that accumulated contributions will only be refunded if requested within the requirements of Ordinance section 201.24(3.11).
 - If a member does not request a refund, the member has the ability to return to ERS-eligible employment and continue to accrue a pension benefit.
 - All assets in the membership account will be refunded upon request for a refund of contributions made under 3.11 and 3.3.
 - Following receipt of a refund of accumulated contributions, individuals forfeit any ERS service credit and are no longer ERS members. Accordingly, these individuals should no longer have assets in their membership accounts.

cc: County Executive Chris Abele
 Amber Moreen, Chief of Staff, County Executive's Office
 Kelly Bablitch, Chief of Staff, County Board
 Don Tyler, Director of Administrative Services
 Scott Manske, Comptroller
 Paul Bargren, Corporation Counsel
 Mark Grady, Deputy Corporation Counsel
 Kerry Mitchell, Executive Director of Human Resources
 Steve Cady, Fiscal and Budget Analyst, County Board
 Janelle Jensen, Committee Clerk
 Jodi Mapp, Committee Clerk

September 25, 2013

Matthew Hanchek
Director of Benefits
Employees' Retirement System of the
County of Milwaukee
901 N. 9th St.
Milwaukee, WI 53233

RE: Actuary's Review of the Financial Impact of the Return of Employee Contributions to Non-Vested Terminated Employees

Dear Matt:

The Milwaukee County Benefits Division has requested that Buck Consultants estimate the cost of changing the refund of accumulated contributions requirement for non-vested terminated employees from a 60-day request to a 180-day request.

A change in the period during which an election can be made to request a refund of accumulated employee contributions from a 60-day period to a 180-day period would result in an immaterial impact on the plan.

Basis for the Analysis

We have based this analysis on the data and methods used for the January 1, 2013 actuarial valuation with the actuarial assumptions adopted for 2013 by the ERS board as a result of the recommendations contained in Buck Consultants 5-year experience study.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

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, FCA, ASA, EA, MAAA
Principal, Consulting Actuary

LL:pl
19150/C8011RET01-Review of Contrib to Emp.docx

cc: Paul Wilkinson
Emily Urbaniak

1
2 By Supervisor

Res. File 13-
Journal,

3
4
5 **A RESOLUTION**

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

9
10 WHEREAS, Ordinance section 201.24(3.11)(6)(a) currently requires
11 County employees to request refunds of accumulated contributions made
12 pursuant to Ordinance section 201.24(3.11)(1) within sixty (60) days of
13 terminating County employment; and

14
15 WHEREAS, accumulated contributions held in a membership account are
16 composed entirely of employee contributions; and

17
18 WHEREAS, members who are not vested and who fail to request a refund
19 of their accumulated contributions as required by Ordinance section
20 201.24(3.11)(6)(a) and who fail to return to County employment and vest will
21 forfeit employee contributions to ERS; and

22
23 WHEREAS, currently, members who are vested and receive a refund their
24 accumulated contributions forfeit their service credits; and

25
26 WHEREAS, Milwaukee County desires to ensure its former employees
27 are well-informed of their options regarding their accumulated contributions; and

28
29 WHEREAS, members should receive written notice of their option to
30 request a refund of their accumulated contribution following termination of
31 employment to ensure awareness of their right to request refunds; and

32
33 WHEREAS, modifying the deadline to request a refund from sixty to one
34 hundred eighty (180) days will aid in pension administration and ensure that
35 members have adequate time to make an informed decision prior to requesting a
36 refund; and

37
38 WHEREAS, the refund option should be restricted to members who are
39 not vested at the time of termination, as members who are vested and receive
40 refunds forfeit their right to receive pension benefits; and

41
42 WHEREAS, all assets in membership accounts should be refunded when
43 requests for employee contribution assets are made; and

44
45 WHEREAS, pursuant to Section 201.24(8.17) of the Milwaukee County
46 Code of General Ordinances, the proposed changes have been referred to the

47 Pension Board and the Pension Board has been given thirty (30) days to
48 comment upon the proposed changes, and

49
50 WHEREAS, the proposed changes have been referred to the pension
51 fund actuary whose analysis indicates the changes will have no material impact
52 to the fund; and

53
54 WHEREAS, the Pension Study Commission reviewed the actuary's report
55 on _____, 2013 and has recommended the County Board adopt the
56 proposed changes ;

57
58 NOW, THEREFORE,

59
60 BE IT RESOLVED, that the Milwaukee County Board of Supervisors
61 hereby amends Section 201.24 of the Milwaukee County Code of General
62 Ordinances by adopting the following:

63
64 AN ORDINANCE

65
66 The County Board of Supervisors of the County of Milwaukee does ordain
67 as follows:

68
69 **SECTION 1.** Section 201.24(3.11)(6) of the General Ordinances of Milwaukee
70 County is amended to provide as follows:

71
72 **3.11 Employee Contribution**

73
74 (6) Refund of accumulated contributions.

75
76 (a) Refunds of all accumulated contributions made under this
77 section 3.11, with interest at the rate of five (5) percent per annum, shall
78 be made on the same conditions and under the same circumstances as
79 refunds under section 3.5, but may only be paid in the form of a lump sum
80 payment. ~~For an employe terminating employment with the county, any~~
81 ~~refund of accumulated contributions must be requested within sixty (60)~~
82 ~~days after termination.~~

83
84 Any refund of accumulated contributions must be requested
85 within one hundred eighty (180) days after termination of county
86 employment. An employe may only receive a refund of his or her
87 accumulated contributions under this subsection if the employe's service
88 with the County at the time of termination, excluding service related to
89 State, City of Milwaukee, the military or other non-County employment
90 that results in service under the system for certain purposes, would not be
91 sufficient to qualify him or her, as of the date of termination of
92 employment, to later receive a deferred vested pension benefit under the

93 terms of sections 4.5 or 5.15 after satisfying any applicable age
94 requirement. The Retirement Office shall send an employe who
95 terminates employment a written notice of the refund option via U.S. mail,
96 or an equivalent service, to the member's address on file with the system.
97

98 If a member does not receive written notice of the refund
99 option, then the Pension Board, or the Retirement Office as delegated by
100 the Pension Board, may allow the individual to receive a refund of
101 accumulated contributions later than the refund period of this section
102 3.11. A determination that notice was not received can be based on the
103 Retirement Office and/or Pension Board finding that notice was either not
104 sent by the Retirement Office or not received by the member. The
105 member shall have the burden of proving notice was not received, and
106 the Pension Board or Retirement Office shall have the sole and exclusive
107 authority to determine whether the individual received written notice. The
108 appeal rules of the Pension Board shall apply to refund requests under
109 this paragraph.
110

111 If a member requests and receives a refund of accumulated
112 contributions under this section and section 3.5, the member shall receive
113 a refund of all amounts included in his or her membership account at that
114 time.
115

116 (b) Members receiving a refund or on whose behalf a refund is
117 paid under this subsection shall cease to be a member of the employes'
118 retirement system and shall have no further right to any benefit under this
119 plan.
120

121 (c) The provisions of section 11.1 shall not apply to
122 accumulated contributions withdrawn by members under this section.
123
124
125

126 **SECTION 2.** Effective _____, section 201.24(3.5) of the General
127 Ordinances of Milwaukee County is amended to read as follows:
128

129 **3.5 Refunds upon severance or death**
130

131 Notwithstanding the following, a member shall not be eligible to receive a
132 refund of the portion of his membership account attributable to accumulated
133 contributions contributed under section 3.11 if the member's employment was
134 terminated due to fault or delinquency on the member's part under section 4.5 or
135 if the member or a beneficiary of the member is eligible, at the time the request
136 for a refund is made, for the present receipt of any monthly annuity benefit under
137 sections 4.1, 4.5, 6.1, 6.2, 6.4, 7.1 or 7.2 of the Chapter 201.24 of the
138 ordinances. Upon termination of employment, for reason other than death or

139 retirement, a member shall be entitled to receive a refund of the balance as of
140 the date of termination of his membership account and his savings account,
141 accumulated at interest as set from time to time by the board. However, if a
142 member who is eligible for a deferred vested pension withdraws his membership
143 account, he shall forfeit all rights to a deferred vested pension. If a member
144 requests, under this paragraph, a refund of assets in his or her membership
145 account related to contributions made pursuant to sections 3.11 or 3.3, the
146 member shall receive a refund of all assets contained in his or her membership
147 account at that time, with interest as provided above, provided that the request is
148 made within the time limits contained in section 3.11.

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

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

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

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

170 **SECTION 3.** The provisions of this ordinance shall be effective upon
171 passage and publication.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: September 24, 2013

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Request to Amend Ordinance section 201.24(3.11)

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input checked="" type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(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 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.

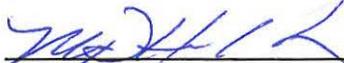
	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

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. 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.
 - A. If an ERS member terminates County employment, current ordinance requires the request for a refund of accumulated employee contributions to be requested within 60 days of terminating employment. The proposed ordinance change would clarify the criteria for refunds, allow additional time for employees to make an informed decision, and eases the administrative process conducted by ERS.
 - B. There is no direct impact to the budget, other than the time of existing staff necessary to update communications and procedure documents. All impacted funds are employee contributions held by ERS.
 - C. There is no impact to the budget.
 - D. The change was reviewed by the County's pension actuary to confirm there is no impact overall to the pension fund as a result of the rule changes. Report attached.

Department/Prepared By Marian Ninneman, ERS Manager

Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review?² Yes No Not Required

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.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.