

**ADOPTED 2009 BUDGET**

**DEPT:** EMPLOYEE FRINGE BENEFITS

**UNIT NO.** 1950  
**FUND:** General - 0001

**OPERATING AUTHORITY & PURPOSE**

Pursuant to the provisions of Section 59.51(2) of the Wisconsin Statutes, the County Board may represent the County and have management of the

business and concerns in all cases where no other provision is made.

<b>BUDGET SUMMARY</b>				
	2007 Actual	2008 Budget	2009 Budget	2008/2009 Change
Health Benefits-Hospital, Professional, Major Medical & Dental	\$ 122,389,868	\$ 139,130,847	\$ 131,462,085	\$ (7,668,762)
Employee Group Life Insurance	2,309,861	1,693,000	2,421,918	728,918
Annuity – County Mandatory Contribution	20,223	31,500	31,500	0
Retirement System Contribution- OBRA	529,000	522,000	548,100	26,100
Retirement System Contribution	49,265,000	39,327,788	48,359,730	9,031,942
Medicare Reimbursement to Retired Employees	5,601,425	5,962,000	6,293,761	331,761
Health Benefits and Retirement- Consultant Fees	180,301	1,244,285	1,349,834	105,549
Local Transportation (Transit Pass Program)	515,329	542,700	588,150	45,450
Other Contributions	1,137,000	1,000,000	500,000	(500,000)
Personnel Related Costs Actual Adjustment				0
<b>Total Expenditures</b>	<b>\$ 181,958,197</b>	<b>\$ 189,454,120</b>	<b>\$ 191,555,078</b>	<b>\$ 2,100,958</b>
<b>Abatements</b>	<b>(174,125,070)</b>	<b>(183,106,421)</b>	<b>(185,159,022)</b>	<b>(2,052,601)</b>
<b>Total Direct Revenue</b>	<b>\$ 7,829,861</b>	<b>\$ 6,347,699</b>	<b>\$ 6,396,056</b>	<b>\$ 48,357</b>
<b>Direct Total Tax Levy</b>	<b>\$ 3,266</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**BUDGET HIGHLIGHTS**

County Board and Department of Audit staff, in consultation with the Controller and Director, Department of Administrative Services, conducted a study of alternative options to allocate fringe costs to departmental budgets. A report was submitted to the Committees on Finance and Audit and Personnel for consideration in March 2007, and the following methodology was adopted by both Committees and the County Board:

2009 Budget Per Eligible FTE Fringe Benefit Cost Detail

	Health Care	Health Care as % of Salary*	Pension % of Salary	Total
Active Employee	\$13,330	26.73%	13.84%	40.57%
Legacy Cost	\$13,644	27.52%	6.03%	33.55%
<b>TOTAL:</b>	<b>\$26,974</b>	<b>54.25%</b>	<b>19.87%</b>	<b>74.12%</b>

\*Percent of Salary shown for presentation purposes

In the 2009 Budget Employee Fringe Benefits are segregated into two components, health care and pension. The health care portion is budgeted as a fixed cost per eligible FTE reflecting the way the costs are incurred. The

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health care portion includes all health benefits and other non-pension related benefits. The pension component is calculated as a percent of salary and includes all of the retirement system contributions.

**5403 - Health Benefits - Hospital, Professional, Major Medical and Dental Expense**

Decrease \$7,668,762, from \$139,130,847 to \$131,462,085

Projected changes from the 2008 to the 2009 Employee Health Benefits Budget are as follows:

	2008 Budget	2009 Budget	2008/2009 Change	Percent Change
Basic Health Benefits, Including Major Medical	\$ 133,779,932	\$ 125,427,324	\$ (8,352,608)	-6.24%
Wellness Program Savings	(1,059,285)	0	1,059,285	-100.00%
Mental Health/Substance Abuse/EAP Carve-Out	1,377,900	1,290,343	(87,557)	-6.35%
Employee Assistance Program & Health Waiver	227,700	107,271	(120,429)	-52.89%
County Dental Plan	2,245,800	1,827,125	(418,675)	-18.64%
Dental Maintenance Organizations (DMO)	2,558,800	2,810,022	251,222	9.82%
<b>Total Health Benefit Cost</b>	<b>\$ 139,130,847</b>	<b>\$ 131,462,085</b>	<b>\$ (7,668,762)</b>	<b>-5.51%</b>

In 2006, the County entered into a four-year contract with Wisconsin Physician Services (WPS), Inc., to provide health insurance coverage. This contract continued in 2008 on a self-insured basis for both the HMO and PPO plan products with estimated expenditures totaling \$133,779,932. Due to a disruption in the network of physicians under contract available through WPS, a request for proposal for the health plan and prescription drug coverage was issued with the intent to execute a new contract effective January 1, 2009. United Healthcare (UHC) has been selected as the new healthcare provider for Milwaukee County. The contract will begin in 2009 and continue on a self-insured basis for both the HMO and PPO plan products. Estimated expenditures for 2009 total \$125,427,324. The expenditure estimate is based on actual health insurance claims data and actual enrollment data for 2008 at the time of publication. The estimate assumes an inflation/growth factor of 10 percent for the overall cost of providing health insurance, offset by improvements to contracted provider discounts. Fixed costs such as administration and stop-loss insurance fees are also included in the estimate provided above.

The total cost to the County may rise or fall depending on changes in the number of health care contracts, utilization and price/provider rate structure in the overall health care market.

The Wellness and Disease Management Program is detailed below under 6000s – Health Benefits and Retirement Contribution – Consultant Fee/Professional Services. The projected savings associated with this program are shown above as a reduction in costs in Health Benefits.

A five-year comparison of budget and actual experience for all health benefits (including medical, dental, mental health, employee assistance, run outs, etc.) is as follows:

Year	Modified Budget	Actual	% Change of Actual from prior year
2003	\$ 80,601,606	\$ 84,875,417	--
2004	\$ 101,269,028	\$ 99,630,209	17.38%
2005	\$ 112,174,416	\$ 120,243,817	20.69%
2006	\$ 125,166,827	\$ 123,744,481	2.91%
2007	\$ 132,610,570	\$ 122,389,868	(1.09%)
2008*	\$ 139,130,847	--	--
2009	\$ 131,462,085	--	--

\* - Data from 2008 Adopted Budget

\*\*Five-year comparisons of budget and actual experience are based on adjusted budget figures.\*\*

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**5404 - Employee Group Life Insurance**

Increase \$728,918, from \$1,693,000 to \$2,421,918

The group life insurance appropriation is based on the coverage amount, which in turn is based on employees' salaries. From 2006 through 2008, Milwaukee County's contract with MetLife required stability in the premium rates. For 2009, Milwaukee County's current contract has been renewed with no increase to premiums. The difference in budgeted amount is due to a change in reporting from net cost to separating cost from operating revenue from employee contributions. The \$728,918 increase is offset by operating revenue.

A five-year comparison of budget and actual experience for group life insurance is as follows:

Year	Modified Budget	Actual	% Change of Actual from prior year
2003	\$ 1,500,598	\$ 1,514,694	--
2004	\$ 1,486,866	\$ 1,799,398	18.80%
2005	\$ 1,421,458	\$ 2,089,718	16.13%
2006	\$ 1,683,661	\$ 2,258,914	8.10%
2007	\$ 1,767,800	\$ 2,309,861	2.26%
2008*	\$ 1,693,000	--	--
2009	\$ 2,421,918	--	--

\* - Data from 2008 Adopted Budget

**5405 - Annuity - County Mandatory Contribution**

2008 level remains at the 2007 level of \$31,500

The budget for the County's mandatory annuity contribution relates to eligible employees who have been members of the pension system prior to January 1, 1971 at the following rates:

- 8 percent of earnings for Deputy Sheriff
- 8 percent of earnings for Elected Officials
- 6 percent of earnings for Other Employees

A five-year comparison of budget and actual experience for the annuity contribution is as follows:

Year	Modified Budget	Actual	% Change of Actual from prior year
2003	\$ 496,375	\$ 349,739	--
2004	\$ 417,000	\$ 233,178	(33.33%)
2005	\$ 313,000	\$ 45,185	(80.62%)
2006	\$ 42,000	\$ 35,154	(22.20%)
2007	\$ 42,000	\$ 20,223	(42.47%)
2008*	\$ 31,500	--	--
2009	\$ 31,500	--	--

\* - Data from 2008 Adopted Budget

**5406 - Retirement System Contribution - OBRA**

Increase \$26,100, from \$522,000 to \$548,100

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The OBRA pension contribution was established as a separate account in 1992 to differentiate from the Employee Retirement System contribution made for full-time County employees.

A five-year comparison of budget and actual experience for the Retirement System Contribution - OBRA is as follows:

Year	Modified Budget	Actual	% Change of Actual from prior year
2003	\$ 279,727	\$ 279,727	--
2004	\$ 348,000	\$ 348,000	24.41%
2005	\$ 365,000	\$ 365,000	4.89%
2006	\$ 462,000	\$ 462,000	26.58%
2007	\$ 529,000	\$ 529,000	14.50%
2008*	\$ 522,000	--	--
2009	\$ 548,100	--	--

\* - Data from 2008 Adopted Budget

**5409 - Retirement System Contribution**

Increase \$9,031,942, from \$39,327,788 to \$48,359,730

The table below, provided by the Department of Audit, provides details on annualized pension payments.

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**Retiree and Beneficiary Membership Data (January 2008)  
 Number and Average Annual Benefit**

<b>Age Last Birthday</b>	<b>Number</b>	<b>Annual Benefit</b>	<b>Average Annual Benefit</b>
<b>Retired Participants</b>			
Under 60	932	\$25,606,995	\$27,475
60-64	1,183	25,656,004	21,687
65-69	976	19,073,539	19,543
70-74	854	15,966,024	18,696
75-79	835	13,845,811	16,582
Over 79	1,350	16,076,287	11,908
<b>Total</b>	<b>6,130</b>	<b>\$116,224,660</b>	<b>\$18,960</b>

<b>Beneficiary Participants</b>			
Under 60	99	\$1,534,249	\$15,497
60-64	55	834,472	15,172
65-69	63	1,002,348	15,910
70-74	114	1,507,117	13,220
75-79	158	2,013,976	12,747
Over 79	458	4,166,093	9,096
<b>Total</b>	<b>947</b>	<b>\$11,058,255</b>	<b>\$11,677</b>

<b>Disabled Participants</b>			
Under 60	107	\$2,095,320	\$19,582
60-64	37	638,520	17,257
65-69	32	572,968	17,905
70-74	25	405,922	16,237
75-79	24	388,023	16,168
Over 79	19	227,583	11,978
<b>Total</b>	<b>244</b>	<b>\$4,328,336</b>	<b>\$17,739</b>

<b>Grand Total Average Annual Benefit</b>	<b>7,321</b>	<b>\$131,611,251</b>	<b>\$17,977</b>
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Note: A total of \$133.15 million in backDROP lump sum payments was issued to 1,041 individuals upon retirement as of January 1, 2008. Exercising the lump sum payment option reduced subsequent annual pension payments for those individuals.

Source: Milwaukee County Employees' Retirement System

The 2009 adopted budget provides \$48,343,504 for the County's contribution to the Milwaukee County Employees Retirement System (ERS), which includes debt service costs of \$20,973,817, a stabilization fund contribution of \$2,000,000, an unfunded actuarial accrued liability (UAAL) cost of \$2,609,402 and normal costs of \$22,698,585. These amounts are based on the proposal for the issuance of pension obligation bonds as approved in the 2008 Adopted Budget.

The 2008 Adopted Budget included an issuance amount of \$267,000,000, with market gains of \$62,000,000 to be amortized over a five-year period. The actual issuance amount and structure of the pension obligation bonds have not been determined at this time, so the amounts approved in the 2008 Adopted Budget are used to

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calculate the ERS contribution for the 2009 requested budget. These amounts may change since the May 2008 actuarial report indicated an unfunded actuarial accrued liability (UAAL) of \$398,000,000 as of January 1, 2008. This compares to a UAAL amount of \$329,000,000 as of January 1, 2007 for the 2008 Adopted Budget.

As discussed above, the debt service cost for the bond issuance approved in the 2008 Adopted Budget is \$20,973,817. To accurately reflect all benefit-related costs, the debt service cost for 2009 is budgeted in the Org. 1950 - Employee Fringe Benefits. In addition, to accurately reflect all debt service costs, this amount is also included in the principal and interest amounts within the General Debt Service Fund Budget. To avoid duplication of the debt service costs, the amount is abated in the General Debt Service Budget.

**5416 - Medicare Reimbursement to Retired Employees**

Increase \$331,761, from \$5,962,000 to \$6,293,761

This account provides for County payment of the Medicare Part B premium for retired employees, including their eligible beneficiaries over age 65, who retired with 15 or more years of pension-credited service or are on Disability Medicare. The actual cost of the premium is not yet finalized by Congress.

A five-year comparison of budget and actual experience for Medicare reimbursement to retired employees is as follows:

Year	Modified Budget	Actual	% Change of Actual from prior year
2003	\$ 3,714,216	\$ 3,805,265	--
2004	\$ 4,028,728	\$ 4,007,933	5.33%
2005	\$ 4,610,081	\$ 4,662,442	16.33%
2006	\$ 5,329,377	\$ 5,370,131	15.18%
2007	\$ 5,560,000	\$ 5,601,425	4.31%
2008*	\$ 5,962,000	--	--
2009	\$ 6,293,761	--	--

\* - Data from 2008 Adopted Budget

Under the Medicare Prescription Drug Improvement and Modernization Act of 2003 and implementing regulations at 42 C.F.R. subpart R (Medicare Part D), the County estimates revenue of approximately \$2.8 million in 2009. This revenue will be deposited into a non-departmental account (Org. Unit 1969—Medicare Part D Revenue).

**6000s - Health Benefits and Retirement Contribution- Consultant Fees/Professional Services**

Increase \$105,549, from \$1,244,285 to \$1,349,834

An appropriation of \$237,585 is included to retain outside consultants to assist the Department of Administrative Services – Employee Benefits (Org. Unit 1180) staff in actuarial analysis, ad hoc reporting, Request For Proposals and contract/rate negotiations, and other areas where an additional expertise in health care advisory services may be needed. This amount includes \$50,000 intended for investigating the viability of alternative health plan designs for consideration for 2010.

The 2009 Budget includes an appropriation of \$1,059,285 for the Wellness and Disease Management program that was established in the 2008 Adopted Budget for all active employees and their spouses. The estimated cost of this new program is based on calculations prepared by Cambridge Advisory Group, assuming 50% participation in the Health Risk Appraisal and \$100 incentive payments to all participants. The actual cost will be based on the actual rate of participation from employees and eligible spouses. It is anticipated that savings will grow as the program gains greater acceptance and participation and as the wellness and disease management strategies have more time to produce results.

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**6804 - Local Transportation (Transit Pass Program)**

Increase \$45,450, from \$542,700 to \$588,150

An appropriation of \$588,150 is included to cover the continuation of the County's corporate transit pass program based on approximately 800 enrollees. The County (as the employer) purchases quarterly passes for \$183.00 each, an increase of \$6.00 from 2008. For 2009, the employee continues to reimburse the County \$30.00 per quarter/\$10.00 per month through a payroll deduction.

**8299 – Other Contributions**

Decrease \$500,000, from \$1,000,000 to \$500,000

Costs associated with the County's obligation to United Regional Medical Services in the amount of \$500,000 for pension-related expenses from the closure of John L. Doyne Hospital are included in this budget for 2009.

**Total Direct Revenue**

Increase \$48,357, from \$6,347,699 to \$6,396,056

Year	Modified Budget	Actual	% Change of Actual from prior year
2003	\$ 7,526,764	\$ 7,216,382	--
2004	\$ 7,072,826	\$ 8,158,201	13.05%
2005	\$ 7,307,013	\$ 8,055,820	(1.25%)
2006	\$ 8,134,045	\$ 8,154,698	1.23%
2007	\$ 7,297,634	\$ 7,829,861	(3.98%)
2008*	\$ 6,347,699	--	--
2009	\$ 6,396,056	--	--

\* - Data from 2008 Adopted Budget

Total direct revenue is an offset to employee fringe benefit expenditures. This revenue projection includes the following items: employee health insurance contributions (active and certain retirees), employee transit pass contributions and Doyne healthcare offsets.

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