

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGETDepartment: **Fringe Benefits**UNIT NO. **1950**FUND: **General — 0001****BUDGET SUMMARY**

Category	2015 Actual	2016 Actual	2017 Budget	2018 Budget	2018/2017 Variance
Expenditures					
Direct Fringe Benefits	\$180,271,520	\$212,822,868	\$200,404,632	\$221,069,718	\$20,665,086
Operation Costs	\$2,558,054	\$1,571,632	\$2,622,000	\$1,841,000	(\$781,000)
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Centralized Fringe Costs	\$0	\$0	\$73,716,069	\$124,332,215	\$50,616,146
Interdept. Charges	(\$70,688,363)	\$2,157,134	\$654,243	\$787,167	\$132,924
Total Expenditures	\$112,141,210	\$216,551,635	\$277,396,944	\$348,030,100	\$70,633,156
Revenues					
Direct Revenue	\$18,003,151	\$24,679,954	\$23,418,524	\$22,273,671	(\$1,144,853)
Intergov Revenue	\$0	\$0	\$0	\$0	\$0
Indirect Revenue	\$95,113,054	\$176,165,541	\$180,262,351	\$201,424,214	\$21,161,863
Total Revenues	\$113,116,206	\$200,845,495	\$203,680,875	\$223,697,885	\$20,017,010
Tax Levy	(\$974,995)	\$15,706,140	\$73,716,069	\$124,332,215	\$50,616,146

Department Mission: This non-departmental unit includes expenditures for employee and retiree (legacy) fringe benefit costs, and revenues from premium contributions for those benefits.

Department Description: Appropriations for employee and legacy fringe benefits in this non-departmental unit include: health and dental insurance, contributions to various pension plans, life insurance, Medicare premium contributions, employee bus passes, fees required by the Affordable Care Act, and health insurance actuarial services.

The cost of these benefits, net of employee and retiree premium contributions (which are shown as direct revenues in the table above), are allocated out to revenue generating departments based on their share of countywide staffing levels. This enables the County to be reimbursed for its total personnel costs to provide services.

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGETDepartment: **Fringe Benefits**UNIT NO. **1950**FUND: **General — 0001****Employee & Retiree Fringe Benefits Summary****2017-2018 Fringe Benefit Budget Comparisons**

ITEM	2017 BUDGET	2018 BUDGET	2017-2018 Change
Gross Health & Dental Costs	\$98,821,983	\$112,662,343	\$13,840,360
	+	+	
Gross Pension Costs	\$100,821,334	\$106,783,456	\$5,962,122
	+	+	
Gross Costs - Other Benefits	\$4,095,735	\$4,252,086	\$156,351
	=	=	
TOTAL Gross Benefit Costs	\$203,739,052	\$223,697,885	\$19,958,833
	-	-	
Less Employee & Retiree Premiums	(\$8,995,712)	(\$9,247,688)	(\$251,976)
	-	-	
Less Employee & State Contributions	(\$13,255,039)	(\$12,130,162)	\$1,124,877
	-	-	
Less Other Benefit Revenues	(\$1,167,773)	(\$895,821)	\$271,952
	=	=	
TOTAL Net Benefit Costs - Allocated to Departments	\$180,320,528	\$201,424,214	\$21,103,686
	-	-	
Estimated Revenue Offset at 14.5%	(\$27,949,681)	(\$29,206,511)	(\$1,256,829)
	=	=	
Approximate Direct Tax Levy Cost, Employee & Retiree Fringe Benefits:	\$152,370,846	\$172,217,703	\$18,846,857

The table above shows that the 2018 budget includes \$223.7 million in gross fringe benefit costs. Revenues directly related to fringe benefits, such as employee and retiree health insurance premiums, employee pension contributions required by State Statute, and other revenues offset approximately \$22.2 million of this total. The remainder, \$201.4 million, is allocated to departments. This is done for two primary reasons. One is to show the “true cost” of providing each service, as personnel costs including fringe benefits comprise a large share of the County’s operating cost. The second reason for this allocation is that many departments receive outside revenue reimbursement for these costs, reducing the County’s tax levy requirements. For instance, all personnel costs allocated to the Airport Division of the Department of Transportation are reimbursed by various fees and charges at the County’s airports. In the Department of Child Support Services, approximately two-thirds of the cost is reimbursed by federal revenues. The remainder, approximately \$172.2 million in 2018, represents tax levy. Countywide, approximately 14.5 percent of fringe benefit costs that are allocated out are reimbursed by outside revenue sources.

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

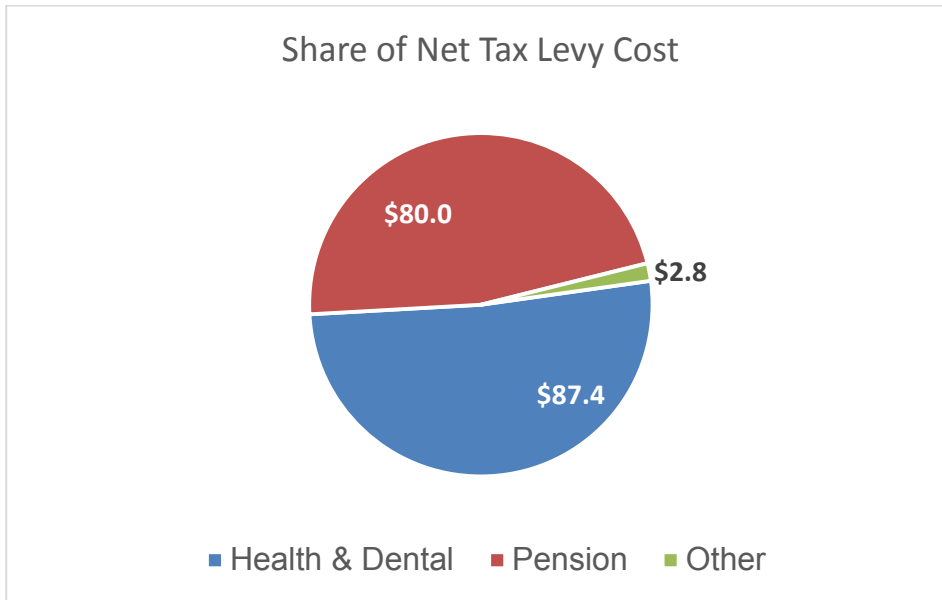
Department: **Fringe Benefits**

UNIT NO. **1950**

FUND: **General — 0001**

In 2018, only departments and portions of departments with substantial outside revenue reimbursement are directly charged for fringe benefit costs. The fringe benefit rate for 2018 Budget development were \$14,267 per benefit eligible FTE for active health care and 14.34% of salary for active pension. In early 2018, the Office of the Comptroller will update these rates for departmental use during the year.

Of the total tax levy cost (after reimbursement from outside revenue sources) for employee and retiree fringe benefits, health and dental costs make up the largest share at approximately \$87.4 million or 51.3 percent of the total. Pension benefits represent approximately \$80.0 million or 48.6 percent, and other benefits such as life insurance and the employee bus pass program require \$3.3 million in levy or 1.6 percent of the total.



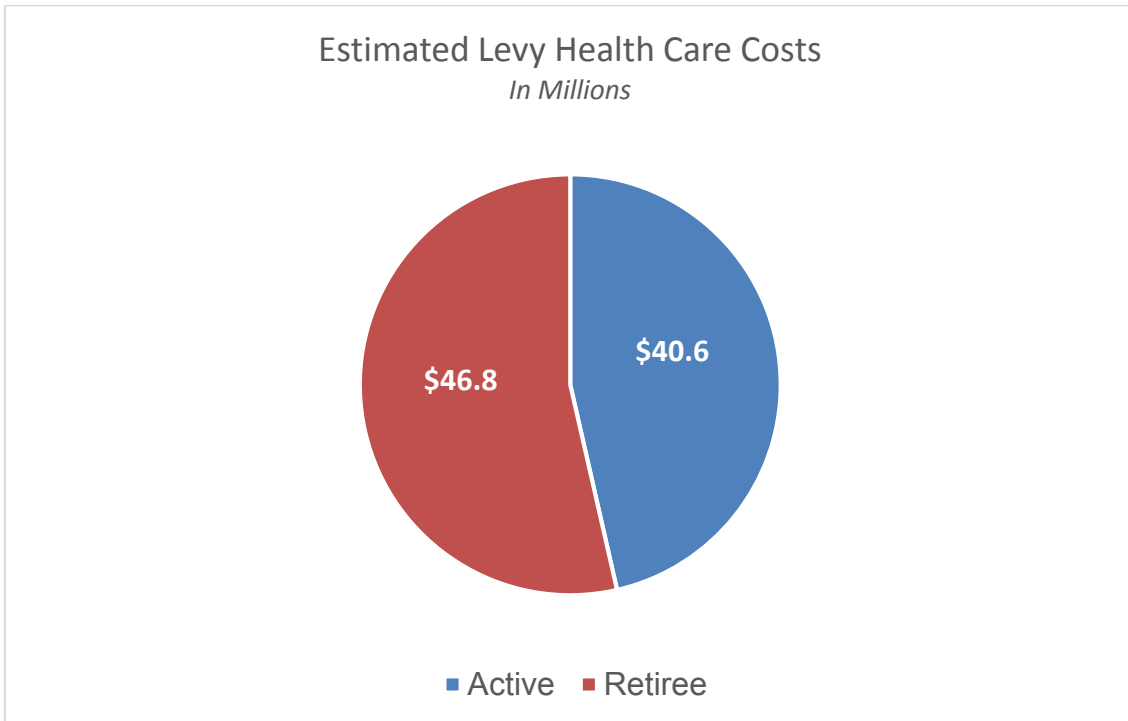
Health & Dental Benefits Overview

The County allocates its benefit costs to active employees and retirees based on estimates provided by various sources, including the health care actuary or the Office of the Comptroller. In some cases, benefits are solely categorized to either active employees (dental insurance) or to retirees (Medicare Part B premium reimbursements).

In 2018, the following health care plan design changes are included:

- The employer match for the Flexible Spending Account is reduce to a 1-to-1 match on the first \$1,000
- Co-Pays for most specialists are increased from \$30 to \$40
- The Health Care Deductible increases from \$1,000 to \$1,250
- Dental Premiums increase from \$20 to \$25 for individuals and \$45 to \$50 for families.
- Monthly premiums for Employee + Spouse, Employee + Children, and Family plans increase modestly and are indexed to premiums for individuals.

For health care expenditures, which include medical claims and Medicare Part B premium reimbursements, retirees account for an estimated 53.6 percent of tax levy funded benefits, while active employees represent 46.4 percent.



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The Flexible Spending Account (FSA) Employer contribution for 2018 is a maximum of \$1,000. Employees eligible for a FSA must provide \$1,000 (a 1 dollar to 1 dollar match) to receive the maximum County contribution. For 2017, the maximum an employee may contribute is \$2,550.

Expenditures in Org. 1950 – Employee Fringe Benefits include:

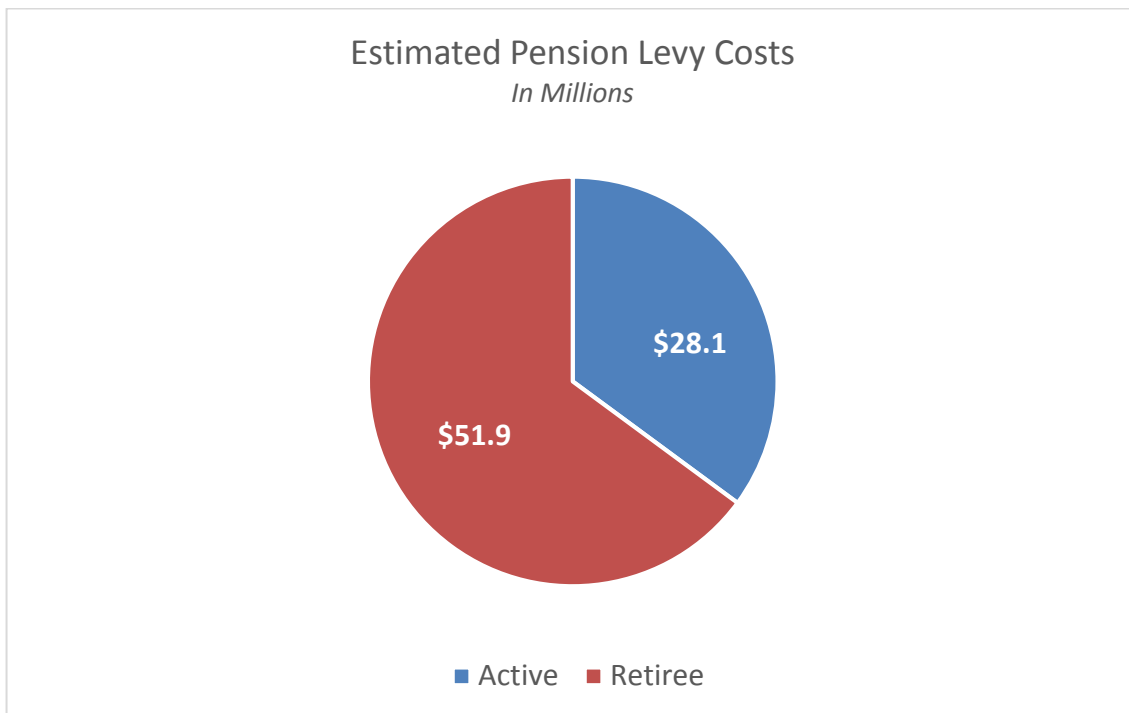
- Health and dental insurance benefits.
- Third-party administrative costs for health insurance, prescription drugs, dental insurance, and wellness.
- Stop loss insurance.
- Fees required by the Affordable Care Act.

In addition to the health plan design above, appropriations of \$8,497,000 are provided for:

- Medicare Part B premium reimbursements for retirees (\$7,920,000)
- Actuarial and consulting costs (\$400,000)
- Opt-out payments to employees who decline health insurance benefits (\$150,000)
- Employee flu shots (\$27,000)

Pension Benefits Overview

As with health care and dental benefits, the County allocates pension-related costs between active employees and retirees. For 2018, the projected tax levy cost of pension benefits is approximately \$80 million. Of this total, approximately \$51.9 million or 65 percent is allocated to retiree costs and \$28.1 million or 35 percent is allocated to active employees.



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The 2018 budget provides total appropriations for pension benefits of \$100,821,334. This amount represents an increase over the 2016 Adopted Budget of \$4.8 million or 5 percent and includes the following items: The largest change effecting the County's pension contribution is related to the ERS Unfunded Actuarial Liability, mostly due to lower than anticipated investment returns.

Item	2017 Budget	2018 Budget	2017/18 Change
OBRA Retirement System Contrib.	\$318,000	\$369,000	\$51,000
ERS Contrib. for pre-1971 employees	\$17,700	\$0	(\$17,700)
ERS Normal Cost	\$19,150,000	\$19,424,000	(\$274,000)
ERS Unfunded Actuarial Liability	\$46,841,000	\$53,237,000	\$6,396,000
Pension Obligation Bonds	\$33,182,634	\$33,222,456	\$39,822
Doyne Pension	\$1,312,000	\$531,000	(\$781,000)
TOTAL Pension Costs	\$100,821,334	\$106,783,456	\$5,962,122

The Employees Retirement System (ERS) and 1990 Retirement System of the County of Milwaukee ("OBRA") contributions represent amounts recommended by the County's pension actuary.

Revenues

Revenues of \$12.1 million are budgeted in 2018. For 2018, general employees shall contribute 6.5 percent of salary to the pension plan (no change from 2017). Public safety employee contributions are subject to collective bargaining. Revenues slightly decrease compared to 2018. Employee contribution rates decrease due to prior year actuals which historically failed to reach budgeted levels. That decrease is partially offset by an increase in premiums.