

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

UNIT NO. 1950
FUND: General - 0001

Budget Summary

Category	2016 Actual	2017 Actual	2018 Budget	2019 Budget	2018/2017 Variance
Expenditures					
Direct Fringe Benefits	\$212,822,868	\$197,326,765	\$221,069,718	\$220,077,398	(\$992,320)
Operation Costs	\$1,571,632	\$3,495,862	\$1,841,000	\$2,170,124	\$329,124
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Centralized Fringe Costs	\$0	\$0	\$124,332,215	\$98,426,807	(\$25,905,408)
Interdept. Charges	\$2,157,134	\$657,390	\$787,167	\$812,447	(\$25,280)
Total Expenditures	\$216,551,635	\$201,480,017	\$348,030,100	\$321,486,776	(\$26,543,324)
Revenues					
Direct Revenue	\$24,679,954	\$21,216,057	\$22,273,671	\$22,820,340	\$546,669
Intergov Revenue	\$0	\$0	\$0	\$0	\$0
Indirect Revenue	\$177,165,541	\$173,356,491	\$201,424,214	\$200,239,629	(\$1,184,585)
Total Revenues	\$201,845,495	\$194,572,548	\$223,697,885	\$223,059,969	(\$637,916)
Tax Levy	\$14,706,140	\$6,907,469	\$124,332,215	\$98,426,807	(\$25,905,408)

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.

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Employee & Retiree Fringe Benefits Summary

2018-2019 Fringe Benefit Budget Comparisons

ITEM	2018 BUDGET	2019 BUDGET	2018-2019 Change
Gross Health & Dental Costs	\$112,662,343	\$111,709,066	(\$953,277)
	+	+	
Gross Pension Costs	\$106,783,456	\$107,073,478	\$290,022
	+	+	
Gross Costs - Other Benefits	\$4,252,086	\$4,277,425	\$25,339
	=	=	
TOTAL Gross Benefit Costs	\$223,697,885	\$223,059,969	(\$637,916)
	-	-	
Less Employee & Retiree Premiums	(\$9,247,688)	(\$8,701,304)	(\$546,384)
	-	-	
Less Employee & State Contributions	(\$12,130,162)	(\$12,789,036)	\$658,874
	-	-	
Less Other Benefit Revenues	(\$895,821)	(\$1,330,000)	\$434,179
	=	=	
TOTAL Net Benefit Costs - Allocated to Departments	\$201,424,214	\$200,239,629	(\$1,184,585)
	-	-	
Estimated Revenue Offset at 14.5%	(\$29,206,511)	(\$29,034,746)	(\$171,765)
	=	=	
Approximate Direct Tax Levy Cost, Employee & Retiree Fringe Benefits:	\$172,217,703	\$171,204,883	(\$1,012,820)

The table above shows that the 2019 budget includes \$223 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 \$22.8 million of this total. The remainder, \$200.2 million, is allocated to revenue-generating 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 \$171.2 million in 2019, represents tax levy. Countywide, approximately 14.5 percent of fringe benefit costs that are allocated out are reimbursed by outside revenue sources.

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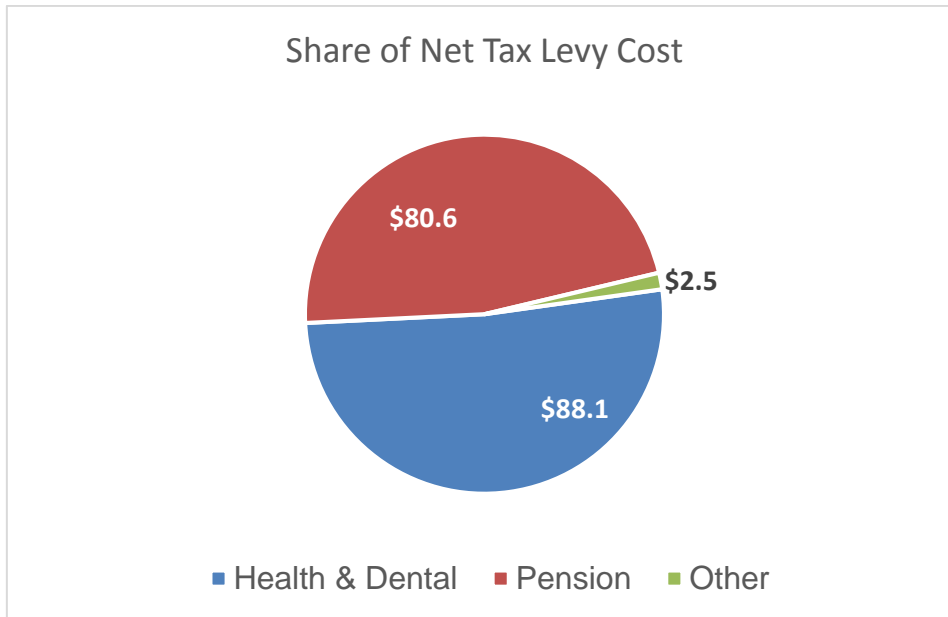
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In 2019, only departments and portions of departments with substantial outside revenue reimbursement are directly charged for fringe benefit costs. The fringe benefit rate for the 2019 Budget development are \$15,107 per benefit eligible FTE for active health care and 13.77% of salary for active pension. In early 2019, 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 \$88.1 million or 51.4 percent of the total. Pension benefits represent approximately \$80.6 million or 47.1 percent, and other benefits such as life insurance and the employee bus pass program require \$2.5 million in levy or 1.5 percent of the total.



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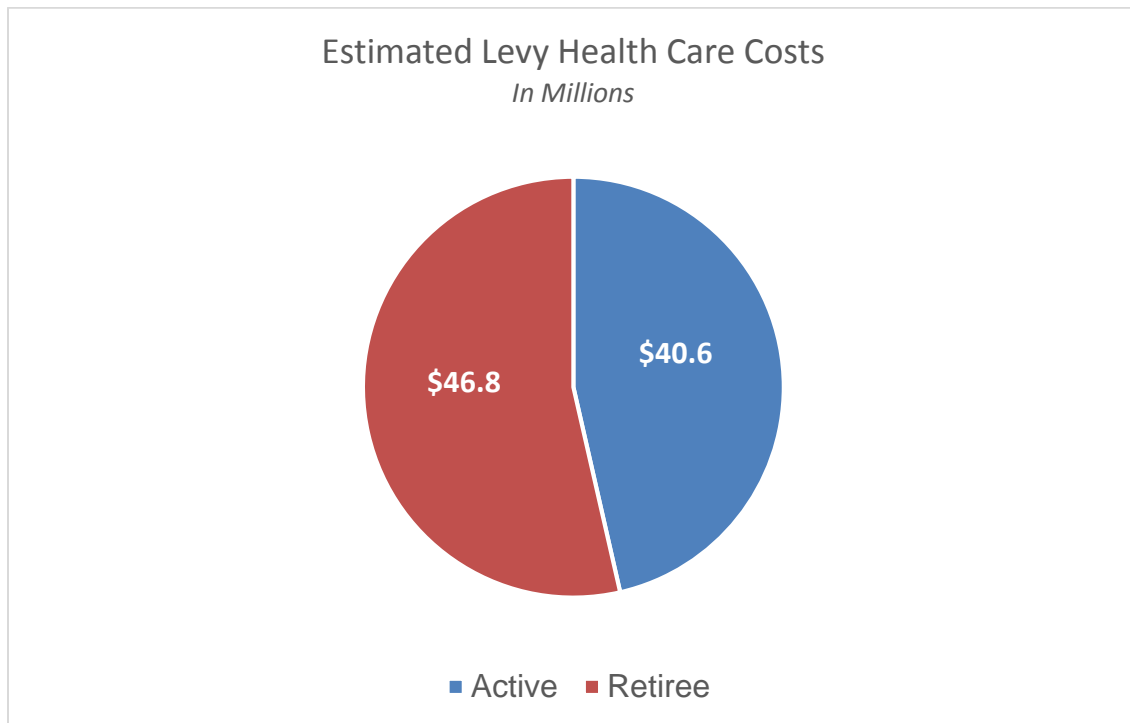
Health & Dental Benefits Overview

The County allocates its benefit costs to active employees and retirees based on estimates provided by various sources, including the health care actuary and 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 2019, the following minor health care plan design changes are included:

- Increase of co-pay for emergency room visits. To ensure that individuals who need emergency care do not have an incentive to avoid the emergency room, the entire co-pay is waived if the individual is admitted.
- Milwaukee County currently has two separate dental plans. In 2019, the two dental plans are consolidated into one plan. The better benefit between the two dental plans will be offered in a single plan. It is anticipated that impact on employees will be limited.

For health care expenditures, which include medical claims and Medicare Part B premium reimbursements, retirees account for an estimated 59.7 percent of tax levy funded benefits, while active employees represent 40.3 percent.



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The Flexible Spending Account (FSA) Employer contribution for 2019 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.

Expenditures in Org. 1950 – Employee Fringe Benefits include:

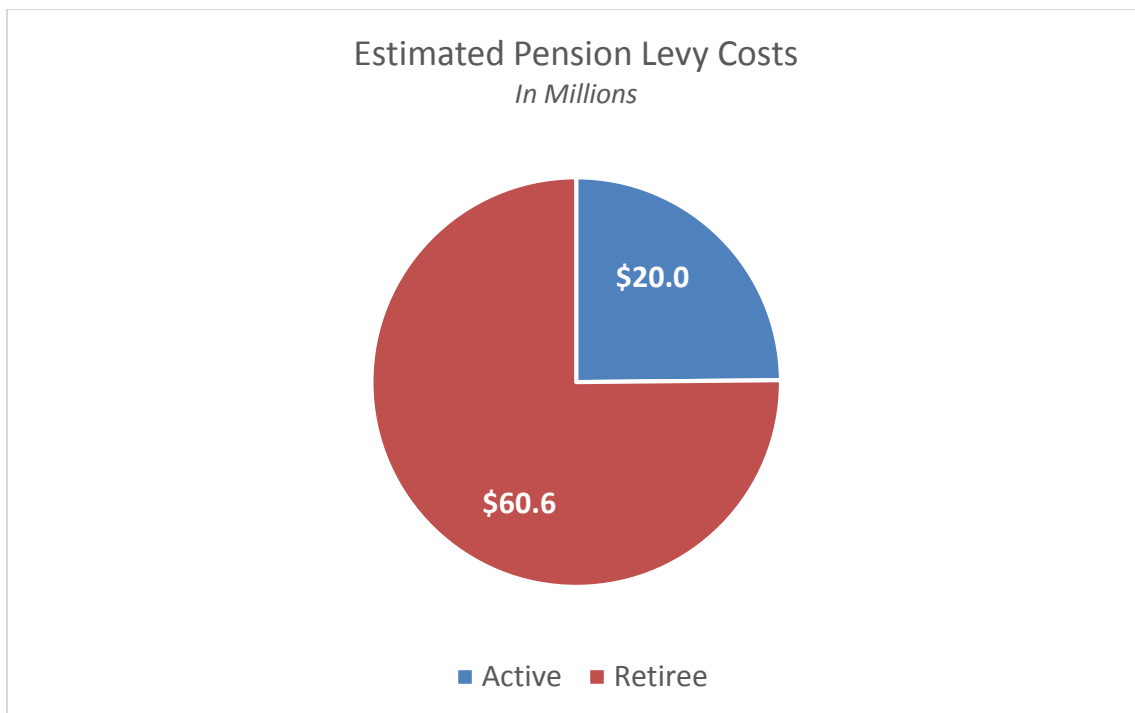
- Health and dental insurance benefits
- Third-party administrative costs for health insurance, prescription drugs, dental insurance, and wellness
- Stop loss insurance
- Fees required by the Affordable Care Act

In addition to the health plan design above, appropriations of \$9,755,714 are provided for:

- Medicare Part B premium reimbursements for retirees (\$9,353,734)
- Actuarial and consulting costs (\$179,480)
- Opt-out payments to employees who decline health insurance benefits (\$157,500)
- Employee flu shots (\$65,000)

Pension Benefits Overview

As with health care and dental benefits, the County allocates pension-related costs between active employees and retirees. For 2019, the projected tax levy cost of pension benefits is approximately \$80.6 million. Of this total, approximately \$60.6 million or 75 percent is allocated to retiree costs and \$20.0 million or 25 percent is allocated to active employees.



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The 2019 budget provides total appropriations for pension benefits of \$107,038,456. This amount represents an increase over the 2018 Adopted Budget of \$255,000. Pension costs remain relatively flat mostly due to better than expected investment returns in the Pension Fund in 2018. Pension costs are expected to increase significantly in 2020 due to a decrease in the assumed rate of return and a potential reduction in investment returns.

Item	2018 Budget	2019 Budget	2018/19 Change
OBRA Retirement System Contrib.	\$369,000	\$311,000	(\$58,000)
ERS Normal Cost	\$19,424,000	\$19,619,000	\$195,000
ERS Unfunded Actuarial Liability	\$53,237,000	\$52,826,000	(\$411,000)
Pension Obligation Bonds	\$33,222,456	\$33,257,478	\$35,022
Doyne Pension	\$531,000	\$1,060,000	\$529,000
TOTAL Pension Costs	\$106,783,456	\$107,073,488	\$290,022

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 \$12.8 million are budgeted in 2019. For 2019, general employees shall contribute 6.5 percent of salary to the pension plan (no change from 2018). Public safety employee contributions are subject to collective bargaining. Revenues slightly decrease compared to 2019 based on actuals.