

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
 FUND: General – 10001

Budget Summary

Category	2020 Actual	2021 Actual	2022 Budget	2023 Budget	2023/2022 Variance
Expenditures					
Direct Fringe Benefits	\$206,544,888	\$210,032,530	\$219,396,258	\$213,179,430	(\$6,216,828)
Operation Costs	\$1,917,092	\$1,126,436	\$1,030,000	\$1,562,169	\$532,169
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Interdept. Charges	\$2,127,769	\$2,198,512	\$1,657,327	\$2,830,111	\$1,172,784
Total Expenditures	\$210,589,749	\$213,357,478	\$222,083,585	\$217,571,710	(\$4,511,875)
Revenues					
Direct Revenue	\$22,716,814	\$23,465,570	\$22,645,000	\$22,930,000	\$285,000
Intergov Revenue	\$0	\$0	\$535,955	\$0	(\$535,955)
Total Revenues	\$22,716,814	\$23,465,570	\$23,180,955	\$22,930,000	(\$250,955)
Net Fringe Costs	\$187,872,935	\$189,891,908	\$198,902,630	\$194,641,710	(\$4,260,920)

Note: The budget summary table excludes charges to revenue departments to reflect the total fringe benefits costs more accurately.

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 pension plans, life insurance, Medicare premium contributions, employee bus passes, 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) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
FUND: General – 10001

2023 Budget Impact on Employees

In 2023, Milwaukee County maintains an excellent package of fringe benefits for employees. The 2023 Budget does not include any major changes to benefits or employee contribution rates while including an April 2023 2% pay increase for all general employees. Despite facing a structural deficit of over \$12 million in 2022, the County has chosen to prioritize employee total compensation.

Employee Total Compensation in 2023:

Pay Increase

General employees will receive an April 2% pay increase in 2023. The funds for this salary increase are budgeted in departments.

Health Insurance Premiums

The County pays approximately 88% of active health benefit costs, while employees are responsible for about 12%. There are no changes to health insurance premiums in 2023. 2023 rates (after including Wellness credit):

Employee Only: \$97/month

Employee + Child: \$143/month

Employee + Spouse: \$226/month

Employee + Family: \$254/month

Pension Contribution

The general employee pension contribution is unchanged at 6.1% in 2023. Public safety represented employee contributions are subject to collective bargaining.

Flexible Spending Account

The employee Flexible Spending Account is maintained in 2023. The County will match up to \$1,000 in employee contributions on a dollar-for-dollar basis for this tax advantaged account.

The chart below shows the impact of the past two budgets on the salary and health/pension costs for an example employee with a salary of \$60,000 who opts for the Employee + Family health care plan:

Salary Item	2022	2023
Salary – Start of Year	\$60,000	\$61,512
Salary Increases – Prorated*	\$61,512	\$63,360
Health Care Premium Contribution	(\$3,048)	(\$3,048)
Pension Contribution**	(\$3,752)	(\$3,865)
Net Salary after Contributions	\$54,712	\$56,447

*2022 Salary Increase: 2% in Q2 and 2% in Q3. 2023 Salary Increase 2% in Q2.

**6.1% of salary in 2022 and 2023

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950

FUND: General – 10001

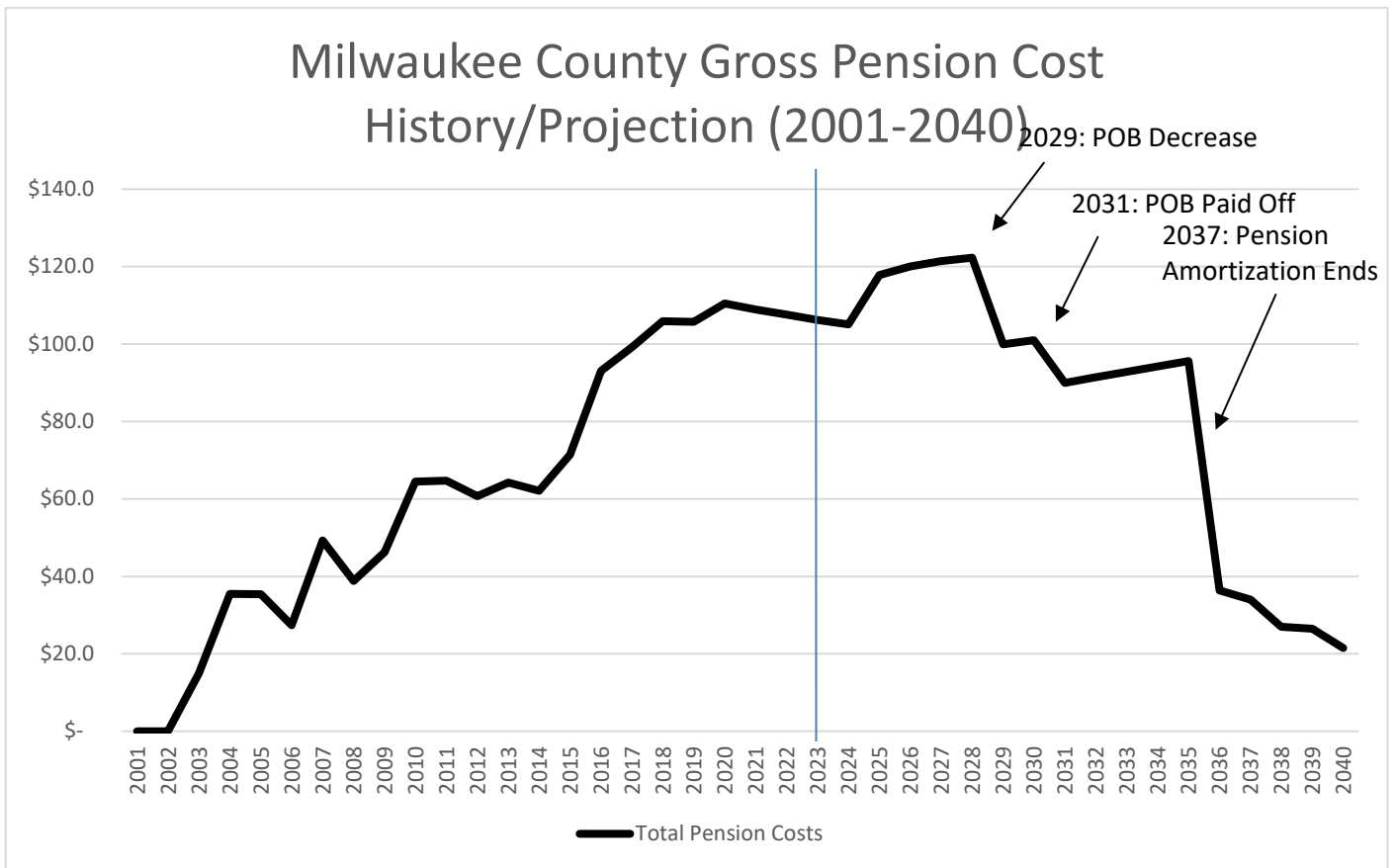
Long-Term Impact on County Budget

- About 38% of Fringe Benefit costs are for current employees. The other 62% of costs are for promises to past retirees. \$102.6 million, or about one-third of the County's property tax levy is allocated to retiree health and pension benefits. This amount is not available for programs and services that are mandated by the State of Wisconsin or programs that are a part of the County's strategic plan. Health insurance costs are funded on a pay as you go basis - meaning costs are less predictable and can change significantly, year over year.
- Pension costs are based on an amortization schedule supplied by the Pension Board's actuary. The chart below shows the County's actual gross pension cost from 2001 to 2022 and the projected cost from 2023 to 2040. In 2001 and 2002, the County pension system was 100% funded and the actuary recommended no County contributions. In 2023, a total contribution of \$106 million is budgeted for pension expenditures. Costs have increased significantly since 2001 due to three main factors: 1) A significant enhancement in the pension benefit level for most County employees was adopted in 2001. The enhancements were subsequently repealed, but employees who were active at that time remained eligible for the enhanced benefit. 2) The assumed rate of return for the pension fund was as high as 9.0%. This was considered reasonable at the time due to the strong performance of markets in the 1990s. However, for several years in the early 2000s, many investments lost value and fell significantly short of the 9.0% target. When investments do not meet the rate of return assumption, the County is required to increase contributions to make up the shortfall. 3) In the 2000s, the County did not always make the full contribution requested by the pension actuary. By not fully funding the actuary's recommendation, the County was required to substantially increase contributions in later years to account for lost interest. The County now makes pension contributions each year based on actuarial estimates. The County has reduced the assumed rate of return of the pension plan to 7.5%.
- Pension costs are expected to generally see small annual increases before significant decreases in 2028, 2031, and 2037. The County currently pays \$33 million in 2023 in debt service costs. The schedule for pension obligation bond (POB) debt service includes a decrease to \$13 million in 2029 and a decrease to \$0 in 2031. The decrease in 2036 represents the end of the amortization period for most of the current pension debt. If assumptions on rate of return and demographics are met, Milwaukee County's only pension costs in 2040 will be the normal costs for benefits earned during the year.

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
FUND: General - 10001



Source: Pension Fund Actuary (Segal Consultants), Office of the Comptroller, Milwaukee County Budget Documents

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
 FUND: General – 10001

2022 Employee & Retiree Fringe Benefits Summary

2021-2022 Fringe Benefit Budget Comparisons

ITEM	2021 BUDGET	2022 BUDGET	2021-2022 Change
Gross Health & Dental Costs	\$113,690,792	\$111,147,280	(\$2,543,512)
	+	+	
Gross Pension Costs	\$108,392,793	\$106,424,430	(\$1,968,363)
	=	=	
TOTAL Gross Benefit Costs	\$222,083,585	\$217,571,710	(\$4,511,875)
	-	-	
Less Employee/Retiree Health Premiums	(\$10,395,000)	(\$9,630,000)	\$765,000
	-	-	
Less Employee/State Pension Contributions	(\$12,789,955)	(\$13,300,000)	(\$510,045)
	-	-	
Less Other Benefit Revenues	\$0	\$0	\$0
	=	=	
TOTAL Net Benefit Costs - Allocated to Revenue Departments	\$198,898,630	\$194,641,710	(\$4,256,920)
	-	-	
Estimated Revenue Offset at 14.5%	(\$28,840,301)	(\$28,223,048)	\$617,253
	=	=	
Approximate Direct Tax Levy Cost, Employee & Retiree Fringe Benefits:	\$170,058,329	\$166,418,662	(\$3,639,667)

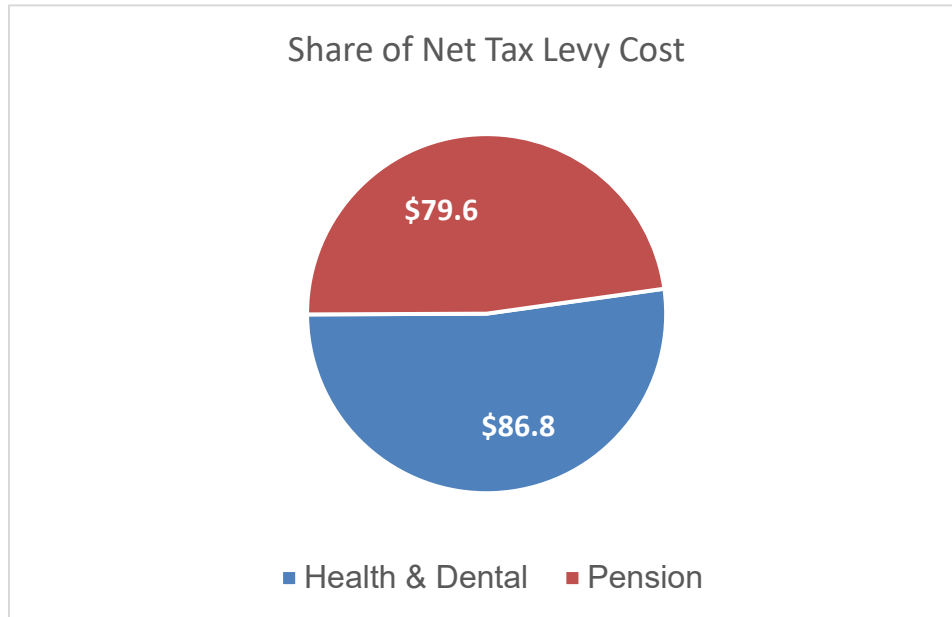
The table above shows that the 2023 budget includes \$217.6 million in gross fringe benefit costs. Revenues directly related to fringe benefits, such as employee and retiree health insurance premiums, employee pension contributions required by State Statute, and other revenues offset approximately \$22.9 million of this total. The remainder, \$194.6 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 \$166.4 million in 2023, 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

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
FUND: General – 10001

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 larger share at approximately \$86.8 million or 52 percent of the total. Pension benefits represent approximately \$79.6 million or 48 percent.



EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

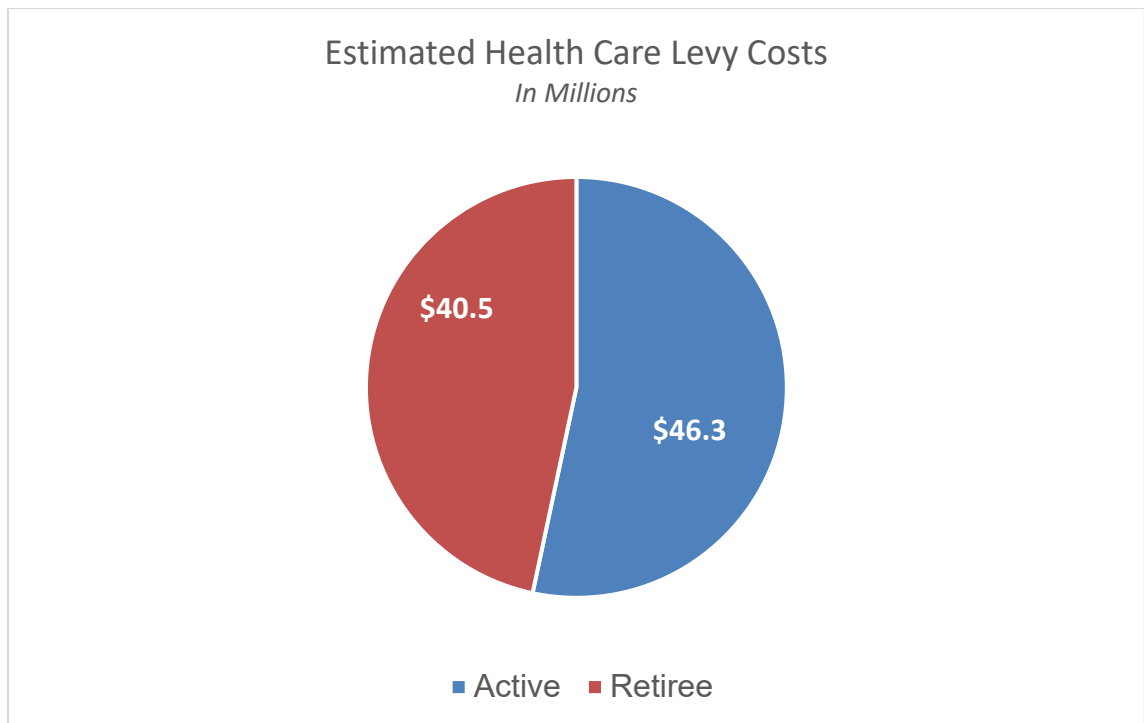
DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
FUND: General – 10001

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).

For health care expenditures, which include medical claims and Medicare Part B premium reimbursements, retirees account for an estimated 47 percent of tax levy funded benefits, while active employees represent 53 percent.



The 2023 Budget does not include any major changes to health benefits provided. Based on recent experience with prescription drug rebates combined with vendor negotiations for future years, prescription drug rebates are projected to increase by \$8.8 million compared to the 2022 Budget. This cost savings offsets inflationary increases in areas such as the employee FSA, administrative costs, and prescription drugs.

The Flexible Spending Account (FSA) employer contribution for 2022 is unchanged at a maximum of \$1,000. Employees eligible for an 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
- Fees required by the Affordable Care Act
- Employee Flu Shots

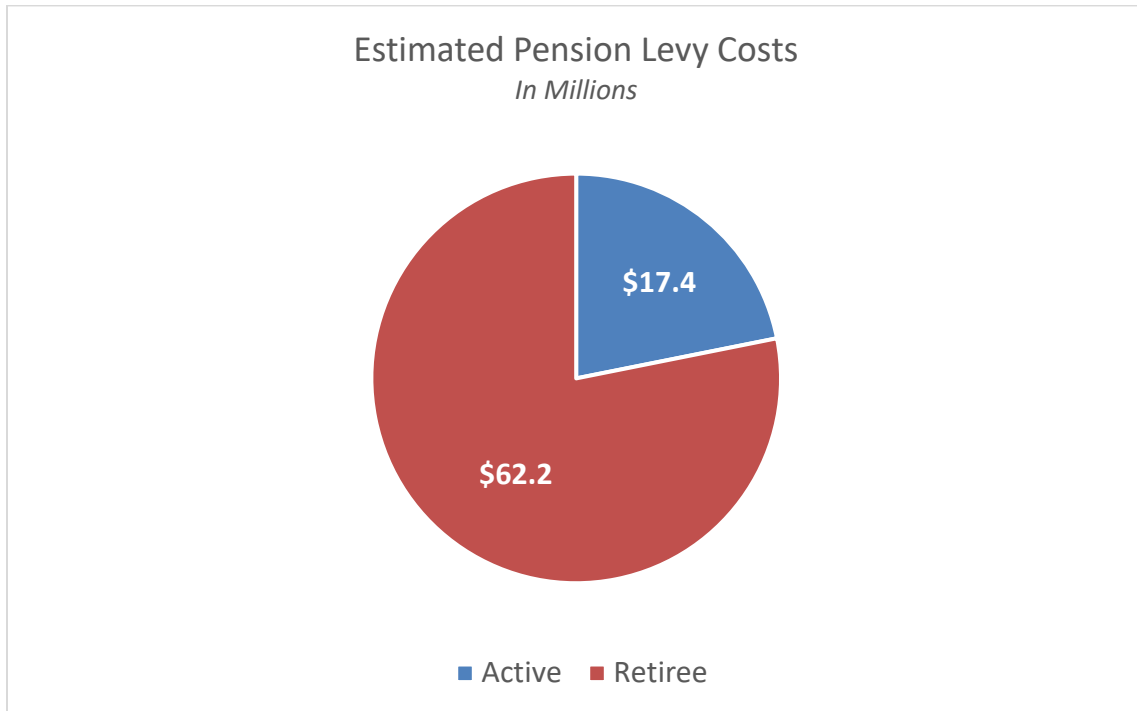
EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
 FUND: General – 10001

Pension Benefits Overview

Milwaukee County offers a pension benefit to vested employees through the Milwaukee County Employee Retirement System (ERS). ERS is one of the three public pension systems in the state of Wisconsin. As with health care and dental benefits, the County allocates pension-related costs between active employees and retirees. For 2023, the projected tax levy cost of pension benefits is approximately \$79.6 million. Of this total, approximately \$62.2 million or 78 percent is allocated to retiree costs and \$17.4 million or 22 percent is allocated to active employees.



The 2023 budget provides total appropriations for pension benefits of \$108.4 million. This amount represents a decrease of about \$1.4 million due to decreased OBRA and ERS Unfunded Actuarial Liability costs, partially offset by increased costs for the active pension portion of the \$3/hour premium pay for corrections staff.

Item	2022 Budget	2023 Budget	2022/23 Change
OBRA Retirement System Contrib.	\$203,000	\$186,000	(\$17,000)
ERS Normal Cost	\$19,575,000	\$19,870,000	\$295,000
ERS Unfunded Actuarial Liability	\$54,663,000	\$52,258,000	(\$2,405,000)
Pension Obligation Bonds	\$33,411,838	\$34,110,430	\$698,952
Premium Pay - Pension	\$539,955	\$0	(\$539,955)
TOTAL Pension Expenditures	\$108,392,793	\$106,424,430	(\$1,968,363)

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.

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

AGENCY NO. 194 - 1950
FUND: General – 10001

Revenues

Revenues of \$13.3 million are budgeted in 2023. Revenues increase due to an increase in the projected employee pension contribution total amount. For 2023, general employees shall contribute 6.1 percent of salary to the pension plan (unchanged from 2022). Public safety employee contributions are subject to collective bargaining.