



OFFICE OF THE COUNTY EXECUTIVE

Chris Abele

MILWAUKEE COUNTY EXECUTIVE

DATE: February 16, 2015

TO: The Honorable Milwaukee Board of Supervisors

FROM: Chris Abele, Milwaukee County Executive

RE: Veto of County Board File No. 15-31, an ordinance passed by the County Board to continue to overpay retirees by more than \$10 million.

I am vetoing County Board File No. 15-31 pursuant to the authority granted to me by Article IV, Section 23(a) of the Wisconsin Constitution and Section 59.17(6) of the Wisconsin Statutes. The County Board adopted an ordinance on February 5, 2015 that will allow a small group of employees and retirees to continue to receive inflated pension payments. This decision is estimated to cost the taxpayers of Milwaukee County at least \$10 million. This money would be better spent on improving the important services we provide including transit, mental health care and public safety.

I want to start off acknowledging that this is a difficult situation for those involved. As I have said repeatedly to Supervisors, employees and retirees who I have talked with and residents who have reached out to me, I am sympathetic to the 200 affected beneficiaries. I do not think the people who have been receiving these overpayments were acting nefariously, but as an elected representative of the people Milwaukee County, I cannot make my decision based simply on that.

When we first uncovered these errors last year, we immediately notified the people we believed might be impacted. To ensure transparency and make sure the affected people heard about the problem from ERS, not the news media, all the affected retirees and active employees were notified of the situation with letters in April of 2014. ERS sent a follow up letter to these individuals in September telling them the issue was still being reviewed and they would receive an update.

After learning about this problem, I spent significant time trying to understand how these errors happened, the timeline of events that led us to today and what our options are for fixing this issue both quickly and responsibly. To do this, I involved our pension and budget offices, as well as the County's actuary, Corporation Counsel, Comptroller and the IRS agent working on Milwaukee County's Voluntary Correction Program (VCP) to better understand the County's status with the IRS.

In putting together this proposal, I considered the legal risks, impact on employees and retirees (both the two hundred individuals on this list, as well as the twelve thousand pension fund beneficiaries), the fiscal impact on both the County as a whole and the pension fund, and our realistic ability to recoup funds. I also needed to consider the current policy of the County, what the County Board stated as its intention back in 2007 ("to vigorously pursue recovery") and what many

on the County Board have stated as their current intentions to let past and future overpayments continue.

While my initial thinking was to support what this Board unanimously recommended seven years ago and collect past overpayments as well as stop future ones, I listened to Supervisors recent concerns and proposed what I thought was a reasonable compromise - allowing the retirees to keep past overpayments but stop them going forward.

The Board's decision to not accept that compromise and instead allow a small subset of former County employees to be overpaid millions of dollars is a mistake and a disservice to the people who put us in office. I also believe it is a poor message to send to the many thousands of members of the same pension system who did not receive these enhanced benefits.

Since taking office, I have focused on, and will continue to focus on, ensuring that mistakes like this do not happen -- and if they do, we deal with them quickly. While I wish we could go back in time to prevent these issues from occurring, the reality is that we have to fix these mistakes in the present day in a way that puts the County in the best possible financial position.

When we all took office we swore an oath to serve all the people of Milwaukee County, not just some of them. I urge Supervisors to sustain this common sense veto and work with me as I continue to put the County on a better fiscal path and improve the County for everyone who lives here.