

**COUNTY OF MILWAUKEE**  
**Interoffice Memorandum**

DATE: December 17, 2012

TO: Milwaukee County Board Supervisors

FROM: Supervisor Michael Mayo, Sr., Chairman, Pension Study Commission

**SUBJECT: Review of Change to Modify the Backdrop Provision of the County Employees Retirement System (ERS)**

The Pension Study Commission (PSC) is charged with issuing a written report on the actuarial effect, cost implications and the desirability of proposed changes to the pension system. At its meeting on December 13, 2012, the PSC reviewed File No. 12-395 to amend Section 201.24(5.16) of the Milwaukee County Code of General Ordinances as it pertains to the backdrop benefit.

The Commission listened to testimony on the proposed changes to the backdrop provision, including testimony from the Pension System actuary related to the proposed fiscal savings if this change were to be enacted. The actuary's fiscal analysis is attached to File No. 12-395.

The actuary testified that the net present value savings of \$15.7 million were based on the actuarial valuation data as of 1/1/11 and an implementation date of 1/1/12. The PSC reviewed a resolution/ordinance with an implementation date of September 1, 2012. Based on the passage of time since 1/1/12, the actuary estimated the total savings would be "a million or so less." The actuary noted that approximately 60% to 70% of the total savings would accrue to the employer and the remainder would mitigate the employees' required pension contribution.

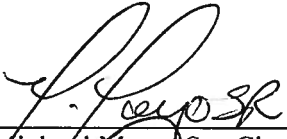
In addition, the PSC also learned that the change to cap the backdrop provision may impact employees who were already eligible to retire prior to the enactment of the ordinance. This could occur if an employee chose not to backdrop all the way to the first eligible date of retirement, but to a point after the enactment of the proposed ordinance. The actuary reviewed some simplified examples to illustrate the impact on the backdrop amount with different dates of hire and to illustrate the fact that the proposed change has a greater effect on employees who are further from retirement.

The PSC was informed that administrative implementation of the change would cost several hundred thousand dollars in computer programming and that the resolution's effective date should be amended from its current date of 9/1/12 in order to allow the retirement system sufficient time to prepare for the change.

The PSC discussed the interaction between the proposed change and prior pension changes that are currently the subject of litigation and between the proposed change and Act 10.

Based on the information presented to the Committee and contained in File No. 12-395, the Pension Study Commission voted (Vote 3-2; noes: Sups. Johnson and Mayo) to recommend that the County Board adopt the proposed changes to the backdrop benefit.

Respectfully submitted,



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Michael Mayo, Sr., Chairman  
Pension Study Commission

cc: County Executive Abele  
Kimberly Walker, Corporation Counsel  
Mark Grady, Deputy Corporation Counsel