

# Pension Ordinance Amendment Package: Principles & Overview

Milwaukee County Board of Supervisors

Finance & Audit Committee

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9:00 AM



# Pension Ordinance Amendment Package

- Principles
- How it benefits stakeholders
  - County
  - Retirees
  - Taxpayers
  - RPS
  - Pension Board
- Questions



# Pension Ordinance Amendment Package: Principles

- The pension ordinance amendment package represents emerging consensus and buy-in from key stakeholders
- There is consensus on the following principles:
  - Mitigate risk and current uncertainty by acting in an equitable and fiscally responsible manner
  - Eliminate uncertainty around the question of interest rate
  - Reduce amount of litigation (ongoing and possible future)
  - Providing clarity to retirees and taxpayers
  - Codify a process for payment adjustments that is transparent
  - Institute best practices for calculating pension (and related) benefits by defining the beginning of the benefit period as the first date of a given month
  - Make the pension trust whole





# Benefits to Retirees

- The pension ordinance amendment package benefits County retirees by...
  - Providing clarity to retirees with pensions that require adjustment
  - Creating potential cost savings for retirees in repayment plans by codifying an interest rate and stopping the ongoing accrual of a higher interest rate
  - Enabling further cost savings for those retirees by permitting the County to charge a much lower interest rate
  - Allowing for retirees to appeal any benefit calculations via the existing RPS appeals process
  - Retirees can avoid (potentially) costly and time-consuming litigation
  - Providing a mechanism by which the County could assume responsibility for the higher interest costs associated with overpayments



# Benefits to Taxpayers

- The pension ordinance amendment package benefits County taxpayers by...
  - Stopping the accumulation of interest and thereby reducing taxpayer costs if courts rule that County is payor of last resort related to benefit calculation errors
  - Mitigating financial risk due to litigation and uncertainty with payment adjustments
  - Establishing a transparent process for handling any future payment adjustments
  - Providing a means for the County to collect on liabilities for the benefit of the trust and the County
  - Instituting best practices in pension administration (reducing risk of future errors)



# Benefits to Milwaukee County

- The pension ordinance amendment package benefits the County by...
  - Halting the clock on the continued accrual of interest
  - Providing a means by which the County can fulfill its obligations to retirees and taxpayers
  - Establishing a transparent payment adjustment process
  - Simplifying the ongoing collection – via RPS – of County accounts receivable, which will be held for the benefit of the pension trust
  - Gives the County, as Plan Sponsor, agency to engage with the IRS to expeditiously conclude the current VCP
  - Reducing the likelihood of benefit calculation errors going forward



# Benefits to RPS

- The pension ordinance amendment package benefits Retirement Plan Services by...
  - Removing operational uncertainty
  - Reducing complexity around benefit calculation
  - Codifying best practices in pension administration
  - Providing framework for resolution of current VCP



# Benefits to Pension Board

- The pension ordinance amendment package benefits the Pension Board by...
  - Making the Trust whole
  - Relieving the Pension Board of the obligation to mediate disputes regarding the method of collection of overpayments
  - Providing certainty on interest rate
  - Further building trust in Plan Sponsor

