

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

BUDGET SUMMARY				
	2012 Actual	2013 Budget	2014 Budget	2013/2014 Change
Health Benefit Expenditures	\$ 113,308,978	\$ 118,502,180	\$ 118,676,177	\$ 173,997
Pension Related Expenditures	64,388,961	66,724,779	65,198,296	(1,526,483)
Other Employee Benefit Expenditures	4,071,264	5,374,214	4,115,407	(1,258,807)
Total Expenditures	\$ 182,140,203	\$ 190,601,173	\$ 187,989,880	\$ (2,611,293)
Total Abatements	(164,573,167)	(173,624,566)	(166,498,778)	7,125,788
Total Direct Revenue	\$ 17,034,901	\$ 16,976,607	\$ 21,491,102	\$ 4,514,495
Total Tax Levy*	\$ 532,135	\$ 0	\$ 0	\$ 0

** = Tax Levy in this Non-Departmental for Employee and Retiree Fringe Benefits is \$0. However, the \$166,498,778 in net costs is allocated out to departments, where the cost is mostly covered with property tax levy. See the chart below:*

ITEM	2014 \$
Gross Employee & Retiree Fringe Benefits, 2014	\$187,989,880
Less, Direct Revenues in Agency 1950	-\$21,491,102
	=
Amount Allocated to Departments	\$166,498,778
Estimated Revenue Offset at 17%	-\$28,304,792
	=
Approximate Tax Levy Cost, Employee & Retiree Fringe Benefits:	\$138,193,986

BUDGET HIGHLIGHTS

In March 2007 the County Board of Supervisors adopted a methodology for allocating fringe benefit costs to departmental budgets. In accordance with that methodology, the following costs have been applied to eligible FTEs and salary dollars in departmental budgets for 2014:

Table 2 - Fringe Benefit Costs Per Eligible FTE - 2014 Budget		
	Health Care	Pension % of Salary
Active Employee	\$13,836	10.80%

Fringe benefit costs are segregated into healthcare and pension components. Active healthcare costs are budgeted as a fixed cost per eligible FTE. Healthcare costs include all health benefits and other non-pension related benefits. Active pension costs are calculated as a percent of salary and include all retirement system contributions and debt service on pension notes issued in March 2009. Generally, legacy costs are allocated based on a 3-year average of FTE by department. Because of the allocation method for legacy costs, each department has a different rate for legacy healthcare and legacy pension costs.

For budget presentation purposes, the health and pension costs calculated per FTE remain fixed at these levels throughout the entire budget process. However, to accurately reflect the budgeted expenditures for health and

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

pension costs, each department receives an allocation to either increase or decrease its benefit expenditures as determined by fringe-related expenditures. Actual fringe rates will be determined after the final budget is adopted.

Item	Costs	% of Total
Gross Active Empl. Fringe Benefit Costs	\$88,818,066	47%
Gross Retiree (Legacy) Fringe Benefit Costs	\$99,171,814	53%
TOTAL	\$187,989,880	100%

Healthcare & Dental Expenditures

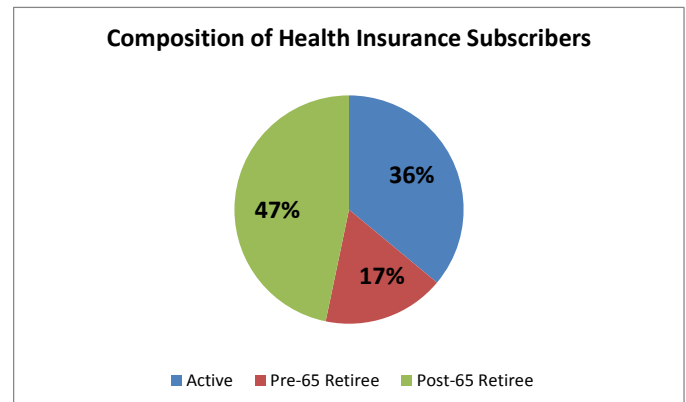
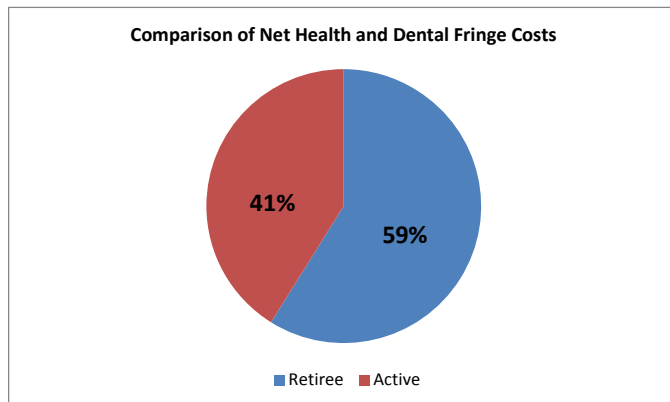
Total net costs for healthcare and dental benefits decrease from 2013 by \$2,766,795, or 2.5 percent in 2014. Projected changes from 2013 to 2014 for healthcare and dental benefits are as follows:

Active & Retiree Health & Dental Costs				
Item	2013 Budget	2014 Budget	\$ Change	% Change
Expenditures				
Basic Health & Prescription Drug Coverage	\$49,358,829	\$50,487,205	\$1,128,376	2.3%
Dental Maintenance Organization (DMO)	\$3,379,251	\$0	(\$3,379,251)	-100.0%
Conventional Dental Plan	\$1,466,440	\$4,057,730	\$2,591,290	176.7%
Wellness Program	\$904,168	\$400,000	(\$504,168)	-55.8%
FSA Contributions	\$3,691,672	\$0	(\$3,691,672)	-100.0%
<u>TOTAL Active Employee Health & Dental Cost</u>	<u>\$58,800,360</u>	<u>\$54,944,935</u>	<u>(\$3,855,425)</u>	<u>-6.6%</u>
Revenues				
<u>Employee Health & Dental Contributions</u>	<u>\$6,999,900</u>	<u>\$10,026,935</u>	<u>\$3,027,035</u>	<u>43.2%</u>
NET Active Employee Health & Dental Cost	\$51,800,460	\$44,918,000	(\$6,882,460)	-13.3%
Retiree Employee Healthcare Expenditures				
Item	2013 Budget	2014 Budget	\$ Change	% Change
Expenditures				
Basic Health & Prescription Drug Coverage	\$53,177,202	\$56,944,927	\$3,767,725	7.1%
Medicare Part B Reimbursement	\$6,524,618	\$6,786,315	\$261,696	4.0%
<u>TOTAL Retiree Health & Dental Cost</u>	<u>\$59,701,820</u>	<u>\$63,731,242</u>	<u>\$4,029,422</u>	<u>6.7%</u>
Revenues				
<u>Retiree Health Contributions</u>	<u>\$858,045</u>	<u>\$771,802</u>	<u>(\$86,243)</u>	<u>-10.1%</u>
NET Retiree Health Cost	\$58,843,775	\$62,959,440	\$4,115,665	7.0%
TOTAL Expenditures	\$118,502,180	\$118,676,177	\$173,997	0.1%
TOTAL Revenues	\$7,857,945	\$10,798,737	\$2,940,792	37.4%
NET TOTAL Health Care Costs	\$110,644,235	\$107,877,440	(\$2,766,795)	-2.5%

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001



Basic Health Benefits, Including Major Medical: These costs, which are estimated to total \$107.9 million in 2014 include:

- Medical claims, net of employee deductibles and co-pays;
- Prescription drug claims (net of commercial rebates and Employee Group Waiver (EGWP) reimbursements);
- Payments to United Healthcare to act as third-party administrator;
- Stop loss insurance premiums;
- Prescription Drug administration;
- The Patient-Centered Outcomes Research Institute Fee (PCORI) of approximately \$750,000 under the federal Patient Protection and Affordable Care Act (ACA);
- The Reinsurance Fee required by the federal ACA;
- Flu Shots for employees during the open enrollment period.

The 2014 estimate for health claims is based on 2013 estimated costs provided by the County's health care actuary and the Comptroller's Office plus an assumed inflationary increase. Health claim costs are anticipated to rise to \$71,127,362, an increase of 7.6 percent over the 2013 Adopted Budget. The 2014 estimate for prescription drug costs is also based on 2013 estimates provided by the health care actuary and the Office of the Comptroller. The 2014 estimated gross cost is \$35,125,600, a decrease from the 2013 Adopted budget of 1.5 percent.

Commercial rebates for prescription drugs are estimated to decline from \$4,618,378 to \$3,500,000 due to medications coming off patent, changes in utilization/drug mix changes, and slower rates of inflation in overall prescription drug costs. Revenues from the EGWP program are budgeted at \$4,173,920 based on calculations provided by the health care actuary and on rebates received so far in 2013.

Aside from the changes in rebates for commercial prescription drug coverage and the EGWP program, no savings are budgeted related to plan design changes other than employee premiums (explained below) in 2014. All co pays, co insurance, and deductibles for medical and prescription drug coverage are unchanged from 2013.

Part-time Health Benefits: Due to the possible impact on retention of staff at the Behavioral Health Division during the transition to community-based care, no change is made to health insurance coverage for employees who work less than full-time in 2014. In addition, the Department of Human Resources will be granted permission, via an amendment to the ordinances that will accompany the 2014 budget, to extend health insurance benefits during the 2014 open enrollment period for health insurance which would commence on January 1, 2015 to any employee who works an average of 30 plus hours during the "look-back period" based on the anticipated implementation of the mandate that such individuals be offered health insurance in the ACA.

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Dental and Other Healthcare Expenditures and Revenues: Due to significant rate increases required by Care Plus to extend its contract beyond 2013 at the time the Recommended Budget was being completed, the Dental Maintenance Organization (DMO) plan is eliminated in 2014. In addition, the remaining Conventional PPO Plan administered through Delta Dental (Dental PPO Plan) is restructured to provide improved benefits while premiums are increased based on market rates.

The following changes are made to the Dental PPO Plan:

- Annual coverage maximum, not including preventative maintenance, is increased to \$2,500 from \$1,000.
- Adult Orthodontia is now covered, and the lifetime maximum for orthodontia coverage is increased from \$1,500 to \$3,000.
- All other deductibles and co-insurance rates remain unchanged.

Because payments by the County to Care Plus for orthodontia services are spread over a two or three year period, funding of \$140,000 is provided to "grandfather" their orthodontia coverage until the payment schedule is complete, so as to hold these employees harmless.

Premiums for single coverage are increased from \$2 per month to \$10 per month, while monthly premiums for family coverage are increased to \$25 per month from \$6. This brings the premium structure in line with the similar plans, where employees generally pay premiums equivalent to 25% of the total cost of the plan. In comparison, premiums for the similar plan offered by the City of Milwaukee to its employees are \$13.58 monthly for single coverage and \$54.36 monthly for family coverage.

	County Conventional (2014)	City of Milwaukee Conventional (2013)	City of Milwaukee Care Plus (2013)	City of Milwaukee Dental Blue (2013)
Single	\$10.00	\$13.58	\$31.56	\$42.58
Family	\$25.00	\$54.36	\$93.84	\$129.22

Appropriations for dental insurance costs total \$4,057,730, with revenues from employee premiums budgeted at \$1,139,772. This budget level will enable the County flexibility to maintain the DMO dental benefit if continued negotiations with Care Plus result in a contract extension beyond 2013. If the DMO plan is continued in 2014, due to its significantly higher cost to the County, single coverage monthly premiums will be \$10 and family coverage monthly premiums will be \$52. If the contract with Care Plus is ultimately allowed to expire, it is anticipated that coverage costs and premium revenues will be slightly less than these budgeted amounts; however the net cost is estimated to be close to the net tax levy budget of \$2,917,958.

Wellness and Disease Management Program: The 2013 Adopted Budget provided for a wellness and disease management program that was funded with one-time revenues from the Debt Service Reserve Fund. In 2013, the Department of Human Resources issued a Request for Proposals (RFP) and intends to award a contract for a third party administrator to operate the plan, which will provide comprehensive health assessments and coaching beginning in 2014. Based on the terms of the RFP response that was recommended by the review panel, and based on a conservative participation estimate, funding of \$400,000 is provided in 2014 for the countywide wellness program. To provide an incentive to employees to participate in this program, a reduction in monthly premium costs of \$50 will be provided to all employees who sign up for the plan, effective in April 2014. See the premium structure section below for additional information about health insurance premiums.

Flexible Spending Account (FSA) Contribution: The County's contribution to active employee FSAs is eliminated in 2014, for an expenditure reduction of \$3,691,672 from the 2013 Adopted Budget.

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Medicare Part B Reimbursement: Medicare Part B reimbursement continues for all employees eligible to receive the reimbursement. The anticipated reimbursement is budgeted based off of three percent trend of the current year estimate, for a total budgeted amount of \$6,786,315.

Employee Opt-Out: Employees who opt out of health insurance coverage will continue to receive a one-time payment of \$500 annually. This policy is unchanged from 2013.

Employee and Retiree Healthcare Contributions: Budgeted contributions from employees and retirees for health and dental premiums increase by \$2,940,792 in 2014 to \$10,798,737. This increase is largely due to an increase in employee-paid healthcare and dental contributions as part of the 2014 Budget. The dental premium changes are explained in the section on dental insurance above.

Health insurance premiums remain budgeted in a four-tier premium system, and will include a \$50 monthly credit for employees who participate in the wellness program as described above. The premium structure, including the wellness program incentive, is show below:

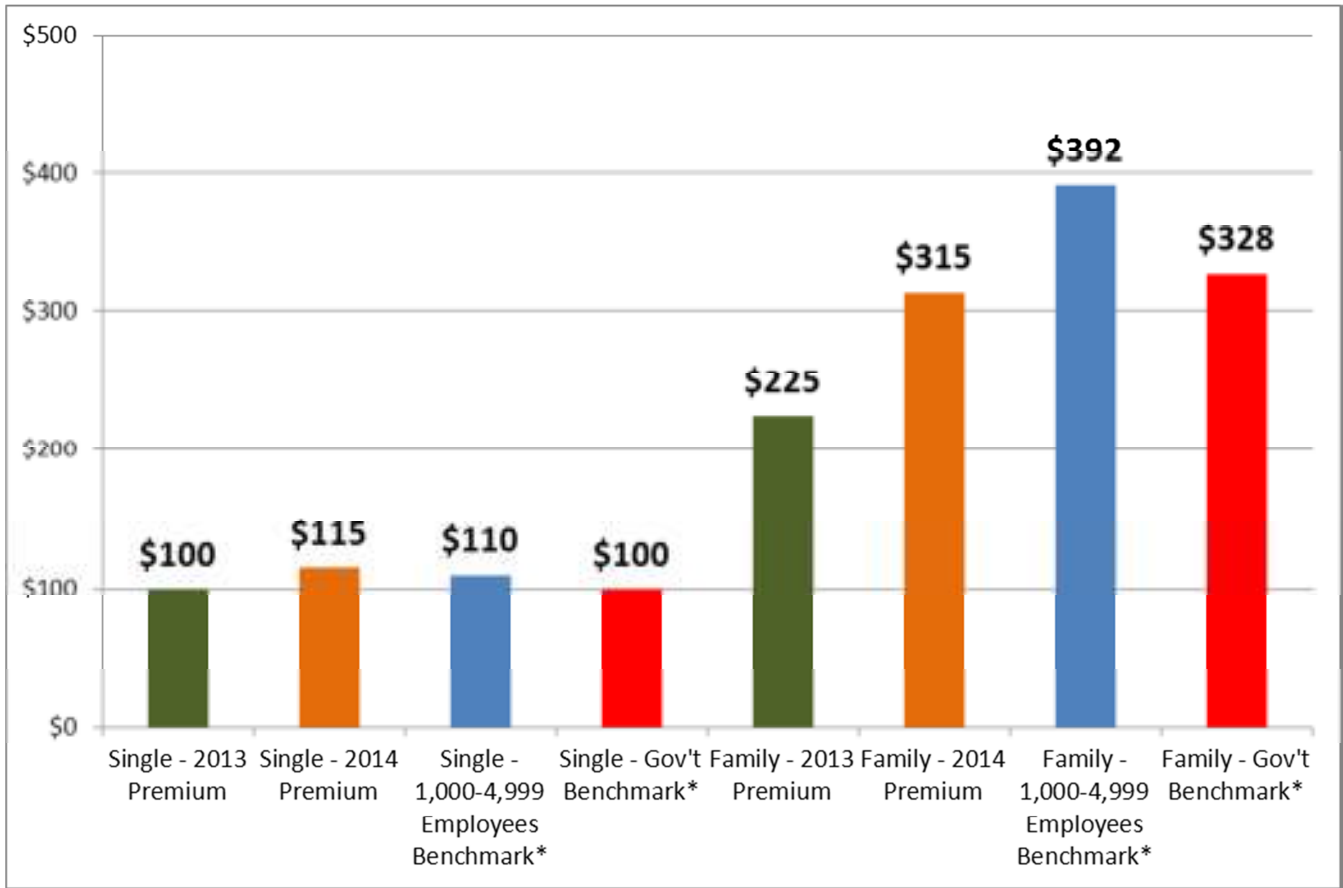
Tier	Monthly Premium - Wellness Program Non-Participant	Monthly Premium - Wellness Program Participant
Employee Only	\$165.00	\$115.00
Employee + Child(ren)	\$225.00	\$175.00
Employee + Spouse	\$280.00	\$230.00
Employee + Family	\$365.00	\$315.00

This premium structure is designed to reduce the impact to taxpayers of rising healthcare costs, and to bring the County's premium structure into parity with current market rates. The County's health care actuary has provided data from a 2012 national survey of employer-sponsored health plans. This data shows that the 2013 premium structure (green bars in the chart below) is below the 2012 benchmark rates for government employers (red bars below) and employers with between 1,000 and 4,999 employees (blue bars below), the same size as Milwaukee County's health plan. The proposed 2014 premiums for employees who take advantage of the wellness program, and so receive the \$50 monthly credit, are shown in orange in the table on the next page.

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001



* = 2012 Benchmark, which would be expected to increase for 2013 and 2014.

Patient Protection and Affordable Care Act: Federal health insurance exchanges will be operational on October 1, 2013. Preliminary comparisons with exchange health plan models that have been publicized for cities in California suggest that, on a conservative basis, the County may save approximately \$10 million annually in health insurance costs by utilizing the exchange.

Once the details related to plan coverage and costs are made public, the Department of Administrative Services – Office of Performance, Strategy and Budget (PSB) will work with staff from the Office of the Comptroller, the Department of Human Resources, Corporation Counsel and outside groups with specific expertise (such as actuarial, financial, and legal) to analyze health insurance models based on transitioning away from the existing self-funded health insurance plan and into the exchange. If this analysis shows that the County can realize significant savings while ensuring access to quality and affordable health care, then the County will eliminate the existing self-funded health insurance plan and transition to the exchange during 2014.

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Pension-Related Expenditures

Total net budgeted pension-related expenditures decrease by \$3,098,520 in 2014 to \$55,503,704. Projected changes from 2012 to 2013 for pension benefits are as follows:

Pension Expenditures						
		2013	2014	2014/2013	Percent	
		Budget	Budget	Change	Change	
1	Mandatory Annuity Contribution	\$ 17,700	\$ 17,700	\$ 0	0.0%	
2	OBRA Contribution	360,000	440,000	80,000	22.2%	
3	Employees' Retirement System Normal Cost	14,996,000	16,669,000	1,673,000	11.2%	
4	Amortization of the Unfunded Actuarial Accrued Liability	15,586,000	12,388,000	(3,198,000)	-20.5%	
5	Stabilization Fund Contribution	0	0	0	0.0%	
6	Debt Service on Pension Notes Issued 3/2009	33,659,079	33,066,596	(592,483)	-1.8%	
7	Miscellaneous Pension-Related Expenditures (Doyme)	2,106,000	2,617,000	511,000	24.3%	
8	Total Pension-Related Expenditures	\$ 66,724,779	\$ 65,198,296	\$ (1,526,483)	-2.3%	
9	Pension-Related Revenue (Doyme)	\$ 170,000	\$ 170,000	\$ 0	0.0%	
10	Employee Retirement Contribution	7,863,762	9,474,592	1,610,830	20.5%	
11	Employee Retirement Contribution (State Employees)	88,794	50,000	(38,794)	-43.7%	
12	Total Pension-Related Revenues	8,122,556	9,694,592	1,572,037	19.4%	
	Total Pension-Related Cost	\$ 58,602,224	\$ 55,503,704	\$ (3,098,520)	-5.3%	

Mandatory Annuity Contribution: While the Employee Retirement System Employees' Retirement System of Milwaukee County (the "ERS") is substantially non-contributory, participants meeting certain criteria have the option to contribute to membership accounts. The County also contributes to the membership accounts of most employee participants enrolled prior to January 1, 1971. The total budgeted contribution for the 2013 mandatory annuity contribution is \$17,700 (Pension expenditures table, Line 1).

OBRA: The 1990 Retirement System of the County of Milwaukee ("OBRA") covers seasonal and certain temporary employees who do not elect to enroll in the ERS. OBRA members are immediately vested and earn a benefit equal to two percent of their covered salary for each year of OBRA service. Pursuant to the most recent actuarial valuation dated January 1, 2013, the 2014 contribution to OBRA is budgeted at \$440,000 (Pension expenditures table 4, Line 2).

Employees' Retirement System: The 2014 Budget fully funds the County's required contributions to the pension fund and the debt service related to the pension obligation bonds. The 2013 budgeted amount of \$62,123,596 for the County's contribution to ERS the includes normal costs of \$16,669,000 (Pension expenditures table, Line 3), an unfunded actuarial accrued liability cost of \$12,388,000 (Pension expenditures table, Line 4) and debt service costs of \$33,066,596 (Pension expenditures table, Line 6) based on the 2013 actuarial valuation.

Stabilization Fund Contribution: In March of 2009 the County issued \$400,000,000 in pension notes to fund a portion of the unfunded actuarial accrued liability ("UAAL"). The County structured its issuance to provide level debt service for 25 years on the notes and also provided the ability to contribute \$2,000,000 for the Stabilization Fund. No contribution is made in 2014.

Doyme Employees: In 1989, United Regional Medical Services was formed as a joint venture of Froedtert Hospital and Doyme Hospital for laboratory and radiology services. As part of the joint venture agreement, the County was required to pay the ongoing pension-related expenses for Doyme employees shifted to the United Regional Medical Services. The 2014 Budget includes \$2,617,000 in expenditures for these pension-related expenses, which is offset by an estimated \$170,000 (Pension expenditures table, Line 9) in revenue based on 2012 actuals.

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Employee Retirement Contribution: The State of Wisconsin adopted State Statute section 59.875 as part of 2011 Wisconsin Act 10, mandating that Milwaukee County collect from employees one-half of the actuarially required contribution of the Employee Retirement System. Pursuant to File No. ORD 11-8 adopted on July 28, 2011, the employee pension contribution for 2014 will be set through the budget resolution. The contribution revenues are based on the 2013 actuarial revenues, adjusted slightly downward for public safety positions based on reductions in the 2014 budget. The employee contribution rates, as a percentage of salary, are shown for 2014 and 2013 below:

Group	2014 Rate	2013 Rate
Public Safety	5.2%	5.4%
General	5.1%	4.4%

*Because the County has not yet reached agreements with the Milwaukee Deputy Sheriffs Association (DSA) or the Milwaukee County Fire Fighters Association for 2014, the budget assumes that members of the DSA will contribute 5.2 percent and that members of the Milwaukee County Fire Fighters Association will contribute 0 percent.

Voluntary Transition to Defined Contribution System:

The Department of Administrative Services Office of Performance, Strategy and Budget will work with the Department of Human Resources, Corporation Counsel, and the Office of the Comptroller, to investigate the possibility of providing employees the choice of whether to remain in the existing defined benefit pension system or to “opt out” and join a defined contribution (401K-style) pension system with the possibility of a match to the employee’s account by the County.

Former County Employees Transferred to the State for Income Maintenance and Child Care: Certain employees were transferred from County employment to State employment and were allowed to stay in the County’s Employees’ Retirement System or to transfer to the Wisconsin Retirement System (WRS). The normal cost associated with those employees who remained in the County’s ERS, but were not yet vested, is paid by the State. Therefore, the 2014 Budget includes a reimbursement from the State in the amount of \$50,000 (Pension expenditures table, Line 11).

Other Employee Benefits Expenditures

Group Life Insurance: The group life insurance appropriation is based on the amount of coverage that is determined by an employee’s salary. For 2014, \$2,718,473 is budgeted for the cost of group life insurance. Revenues from employee and retiree contributions are budgeted at \$910,738.

Corporate Transit Pass Program: An expenditure of \$575,943 is budgeted for the County’s corporate transit pass program based the 2013 current year projection, offset by employee contributions for an estimated revenue offset of \$87,035.

Miscellaneous Expenditures

Professional Services: An expenditure appropriation of \$250,000 is included to retain outside consultants, actuaries, and other professional services to assist staff in actuarial analysis, ad hoc reporting, request for proposals preparation, contract and rate negotiations, annual enrollment processing and other areas where additional expertise in healthcare advisory services may be needed, including for the Employee Benefits Work Group.

Cost Allocation Plan Expenditure: Also included in 2013 is an appropriation of \$570,991 for the Department of Human Resources - Employee Benefits Division portion of the 2013 Cost Allocation Plan. Previously included in

COUNTY EXECUTIVE'S 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

the Central Service Allocation, this amount is now included in this budget, and reflected as an expenditure and abatement similar to the Central Service Allocation plan. The total amount budgeted is the 2011 actual amount.

Five-Year History of Expenditures and Revenues

Table 5 - Five-Year History of Expenditures and Revenues					
	2010 - Actual	2011 - Actual	2012 - Actual	2013 - Adopted	2014 - Budget
Health Benefit Expenditures	132,619,138	\$ 137,426,087	\$ \$113,308,978	\$ 118,502,180	\$ 118,676,177
Pension Related Expenditures	66,384,489	64,738,388	\$64,388,961	66,724,779	65,198,296
Employee Group Life Insurance	2,460,489	2,666,400	\$2,515,510	2,976,171	2,718,473
Other Employee Benefits Expenditures	1,355,543	1,591,956	\$1,926,754	2,398,043	1,396,934
Total Fringe Benefit Expenditures	202,819,659	\$ 209,773,431	\$ \$182,140,203	\$ 190,601,173	\$ 187,989,880
Revenues (All Sources)					
Total Revenues (All Sources)	6,210,982	\$ 9,964,393	\$ \$17,034,901	\$ 16,976,607	\$ 21,491,102

Wage and Benefit Expenditures

Wage Increase: The 2014 Budget includes a base wage increase of 2.0 percent for all employees beginning on April 13, 2014 (pay period 10), which results in a cash value increase of 1.31 percent during calendar year 2014. The Wisconsin Department of Revenue forecasts a Consumer Price Index increase of 1.66 percent in 2014, which is the allowable maximum on which base wages may be negotiated with collective bargaining units. The County has received an opinion by outside labor law experts indicating the “cash value” methodology is acceptable under the most recent costing rules adopted by the Wisconsin Employee Relations Commission (WERC). If it is determined subsequent to adoption of the budget that the “cash value” methodology is not acceptable, employees not represented by a collective bargaining unit shall receive a 2.0 percent increase effective April 13, while the County shall negotiate with collective bargaining units under the assumption that a 1.66 percent increase is the maximum allowed.

Step Increases: Except for employees in the Milwaukee County Deputy Sheriff’s Association and the Milwaukee County Firefighters Association, all step increases are eliminated in 2014. This action is due to the comprehensive analysis of pay practices, including pay ranges and associated steps by the Department of Human Resources. This analysis has shown a wide disparity between similar pay grades and rates of increases between steps. For instance two similar pay grades for entry level administrative positions, 06P and 06PM, have different starting pay rates and steps increases that vary from a 3.5 percent to 2.8 percent. In other cases, positions that have the same classification have different pay ranges with differing numbers of steps. Due to the inequity of this system, Human Resources will recommend new pay ranges with more equitable steps for future use.