

COUNTY OF MILWAUKEE
Interoffice Memorandum

DATE: September 26, 2013

TO: Milwaukee County Board Supervisors

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

SUBJECT: Review of Pension Changes Contained in the 2013 Agreement between Milwaukee County and the Milwaukee County Deputy Sheriff's Association (DSA)

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 September 26, 2013, the PSC reviewed File No. 13-688 which outlines the terms of a proposed labor agreement between the Deputy Sheriff's Association and Milwaukee County for 2013. The PSC focused its attention on the proposed pension changes that include: 1) Changing vesting from 10 years to 5 years, and 2) Requiring members of the ERS to pay one-half of the annual required contribution (ARC).

The Commission reviewed documents from the Pension System actuary, Mr. Larry Langer, related to the proposed fiscal cost if these changes were to be enacted. Mr. Langer was in attendance via conference call with the Commission to answer questions. The actuary's fiscal analysis is attached to File No. 12-395.

The actuary states in his memo that the change in vesting from ten to five years would increase the normal cost by approximately \$27,742 per year. It was clarified by the Commission that this cost represents the gross cost to the pension plan, and the deputy sheriff's would pay approximately one-half of the amount through their employee pension contributions.

In addition, the change to require Deputy Sheriff Association members of the ERS to pay one-half of the annual required contribution (ARC), rather than the fixed amount of 6.59% would have no actuarial impact. The 6.59% represents one-half of the ARC based on an analysis dated July 11, 2011, that presumed that the amount would be adjusted annually following each actuarial valuation. (The employee contribution will decrease to 5.4% upon approval of the agreement for the duration of 2013.)

The PSC was also informed by the Pension Board via a memo dated September 20, 2013, that there is no administrative cost related to these changes, and that the County would fund any additional pension costs as outlined by the actuary. These benefit changes, according to the Pension Board, are consistent with other ERS' member benefits.

Based on the information presented to the Committee and contained in File No. 13-688, the Pension Study Commission voted (Vote 4-0) to recommend that the County Board adopt the proposed changes to the pension benefits collectively bargained with the Deputy Sheriff's Association.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Mayo SR", written over a horizontal line.

Michael Mayo, Sr., Chairman
Pension Study Commission

cc: County Executive Abele
Paul Bargren, Corporation Counsel
Mark Grady, Deputy Corporation Counsel