

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: October 11, 2011

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution amending section 201.24(4.1) pertaining to eligibility for the Rule of 75 of FNHP represented employees.

FISCAL EFFECT:

No Direct County Fiscal Impact

Increase Capital Expenditures

Existing Staff Time Required

Increase Operating Expenditures
(If checked, check one of two boxes below)

Decrease Capital Expenditures

Increase Capital Revenues

Absorbed Within Agency's Budget

Decrease Capital Revenues

Not Absorbed Within Agency's Budget

Decrease Operating Expenditures

Use of contingent funds

Increase Operating Revenues

Decrease Operating Revenues

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Approval of this Resolution will not change the current pension benefits for any FNHP employee and therefore will not have a fiscal impact on the County for current FNHP employees. An actuarial report from Buck Consultants dated September 15, 2011 is attached and states, in part, that savings of between \$10,000 and \$50,000 per FNHP represented employee hired after January 1, 2013 will result from elimination of the Rule of 75 after that date.

Department/Prepared By Corporation Counsel

Authorized Signature Mark A. Hoey

Did DAS-Fiscal Staff Review? Yes X No

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

September 15, 2011

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
901 N. 9th St.
Milwaukee, WI 53233

Re: Actuary's Review of Non-Represented Employees Ordinance Amendment of Rule of "75" to the Employees' Retirement System

Dear Supervisor Cesarz:

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached, proposed ordinance amendment to Section 201.24(4.1) of the Milwaukee County Code of General Ordinances as it pertains to the "Rule of 75." Currently, there are various employee groups within the county which could become eligible for the "Rule of 75" if these groups become non-represented. This amendment, if adopted, would eliminate the "Rule of 75" for various represented members who become non-represented.

Actuarial Analysis

The ordinance amendment maintains "status-quo" in the Retirement System in the event that current represented members become non-represented. Specifically, the amendment provides that an employee who is eligible for the Rule of 75 on September 29, 2011 will maintain that eligibility regardless of any change in their position or any change in their union status; conversely, any employee who is not eligible for the Rule of 75 on that date will not become eligible regardless of any change in their position or any change in their union status. Because the amendment does not change any current employee's current eligibility for this benefit, there is no actuarial impact by adopting the proposed ordinance amendment.

There is an actuarial impact, however, if this proposed amendment *is not* adopted. If this amendment is not adopted, and some unknown number of employees changes their status at some unknown date in the future, Retirement System costs will increase. Because of the unknown circumstances regarding any employee's future changes in status, a projection of future savings cannot be calculated. In other similar circumstances, we have calculated a savings (see our report dated April 13, 2011). In this case, we have roughly estimated the impact of not adopting this amendment to be roughly \$10,000 to \$50,000 per member of affected groups that become non-represented and eligible for "Rule of 75," depending on the classification of the employees potentially involved.

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
September 15, 2011
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Please call if you have any questions.

Sincerely,



Larry Langer, ASA, EA, MAAA
Principal, Consulting Actuary

LFL:pl
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cc: Mark Grady
Marco Ruffini