




Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

DATE: September 25, 2020

TO: Supervisor Marcelia Nicholson, Chairwoman, County Board of Supervisors

FROM: Cynthia (CJ) Pahl, Financial Services Manager 

SUBJECT: Comptroller's Review of Proposed Ordinance Amendments to the Milwaukee County Employees' Retirement System relating to Unpaid Time

The Comptroller's Office has reviewed the proposed ordinance amendments relating to the Milwaukee County Employees' Retirement System relating to unpaid time and based on information provided by the actuary and by RPS, this office concurs that there is no fiscal impact to the County from the proposed ordinance amendments.

The proposed amendment would:

- Allow employees who were furloughed as a result of COVID-19 Coronavirus and the budgetary shortfalls resulting from COVID-19 Coronavirus to earn service credit for the hours furloughed.
- Codify that employees receiving Worker's Compensation for injuries received while in County service can earn service credit for the period of time not otherwise credited with proper application to the secretary.
- Codify that employees granted Military Service Credit shall be allowed to earn service credit for any period during which the employee was absent without pay for Military Leave.

Fiscal Impact: Under current ordinances and rules, a member may only earn service credit for time without pay up to 160 hours. Unpaid hours in excess of 160 hours reduce a member's service credit by a proportional amount. Current practice allows employees absent due to Military Leave or Worker's Compensation to earn service credit; this proposed amendment codifies that practice.

As of August 8, 2020, 1,571 employees have taken furlough (unpaid time) in calendar year 2020 as a result of the budgetary shortfalls resulting from COVID-19 Coronavirus. Of those employees, 180 have exceeded 160 hours of unpaid time. Per current ordinance, those employees' service time would be reduced for calendar year 2020 on a prorated basis resulting in an overall lower service credit than what was previously assumed by the actuary. The following year (January 1, 2021), the fact that those furloughed did not earn a full year of service credit in calendar year 2020 results in an actuarial gain of \$50,000 to \$150,000 as estimated by the actuary. This amount is amortized over 20 years resulting in a reduction of \$3,700 to \$11,100 in the employer contribution beginning in 2021. Since the actuarial valuation as of January 1, 2020 assumed that those individuals would earn their entire service credit for calendar year 2020, there would be no additional cost to the County to allow employees to earn service credit for furlough hours as proposed. To the contrary, if the County

chooses not to provide service credit for unpaid hours in excess of one month or 160 hours, there would be a savings to the County, albeit the savings would be negligible.

It should be noted that there is no proposal to impute income for the furloughed hours. Per Retirement Plan Services, the Final Average Salary (FAS) is determined in any given year by removing unpaid hours from the calculation. This may result in less than 26 pay periods at the employee's salary for that year. Although some employees may wish to work additional pay periods to recoup lost pay periods at their potentially higher earnings rate under the FAS calculation, the overall impact to most County employees is far less than not earning service credit. Imputing income would also add another layer of calculation to an already confusing benefit calculation. This presents the opportunity for benefit calculation errors that pose a greater financial risk to the County.