



Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

DATE: June 9, 2016

TO: Chairman Theodore Lipscomb, Sr.

RE: Request for financial impact of court decision in Case No. 11CV16826 determining that members of AFSCME – DC48 were not represented on September 29, 2011

On May 27, 2016, the Circuit Court ruled that pursuant Milwaukee General Ordinance (MGO) 201.24(4.1)(2) for purposes of certain pension benefits, that members of AFSCME – DC48 (DC48) were actually not represented by a collective bargaining agreement at the time the ordinance was passed, thus making them eligible for certain pension benefits of non-represented employees. Therefore, any members of DC48 who were hired between January 1, 1994 and December 31, 2005 would become eligible for the Rule of 75.

During 2011 committee hearings, the County's actuary, Buck Consultants, provided the County with an estimate of the potential cost of represented groups becoming non-represented and therefore, entitled to the additional pension benefits described above. At that time, the actuary determined that the additional cost of providing non-represented benefits to represented employees would be \$10,000 to \$50,000 per member.

This cost is determined by the County's actuary, through actuarial methods and assumptions. Because one cannot predict what the behavior of each member would have been or will be, actuarial calculations are used to ensure that the County has sufficient funds within the system. Generally speaking, one could look at each member and estimate what his or her final average salary would be to determine a monthly pension benefit at age 60 and at retirement based on the Rule of 75. Additional costs are the result of either a member retiring earlier under a Rule of 75 which requires additional years of retirement payments the member, or becoming eligible for additional back drop years due to eligibility for retirement at an earlier date. The cost varies from member to member because it is unknown if an employee would choose to retire earlier, or choose to take a back drop, and if a back drop is taken, how many years the member would apply towards the back drop.

The Office of the Comptroller has consulted with Retirement Plan Services on which members would become eligible for the Rule of 75 under the recent court ruling.

- Active Members: There are 628 active members that become eligible for the Rule of 75. Of those, approximately 48 receive no additional benefit due to their current age. The remainder of members receive a benefit of anywhere from a few months to about 12 years of possible additional retirement years. These additional years also increase the likelihood of paying out larger backdrops.

Milwaukee County Courthouse • 901 North 9th Street – Rm. 301
Milwaukee, Wisconsin 53233 • Telephone (414) 278-4199 • Fax (414) 223-1901



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- Retired or Deferred Members: There are 154 members that have since retired and 34 members on deferred retirement that would become eligible for the Rule of 75. Generally, any member in deferred retirement is only eligible for retirement benefits at the age of 60. Therefore, until a court rules otherwise, there would be limited financial impact from this group. With respect to those members that have already retired, approximately 48 members could have retired earlier, making these members potentially eligible for additional back drop years.

Further information will be needed in order to fully calculate the financial impact associated with this court decision. Any costs would be paid by the Employee Retirement System and paid back by the County over an amortization period. As the additional information needed is obtained, the actuarial assumptions will be updated and the actuary will be able to provide updated costs on the court's ruling.