




**Liz Sumner • Comptroller**

DATE: December 2, 2024

TO: Milwaukee County Board of Supervisors

FROM: Cynthia (CJ) Pahl, Director of Financial Services, Office of the Comptroller 

RE: Fiscal Analysis – Various Changes to Milwaukee County ERS-Related County Ordinances

The following provides a summary of the fiscal impact to the Employees' Retirement System of the County of Milwaukee (ERS) and Milwaukee County if the Milwaukee County Ordinances are amended as requested.

The actual fiscal impact may be greater than or less than the impact that is estimated below. This review was based on information provided by employees of the ERS and an analysis provided by the County's pension actuary. According to the information provided, all but two of the proposed amendments are clarifying in nature and would have no material impact on the benefits provided by ERS to its members. Of the remaining two proposed amendments:

- Clarification of types of pay subject to member contributions will have no fiscal impact on ERS, but an immaterial, net positive fiscal impact on the County; and
- Vesting all non-vested employees terminated before 12/31/2024 results in an immaterial fiscal impact on the ERS and subsequently immaterial fiscal impact for the County.

Therefore, if the proposed amendments are adopted by the Milwaukee County Board of Supervisors, there would be no resulting fiscal impact to the ERS, since any potential cost or savings would be immaterial. Furthermore, since there is no material fiscal impact expected on the ERS, and the fiscal impact of the pay clarification results in a de minimis change, there is no material fiscal impact to Milwaukee County now or over the next five years.

#### **Fiscal Impact Analysis**

- **Amendments to Ordinance Chapter 201.24(2.4)**
  - The proposal clarifies the term "employee" for purposes of membership in the ERS by excluding the following: any employees hired after December 31, 2024; any employees previously employed by but separated from County employment on December 31, 2024 who return to County employment January 1, 2025 or thereafter; employees who are in positions eligible for membership in the WRS or OBRA; and any

- employees employed by the County on December 31, 2024 in a position not eligible for membership in the ERS.
- Fiscal Impact: The fiscal impact from the closure of the ERS has already been calculated under prior County Board actions. There is no additional material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(2.7)**
  - The proposal clarifies that earnable compensation is gross wages or salary earned while earning service credit in the ERS.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(2.9)**
  - The proposal clarifies that any ERS member not in active service on December 31, 2024, that returns to County employment on or after January 1, 2025, shall not be eligible to return to active service or to accrue additional service credit in the ERS.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(2.18)**
  - The proposal clarifies that normal retirement age shall be determined by eligibility when they leave active service in the ERS.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(3.11)**
  - The proposal clarifies how member contributions are calculated, codifies the types of pay that are subject to member contributions, and codifies which employees are considered public safety employees.
  - Fiscal Impact: The fiscal impact from the contribution changes from ½ of the actuarially required contribution to ½ the normal cost has already been calculated under prior County Board actions. For purposes of the calculating the Actuarial Accrued Liability (AAL) for public safety employees, that AAL was calculated including hazard pay for those eligible to receive the benefit. If this proposed change is adopted, additional County revenue of \$21,000 per year is anticipated through applying the member pension contribution to these wages for each year going forward, which is considered immaterial.
- **Amendments to Ordinance Chapter 201.24(4.1)**
  - The proposal clarifies that only employees in active service in ERS at the time of retirement may retire under the ERS normal retirement provisions and that only employees in active service in ERS at the time of retirement may be eligible for the Rule of 75.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(4.2)**
  - The proposal clarifies that early retirement shall only apply to an employee in active service in the ERS or to an employee earning service credit in OBRA.

- Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(4.3)(1)**
  - The proposal clarifies that accidental disability retirement shall only apply to an employee in active service in the ERS.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(4.4)**
  - The proposal clarifies that ordinary disability retirement shall only apply to an employee in active service in the ERS.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(4.5)**
  - The proposal clarifies that an ERS deferred vested retirement shall only apply to an employee in the ERS. It further provides deferred vesting for all ERS members who are not employed on December 31, 2024, who are not vested, and who have valid service credit as of December 31, 2024.
  - Fiscal Impact: The fiscal impact associated with vesting all non-vested terminated members who are not employed on December 31, 2024, is an increase to the Actuarially Accrued Liability (AAL) of \$0.1 million. There is no normal cost change associated with these members as they are not current employees. The impact of a \$0.1 million change to the AAL is immaterial and will have no fiscal impact to the ERS or to the County this year or in future years.
- **Amendments to Ordinance Chapter 201.24(5.16)**
  - The proposal clarifies that a backdrop benefit shall only apply to an employee retiring from active service in the ERS and shall be calculated using only ERS service credits.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Amendments to Ordinance Chapter 201.24(8.7)**
  - The proposal clarifies that no employee may earn service credit in ERS at the same time they are earning service credit in the WRS or OBRA.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.
- **Creation of Ordinance Chapter 201.24(8.25)**
  - The proposal clarifies that the County may not increase or enhance the ERS benefits for employees in the ERS except as required by federal law; that the County will terminate the ERS after the final payment has been made to members and beneficiaries; and that the County may not create a new retirement system under Chapter 201.24.
  - Fiscal Impact: There is no material fiscal impact estimated from this proposed change.

**Additional Considerations:**

The fiscal impact provided in this report are based on the proposed amendments and reports provided to the Office of the Comptroller on November 15, 2024. If additional amendments were proposed or changed in the final draft submitted for approval, those changes may not be accurately reflected in this fiscal note.