COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: July 14, 2026

TO: Chairwoman Marcelia Nicholson-Bovell, County Board of Supervisors

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

SUBJECT: Fiscal Review of a Potential Soft Close of the OBRA Retirement System

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The following provides a fiscal summary of a potential soft close of the OBRA Retirement System. It provides an estimate of the fiscal impact of a proposed soft close which would preserve OBRA for current members and cover new employees through Social Security. The modeled soft close adds an average of $297,000 in additional costs annually throughout the projection period, resulting in an estimated total cost of $3.6 million before one-time implementation costs.

Current OBRA Contribution

The County is responsible for making an actuarially determined OBRA contribution in lieu of the 6.2% Social Security tax. The OBRA contribution consists of three parts:

1. A normal cost payment which is payment for the benefits earned in the current year.
2. The unfunded actuarially accrued liability payment (UAAL) which is payment toward unfunded liabilities in prior years.
3. An administrative cost which is 4% of total administrative costs calculated by the Department of Human Resources – Retirement Plan Services Division (DHR - RPS).

The estimated baseline OBRA contribution through 2038 is:

Estimated OBRA Contribution FY27 - FY38				
Fiscal Year	Normal Cost	UAAL	Admin Expense	Total
2027	$159,000	$59,000	$194,000	$412,000
2028	$171,841	$69,222	$198,850	$439,913
2029	$184,953	$44,263	$203,821	$433,037
2030	$199,722	$46,872	$208,917	$455,511
2031	$217,510	$61,655	$214,140	$493,305
2032	$232,123	$66,886	$219,493	$518,502
2033	$250,273	$66,889	$224,981	$542,142
2034	$265,033	$66,885	$230,605	$562,522
2035	$282,128	$66,888	$236,370	$585,386
2036	$300,935	-$192,804	$242,279	$350,410
2037	$316,889	-$239,473	$248,336	$325,753
2038	$338,993	-$280,281	$254,545	$313,257

Baseline OBRA Cost versus Social Security Cost

A basic comparison of the cost of the baseline OBRA contribution to the estimated cost of the 6.2% Social Security tax is below. Because the OBRA contribution includes payment towards the UAAL, the County's OBRA contribution increases until 2035 at which time the unfunded liability is fully funded. Beginning in 2036, the actuarial projection reflects a UAAL credit rather than a required payment. This credit reduces the County's total projected OBRA contribution. Although Social Security tax is more than the OBRA contribution once the UAAL payment terminates after 2035, it is important to note that the OBRA system's unfunded liability could increase in one or more years during the period shown. This is possible if the plan's assumed rate of return is not achieved or if the normal cost is more than is estimated. Under those scenarios, OBRA costs would be greater than what is currently projected. Conversely, the OBRA costs could be less if the plan's rate of return is greater than assumed or if the normal cost is less than is estimated.

Comparison of Projected OBRA Contributions and Social Security Tax Expenses				
Year	Total Salary	OBRA Contribution	6.2% Social Security Tax	Difference
2027	$8,473,678	$412,000	$525,368	$113,368
2028	$8,558,415	$439,913	$530,622	$90,709
2029	$8,643,999	$433,037	$535,928	$102,891
2030	$8,730,439	$455,511	$541,287	$85,776
2031	$8,817,743	$493,305	$546,700	$53,395
2032	$8,905,921	$518,502	$552,167	$33,665
2033	$8,994,980	$542,142	$557,689	$15,547
2034	$9,084,930	$562,522	$563,266	$744
2035	$9,175,779	$585,386	$568,898	-$16,488
2036	$9,267,537	$350,410	$574,587	$224,177
2037	$9,360,212	$325,753	$580,333	$254,580
2038	$9,453,814	$313,257	$586,136	$272,879

Soft Close Scenario

A soft close of the OBRA system results in continued OBRA expenditures over the same term shown above in addition to Social Security tax expenses. Although the OBRA membership turnover is high, the average age of the group within the OBRA valuation is close to 35 and for any of those members that have five or more years of credited service the probability of termination is 12.5%, on average. The probability of termination is even less for members over the age of 35 with five or more years of credited service. In a soft close scenario, it is assumed that those current members continue membership in the OBRA system following the termination rate assumptions in the valuation and that new members are covered by Social Security. In the soft close scenario, the County would have an OBRA contribution and a Social Security tax expense. The difference between the combined payment for the OBRA contribution and Social Security tax and the baseline OBRA cost is the additional cost to the County to effectuate a closure of the OBRA plan.

Cost Comparison: Baseline Scenario v. Soft Close Scenario							
	Baseline Scenario			Soft Close Scenario			
Year	OBRA Cost a	Social Security b	Total Cost a + b = c	OBRA Cost d	Social Security e	Total Cost d + e = f	Additional Cost f - c
2027	$ 412,000	$ -	$ 412,000	$ 412,000	$ 279,657	$ 691,657	$ 279,657
2028	$ 439,913	$ -	$ 439,913	$ 416,382	$ 319,519	$ 735,901	$ 295,988
2029	$ 433,037	$ -	$ 433,037	$ 386,856	$ 350,769	$ 737,625	$ 304,588
2030	$ 455,511	$ -	$ 455,511	$ 387,268	$ 376,719	$ 763,987	$ 308,476
2031	$ 493,305	$ -	$ 493,305	$ 405,977	$ 397,592	$ 803,569	$ 310,264
2032	$ 518,502	$ -	$ 518,502	$ 413,156	$ 414,065	$ 827,221	$ 308,719
2033	$ 542,142	$ -	$ 542,142	$ 419,564	$ 428,859	$ 848,423	$ 306,281
2034	$ 562,522	$ -	$ 562,522	$ 423,826	$ 441,254	$ 865,080	$ 302,558
2035	$ 585,386	$ -	$ 585,386	$ 430,308	$ 453,200	$ 883,508	$ 298,122
2036	$ 350,410	$ -	$ 350,410	$ 179,320	$ 463,649	$ 642,969	$ 292,559
2037	$ 325,753	$ -	$ 325,753	$ 137,969	$ 472,932	$ 610,901	$ 285,148
2038	$ 313,257	$ -	$ 313,257	$ 108,073	$ 482,571	$ 590,644	$ 277,387

There is a possibility that the estimated OBRA contribution under a soft close scenario is overstated because accurately estimating costs for the OBRA population is inherently difficult. If these costs are overstated, the County's total additional expense to close OBRA will be lower than currently projected. As mentioned previously, if unfunded liabilities increase over the period shown, OBRA costs would be higher. This scenario also assumes that there are no changes to the amortization schedule after the OBRA plan reaches a fully funded status. If 2036 through 2038 are representative of ongoing costs after the UAAL is eliminated, the soft-close scenario would cost the County approximately $284,000 more per year, on average, than maintaining the current OBRA structure. The total additional cost from 2027 – 2038 would be $3.6 million.

With respect to Social Security tax, the assumptions in the table above assume that payroll grows at 1% annually and that only payroll attributable to new employees becomes subject to Social Security tax.

Fiscal Conclusion

Under the assumptions used in this analysis, a soft close of the OBRA system would increase County costs throughout the 2027–2038 projection period because the County would continue funding benefits for existing OBRA members while also paying the employer share of Social Security taxes for newly covered employees. The estimated additional cost totals approximately $3.6 million over the 12-year period and generally ranges from about $277,000 to $310,000 annually. These estimates exclude one-time legal, actuarial, payroll, and administrative implementation costs and remain sensitive to investment returns, payroll growth, employee turnover, and future actuarial experience.