



EMPLOYEES' RETIREMENT SYSTEM (ERS)

Milwaukee County

Pension Board

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May 31, 2024

David Crowley
County Executive
Milwaukee County Employees' Retirement System
901 North Ninth Street, Room 306
Milwaukee, WI 53233

Re: County Contribution to the Employees' Retirement System and OBRA 1990 Retirement System

Dear David:

This letter is being provided in accordance with the provisions of Section 201.24(3.1) of the County Ordinance ("CO") that governs the Employees' Retirement System and County Board File No. 97-155 that was adopted by the County Board in February 1997. This letter should be referred to the Committee on Finance and Audit.

The actuary completed the annual review of the Pension Fund as of December 31, 2023, and determined that the actual County obligation for 2024 is \$84,758,257. It is anticipated that a County contribution of \$83,929,000 will be paid for 2024. A break-down of these amounts is as follows (assuming that no Bi-weekly County contributions are anticipated to be made as of this time):

<u>Plan</u>	<u>Actual 2024 Obligation</u>	<u>Expected Contribution Credit</u>	<u>Type of Contribution Credit</u>	<u>Variance</u>
ERS		\$83,504,000	Lump Sum	
		0	Bi-weekly	
		0	Interest	
ERS Subtotal	\$84,329,445	\$83,504,000		\$825,445
OBRA	428,812	425,000	Lump Sum	3,812
Grand Total	\$84,758,257	\$83,929,000		\$829,257

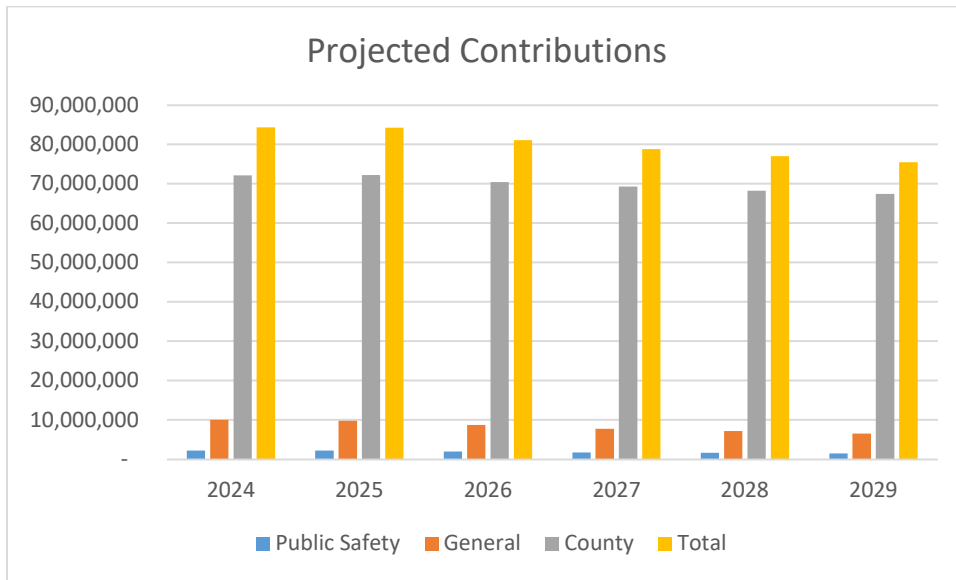
The actuary estimated that the 2025 County Budget should include a total of \$85,886,000 for the County's 2024 gross Pension Fund obligation (including employee contributions). This amount includes:

\$ 85,466,000	Employees' Retirement Plan
<u>420,000</u>	OBRA Pension Plan
\$ 85,886,000	Grand Total

The plan provisions and actuarial assumptions used for the 2024 actual calculation are the same as those used in that January 1, 2024 actuarial valuation. For the 2024 budget calculation, a base for unexpected change in Unfunded Actuarial Accrued Liability during 2024 is added and amortized over 30 years for ERS and 20 years for OBRA. In addition, a contribution variance base is added and amortized over 5 years for the amount of the 2024

Actual Contribution determined that is not contributed during 2024. The rate of return on assets and valuation discount rate is 6.80%.¹

The following table shows the projected ERS contribution amounts through the 2029 plan year. The contribution amounts shown are split among Public Safety Employees, General Employees, and the County.



A summary of the reconciliation of ERS contributions is shown on page 29 of the enclosed actuarial valuation report.

Attached is a summary of the funding plan for the ERS and OBRA plans, a summary of the actuarial assumptions used by the actuary for the ERS plan, and ten-year histories of the assets and liabilities for both the ERS and OBRA plans. Enclosed are the actuarial valuation reports for the Milwaukee County Employees' Retirement System as of January 1, 2024.

NOTE: The contribution amounts shown in this letter are gross amounts and do not account for any mandatory employee contributions. It is our understanding that County Staff will net out from this gross amount the amount of employee contributions that are collected to arrive at a net County contribution. The sum of County contributions and employee contributions should match the gross amount of contributions shown in this letter. The recommended employee contribution rates for 2025 are 5.2% for General Employees and 9.1% for Public Safety Employees. Last year's rates were 4.3% and 6.9%, respectively.

¹ The assumed rate of return on assets, amortization, and employee contribution calculation based upon the normal cost are some of the changes mandated by 2023 Wisconsin Act 12 effective June 21, 2023 with the adoption of the sales tax by Milwaukee County to pay the unfunded liability of the ERS.

David Crowley
May 31, 2024
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We urge the County to make every effort to budget for 2025 the amounts shown in this letter, and to consider any arrangements as it deems appropriate to transition to the increase in future contribution amounts. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "David Robles". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Robles
Pension Board Chairman

Attachment and Enclosure

Employees' Retirement System of the County of Milwaukee
Funding Plan, Assumptions and Methods, History of Assets and Liabilities

I Funding Plan

- The funding policy in 2024 is to contribute each year the normal cost plus amortization payments plus expected administrative expenses.

2024 Obligation as Budgeted

	ERS	OBRA	Total
Normal Cost	\$22,865,000	\$91,000	\$22,956,000
Amortization of Unfunded/(Overfunded)	60,639,000	133,000	60,772,000
Administrative Expenses	0	201,000	201,000
Total	\$83,504,000	\$425,000	\$83,929,000

Actual 2024 Obligation, Expected Contribution, and Variance

	ERS	OBRA	Total
Actual Obligation	\$84,329,445	\$428,812	\$84,758,257
Expected Contribution*	83,504,000	425,000	83,929,000
Expected Variance	\$825,445	\$3,812	\$829,257

*Without interest to year-end

2025 Obligation as Budgeted

	ERS	OBRA	Total
Normal Cost	\$27,665,000	\$141,000	\$27,806,000
Amortization of Unfunded/(Overfunded)	57,801,000	92,000	57,893,000
Administrative Expenses	0	187,000	187,000
Total	\$85,466,000	\$420,000	\$85,886,000

- The normal cost is the charge for benefits earned in the current year.
- Expected administrative expenses are immediately reflected.
- The 2024 Obligation as Budgeted did not include any administrative expenses payable from ERS to the County nor from OBRA to ERS.
- The UAAL payment was reestablished on January 1, 2024 and amortized over 30 years for ERS.
- The amortization period is 20 years for liabilities due to plan changes, actuarial assumption changes and actuarial experience for OBRA.
- Future bases are amortized over 20 years from the date of inception. These amortization payments are assumed to remain level.
- The amortization period for the variance (the difference between the actual obligation and the contribution paid) will be 5 years. These amortization payments will be calculated in level dollar amounts.

**Employees' Retirement System of the County of Milwaukee
Funding Plan, Assumptions and Methods, History of Assets and Liabilities**

II Current Actuarial Assumptions and Methods for the ERS and OBRA Plans

- Investment return – 6.80% per annum for ERS and OBRA
- Payroll growth – 3.5% per annum for ERS and OBRA
- Revenue growth – 0% per annum for ERS and OBRA

- Pay increases – Average Annual Individual Increase:

<u>General</u>	<u>Deputy Sheriffs</u>	<u>Elected</u>
4.1%	5.9%	2.5%

- Retirement age – Average Retirement Age:

<u>General</u>	<u>Deputy Sheriffs</u>	<u>Elected</u>
60	57	64

- Mortality rates

General

Pre-Retirement: For males, Pub-2010 General Male Employee Table, projected with generational projection using scale MP-2021. For females, Pub-2010 General Female Employee Table, projected with generational projection using scale MP-2021.

Healthy-Retiree: For males, 104% of Pub-2010 General Male Retired Lives Table, projected with generational projection using scale MP-2021. For females, 121% of Pub-2010 General Female Retired Lives Table, projected with generation projection using scale MP-2021.

Disabled Annuitant: For males, 107% of Pub-2010 Non-Safety Male Disabled Lives Table , projected with generational projection using scale MP-2021. For females, 98% of Pub-2010 Non-Safety Female Disabled Lives Table , projected with generational projection using scale MP-2021.

Contingent Survivor: For males, 107% of Pub-2010 General Male Contingent Survivor Table, projected with generational projection using scale MP-2021. For females, 100% of Pub-2010 General Female Contingent Survivor Table, projected with generational projection using scale MP-2021.

Deputy Sheriffs

Pre-Retirement: For males, Pub-2010 Safety Male Employee Table, projected with generational projection using scale MP-2021. For females, Pub-2010 Safety Female Employee Table, projected with generational projection using scale MP-2021.

Healthy-Retiree: For males, 100% of Pub-2010 Safety Male Retired Lives Table, projected with generational projection using scale MP-2021. For females, 100% of Pub-2010 Safety Female Retired Lives Table, projected with generational projection using scale MP-2021.

Disabled Annuitant: For males, 100% of Pub-2010 Safety Male Disabled Lives Table , projected with generational projection using scale MP-2021. For females, 100% of Pub-2010 Safety Female Disabled Lives Table , projected with generational projection using scale MP-2021.

Contingent Survivor: For males, 107% of Pub-2010 General Male Contingent Survivor Table, projected with generational projection using scale MP-2021. For females, 100% of Pub-2010

General Female Contingent Survivor Table, projected with generational projection using scale MP-2021.

Elected

Pre-Retirement: For males, Pub-2010 General Above-Median Male Employee Table, projected with generational projection using scale MP-2021. For females, Pub-2010 General Above-Median Female Employee Table, projected with generational projection using scale MP-2021.

Healthy-Retiree: For males, 100% of Pub-2010 General Above-Median Male Retired Lives Table, projected with generational projection using scale MP-2021. For females, 100% of Pub-2010 General Above-Median Female Retired Lives Table, projected with generational projection using scale MP-2021.

Disabled Annuitant: For males, 107% of Pub-2010 Non-Safety Male Disabled Lives Table , projected with generational projection using scale MP-2021. For females, 98% of Pub-2010 Non-Safety Female Disabled Lives Table , projected with generational projection using scale MP-2021.

Contingent Survivor: For males, 107% of Pub-2010 General Male Contingent Survivor Table, projected with generational projection using scale MP-2021. For females, 100% of Pub-2010 General Female Contingent Survivor Table, projected with generational projection using scale MP-2021.

- Separation rates – Average Annual Turnover*:

<u>General</u>	<u>Deputy Sheriffs</u>	<u>Elected</u>
13.5%	7.7%	0.2%

** For employees not yet eligible to retire.*

- Type of disability
 - a. Represented employees - 60% Ordinary; 40% Accidental
 - b. Non-represented employees - 30% Ordinary; 70% Accidental
- Backdrop rates – 50% of eligible retirees are assumed to elect a backdrop. Of those electing, 100% are assumed to take the maximum period available to them and 0% take half the maximum period available. The maximum period available is estimated by excluding time periods before the employee was eligible for an unreduced service retirement benefit.

Unless otherwise noted, the assumptions above are for the ERS plan. Refer to the valuation reports for a detailed exhibit of the assumptions for both plans.

**Employees' Retirement System of the County of Milwaukee
Funding Plan, Assumptions and Methods, History of Assets and Liabilities**

III History of Assets and Liabilities

Shown below are supplemental schedules required by government accounting standards. These results are strictly for comparison purposes for any relevant Statement No. 67 or Statement No. 68 results.

**Schedule of Funding Progress – ERS
(in thousands of dollars)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Funded Ratio (a / b)	Unfunded Actuarial Liability (b - a)	Covered Payroll (c)	Unfunded as a Percentage of Covered Payroll $\{(b-a) / c\}$
12/31/2023	\$ 1,706,594	\$ 2,435,954	70.1%	\$ 729,360	\$ 229,658	317.6%
12/31/2022	1,771,910	2,285,971	77.5%	514,061	205,807	249.8%
12/31/2021	1,763,496	2,301,217	76.6%	537,721	202,112	266.1%
12/31/2020	1,736,065	2,305,251	75.3%	569,186	204,755	278.0%
12/31/2019	1,728,649	2,320,335	74.5%	591,687	200,366	295.3%
12/31/2018	1,731,726	2,293,063	75.5%	561,337	191,044	293.8%
12/31/2017	1,739,808	2,307,849	75.4%	568,041	189,451	299.8%
12/31/2016	1,740,422	2,256,308	77.1%	515,886	186,214	277.0%
12/31/2015	1,767,420	2,262,851	78.1%	495,431	194,872	254.2%
12/31/2014	1,773,638	2,222,620	79.8%	448,982	191,433	234.5%
12/31/2013	1,772,750	2,069,547	85.7%	296,797	188,605	157.4%

**Schedule of Funding Progress – OBRA
(in thousands of dollars)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Funded Ratio (a / b)	Unfunded/ (Overfunded) Actuarial Liability (b - a)	Covered Payroll (c)	Unfunded as a Percentage of Covered Payroll $\{(b-a) / c\}$
12/31/2023	\$ 4,635	\$ 5,154	89.9%	\$ 519	\$ 3,423	\$ 15.2%
12/31/2022	4,582	5,306	86.4%	724	2,747	26.4%
12/31/2021	5,201	4,622	112.5%	(579)	3,003	(19.3%)
12/31/2020	4,186	4,426	94.6%	239	2,721	8.8%
12/31/2019	3,430	8,285	41.4%	4,855	3,226	150.5%
12/31/2018	2,943	6,169	47.7%	3,226	3,388	95.2%
12/31/2017	2,205	5,396	40.9%	3,191	3,282	97.2%
12/31/2016	1,514	4,380	34.6%	2,866	3,640	78.7%
12/31/2015	1,311	3,805	34.4%	2,494	3,926	63.5%
12/31/2014	1,560	3,484	44.8%	1,924	3,925	49.0%
12/31/2013	1,603	3,411	47.0%	1,808	3,478	52.0%