

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

BUDGET SUMMARY				
	2011 Actual	2012 Budget	2013 Budget	2012/2013 Change
Health Benefit Expenditures	\$ 136,222,057	\$ 122,056,834	\$ 117,144,895	\$ (4,911,939)
Pension Related Expenditures	66,850,267	63,716,138	68,056,104	4,339,966
Other Employee Benefit Expenditures	4,079,250	5,188,388	4,649,214	(539,174)
Total Expenditures	\$ 207,151,574	\$ 190,961,360	\$ 189,850,213	\$ (1,111,147)
Total Abatements	(195,815,566)	(173,692,599)	(172,181,584)	1,511,015
Total Direct Revenue	\$ 12,319,908	\$ 17,268,761	\$ 17,668,629	\$ 399,868
Total Tax Levy	\$ (983,900)	\$ 0	\$ 0	\$ 0

BUDGET HIGHLIGHTS

In March of 2007, the County Board of Supervisors adopted a methodology for allocating fringe benefit costs to departmental budgets. In accordance with that methodology, the following costs have been applied to eligible FTEs and salary dollars in departmental budgets for 2013:

Table 2 - Fringe Benefit Costs Per Eligible FTE - 2013

	Budget	
	Health Care	Pension % of Salary
Active Employee	\$15,089	15.51%

Fringe benefit costs are segregated into healthcare and pension components. Active healthcare costs are budgeted as a fixed cost per eligible FTE. Healthcare costs include all health benefits and other non-pension related benefits. Active pension costs are calculated as a percent of salary and include all retirement system contributions and debt service on pension notes issued in March of 2009. Generally, legacy costs are allocated based on a 3-year average of FTE by department. Because of the allocation method for legacy costs, each department has a different rate for legacy healthcare and legacy pension costs.

For budget presentation purposes, the health and pension costs calculated per FTE remain fixed at these levels throughout the entire budget process. However, to accurately reflect the budgeted expenditures for health and pension costs, each department receives an allocation to either increase or decrease its benefit expenditures as determined by fringe-related expenditures. Actual fringe rates will be determined after the final budget is adopted.

Healthcare Expenditures

Total net budgeted healthcare benefits costs decrease (\$5,673,845) in 2013 to \$109,430,950. Projected changes from 2012 to 2013 for healthcare benefits are as follows:

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Table 3 - Healthcare Expenditures

		2012	2013	2012/2013	Percent
		Budget	Budget	Change	Change
1	Basic Health Benefits, Including Major Medical	\$ 107,028,666	\$ 105,595,418	\$ (\$1,433,248)	-1.34%
2	Dental Maintenance Organizations (DMO)	3,218,334	3,379,251	\$160,917	5.00%
3	County Dental Plan	1,423,728	1,466,440	\$42,712	3.00%
4	Wellness Program	625,000	179,168	(\$445,832)	-71.33%
5	FSA Contributions	3,426,525	0	(\$3,426,525)	-100.00%
6	Medicare Part B Reimbursement (Retirees)	6,334,581	6,524,618	\$190,037	3.00%
7	Total Health Benefit Expenditures	\$ 122,056,834	\$ 117,144,895	\$ (\$4,911,939)	-4.02%
8	Employee Health Contributions	6,137,100	6,855,900	718,800	11.71%
9	Retiree Health Contributions	814,939	858,045	43,106	5.29%
10	Total Health Benefit Revenue	\$ 6,952,039	\$ 7,713,945	\$ 761,906	10.96%
11	Total Health Benefit Cost	\$ 115,104,795	\$ 109,430,950	\$ (\$5,673,845)	-4.93%

Basic Health Benefits, Including Major Medical. For 2013, the County continues to be self-insured with United Healthcare continuing as third-party administrator. A modified version of the single plan design implemented in 2012 is continued for all employees and retirees.

In order to estimate 2013 costs, the County's actuary calculated a base projection using medical and prescription drug claims incurred for 36 months (July 2009 through June 2012). The trend provided a year-over-year inflationary factor on medical and pharmaceutical claims of 7.5 percent or the equivalent of a budget-to-budget inflationary factor of 8.2 percent.

Savings of \$6,390,713 are applied for plan design changes. These savings result primarily from converting the current 2-tier model to a 4-tier model, and increasing the annual deductible for all employees and retirees. The maximum annual deductible is shown below:

Tier	In Network Annual Deductible
Employee Only	\$900.00
Employee + Child(ren)	\$1,200.00
Employee + Spouse	\$1,800.00
Employee + Family	\$2,100.00

There is no change to office visit copays, preventive services, or coinsurance.

The prescription medication for 90-day mail order medications will also be equal to three times the 30-day retail amount.

Part-time Health Benefits. For 2013, all employees eligible for healthcare benefits will be required to work a minimum of 30 hours per week, as compared to 20 hours per week in the past. The County anticipates that this initiative will result in a savings in the Department of Health and Human Services - Behavioral Health Division through a reduction in overtime due to the increased hours worked by part-time employees in the division. Since

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

it is anticipated that a majority of the part-time employees will work the additional hours necessary to maintain eligibility, the impact on the actual healthcare savings is minimal.

Dental and Other Healthcare Expenditures and Revenues. The Dental Associates DMO and the Humana PPO continue to be offered at the same service levels as 2012 for a budgeted cost of \$4,845,691 (Table 3, Lines 2 & 3).

Wellness Program. The 2013 Budget includes \$250,000 for implementing and administering an employee wellness program designed to improve the overall long-term health of our covered population through providing health education and awareness, promoting prudent preventive medicine, and encouraging healthy activities and choices. The Department of Human Resources budget provides for one Wellness Coordinator for a salary and benefits cost of \$70,832 to be supported by existing health and consulting vendors, and supplemented with professional services for a total of \$179,168 (Table 3, Line 4).

Flexible Spending Account (FSA) Contribution. Milwaukee County will not contribute to active employees flexible spending accounts in 2013, resulting in budgetary savings of \$3,426,525. Employees remain eligible to voluntarily contribute to their flexible spending accounts, up to the Internal Revenue Service (IRS) limit.

Medicare Part B Reimbursement. Medicare Part B reimbursement continues for all employees eligible to receive the reimbursement. The anticipated reimbursement is budgeted based off of three percent trend of the current year estimate, for a total budgeted amount of \$6,524,618.

Medicare Part D Revenues. Due to implementation of the Employee Group Waiver Plan (EGWP) for prescription drug benefits, the County will no longer receive a direct reimbursement from the Federal government for retiree drug benefits. Instead savings will be achieved directly through lower expenditures for prescription drug benefits.

Employee Healthcare Contributions and Retiree Healthcare Contributions. Budgeted contributions from employees and retirees for health and dental premiums increase \$761,906 in 2013 to \$7,713,945 (Table 3, Line 10). This increase is largely due to an increase in employee-paid healthcare contributions as part of the 2013 Budget. These contributions are budgeted in a four-tier premium system as shown below:

Tier	Monthly Premium
Employee Only	\$100.00
Employee + Child(ren)	\$125.00
Employee + Spouse	\$200.00
Employee + Family	\$225.00

Because the County has not reached agreements with the Milwaukee Deputy Sheriffs Association (DSA) or the Milwaukee County Fire Fighters Association for 2013, the budget assumes that members of the DSA will contribute \$85 for a single coverage and \$170 for family coverage and that members of the Milwaukee County Fire Fighters Association will contribute \$110 for single coverage and \$220 for a family coverage. The members of the DSA and Firefighters Association will not have a reduction in premiums from the family rate for employees enrolled in Employee + Child(ren) or Employee + Spouse coverage tiers. The 2013 Budget assumes modifications to health benefit plan design for these groups to arrive at equivalent health benefit packages.

Pension-Related Expenditures

Total net budgeted pension-related expenditures increase \$4,835,520 in 2013 to \$59,097,526. Projected changes from 2012 to 2013 for pension benefits are as follows:

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Table 4 - Pension Expenditures

		2012	2013	2012/2013	Percent
		Budget	Budget	Change	Change
1	Mandatory Annuity Contribution	\$ 17,700	\$ 17,700	\$ 0	0.00%
2	OBRA Contribution	880,000	360,000	(\$520,000)	-59.09%
3	Employees' Retirement System Normal Cost	17,171,519	14,996,000	(\$2,175,519)	-12.67%
4	Amortization of the Unfunded Actuarial Accrued Liability	10,236,000	15,586,000	\$5,350,000	52.27%
5	Stabilization Fund Contribution	0	0	\$0	0.00%
6	Debt Service on Pension Notes Issued 3/2009	33,304,919	34,990,404	\$1,685,485	5.06%
7	Miscellaneous Pension-Related Expenditures (Doyme)	2,106,000	2,106,000	\$0	0.00%
8	Total Pension-Related Expenditures	\$ 63,716,138	\$ 68,056,104	\$ 4,339,966	6.81%
9	Pension-Related Revenue (Doyme)	\$ 223,545	\$ 170,000	(\$53,545)	-23.95%
10	Employee Retirement Contribution	9,053,000	8,699,784	(\$353,216)	-3.90%
11	Employee Retirement Contribution (State Employees)	177,587	88,794	(\$88,793)	-50.00%
12	Total Pension-Related Revenues	9,454,132	8,958,578	(\$495,554)	-5.24%
	Total Pension-Related Cost	\$ 54,262,006	\$ 59,097,526	\$ 4,835,520	8.91%

Mandatory Annuity Contribution. While the ERS is substantially non-contributory, participants meeting certain criteria have the option to contribute to membership accounts. The County also contributes to the membership accounts of most employee participants enrolled prior to January 1, 1971. The total budgeted contribution for the 2013 mandatory annuity contribution is \$17,700 (Table 4, Line 1).

OBRA. The OBRA 1990 Retirement System of the County of Milwaukee ("OBRA") covers seasonal and certain temporary employees who do not elect to enroll in the ERS. OBRA members are immediately vested and earn a benefit equal to two percent of their covered salary for each year of OBRA service. Pursuant to the most recent actuarial valuation dated January 1, 2012, the 2013 contribution to OBRA is budgeted at \$360,000 (Table 4, Line 2).

For 2013, Wisconsin State Statute section 59.875 is applied to members of the OBRA plan, and Milwaukee County will begin collecting from these employees one-half of the actuarially required contribution of the OBRA plan. The employee pension contribution for OBRA members for 2013 will be 1.6 percent. This amount is budgeted as revenue of \$100,000 (Table 4, Line 10).

Employees' Retirement System. The 2013 Budget fully funds the County's required contributions to the pension fund and the debt service related to the pension obligation bonds. The 2013 budgeted amount of \$65,572,404 for the County's contribution to the Employees' Retirement System of Milwaukee County (the "ERS") includes normal costs of \$14,996,000 (Table 4, Line 3), an unfunded actuarial accrued liability cost of \$15,586,000 (Table 4, Line 4) and debt service costs of \$34,990,404 (Table 4, Line 6) based on the 2012 actuarial valuation.

Stabilization Fund Contribution. In March of 2009 the County issued \$400,000,000 in pension notes to fund a portion of the unfunded actuarial accrued liability ("UAAL"). The County structured its issuance to provide level debt service for 25 years on the notes and also committed to providing annual funding of \$2,000,000 for the Stabilization Fund. For 2013 the contribution is suspended.

Doyme Employees. In 1989, United Regional Medical Services was formed as a joint venture of Froedtert Hospital and Doyme Hospital for laboratory and radiology services. As part of the joint venture agreement, the County was required to pay the ongoing pension-related expenses for Doyme employees shifted to the United Regional Medical Services. The 2013 Budget includes \$2,106,000 (Table 4, Line 7) in expenditures for these pension-related expenses, which is offset by an estimated \$170,000 (Table 4, Line 9) in revenue based on 2011 actuals.

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Employee Retirement Contribution. The State of Wisconsin adopted State Statute section 59.875 as part of 2011 Wisconsin Act 10, mandating that Milwaukee County collect from employees one-half of the actuarially required contribution of the Employee Retirement System. Pursuant to File No. ORD 11-8 adopted on July 28, 2011, the employee pension contribution for 2013 will be set through the budget resolution. Modifications are made to the categories of contributors and non-contributors so that individuals eligible for the back-drop payment are categorized separately and are required to contribute a higher percentage for this benefit. Employees may choose to opt out of the backdrop benefit and pay the lower percentage. This change does not affect the revenue budgeted, which for 2013 is \$8,699,784 (Table 4, Line 10). The contribution percentages are as follows:

Group	Contribution Rate
Public Safety*	6.60%
General – Backdrop Eligible	4.90%
General – Not Backdrop Eligible	3.20%

*Because the County has not yet reached agreements with the Milwaukee Deputy Sheriffs Association (DSA) or the Milwaukee County Fire Fighters Association for 2013, the budget assumes that members of the DSA will contribute 6.6 percent and that members of the Milwaukee County Fire Fighters Association will contribute 0 percent.

Former County Employees Transferred to the State for Income Maintenance and Child Care. Certain employees were transferred from County employment to State employment and were allowed to stay in the County's Employees' Retirement System or to transfer to the Wisconsin Retirement System (WRS). The normal cost associated with those employees who remained in the County's ERS, but were not yet vested, is paid by the State. Therefore, the 2013 Budget includes a reimbursement from the State in the amount of \$88,794 (Table 4, Line 11).

Other Employee Benefits Expenditures

Group Life Insurance. The group life insurance appropriation is based on the amount of coverage that is determined by an employee's salary. For 2013, \$2,976,171 is budgeted for the cost of group life insurance. Revenues from employee and retiree contributions are budgeted at \$908,791.

Corporate Transit Pass Program. An expenditure of \$785,926 is budgeted for the County's corporate transit pass program. For 2013, the employee continues to reimburse the County \$30.00 per quarter/\$10.00 per month through a payroll deduction for an estimated revenue offset of \$87,315.

Miscellaneous Expenditures

Professional Services. An expenditure appropriation of \$250,000 is included to retain outside consultants, actuaries, and other professional services to assist staff in actuarial analysis, ad hoc reporting, request for proposals preparation, contract and rate negotiations, annual enrollment processing and other areas where additional expertise in healthcare advisory services may be needed, including for the Employee Benefits Work Group.

Cost Allocation Plan Expenditure. Included in 2013 is an appropriation of \$637,117 for the Department of Human Resources - Employee Benefits Division portion of the 2013 Cost Allocation Plan. Previously included in the Central Service Allocation, this amount is now included in this budget, and reflected as an expenditure and abatement similar to the Central Service Allocation plan. The total amount budgeted is the 2011 actual amount.

COUNTY EXECUTIVE'S 2013 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Five-Year History of Expenditures and Revenues

Table 5 - Five-Year History of Expenditures and Revenues

	<u>2008 - Actual</u>	<u>2009 - Actual¹</u>	<u>2010 - Actual</u>	<u>2011 - Actual</u>	<u>2012 - Adopted</u>
Health Benefit Expenditures	138,116,213	123,683,647	132,619,138	136,222,057	122,056,834
Pension Related Expenditures ¹	40,862,255	49,829,829	66,384,489	66,850,267	63,716,138
Employee Group Life Insurance	2,465,158	2,541,033	2,460,489	2,451,844	3,199,680
Other Employee Benefits Expenditures	<u>1,242,824</u>	<u>573,824</u>	<u>1,355,543</u>	<u>1,627,406</u>	<u>1,988,708</u>
Total Fringe Benefit Expenditures	182,686,450	176,628,333	202,819,659	207,151,574	190,961,360
Revenues (All Sources)	<u>7,201,446</u>	<u>6,068,736</u>	<u>6,210,982</u>	<u>12,319,908</u>	<u>17,268,761</u>
Total Revenues (All Sources)	7,201,446	6,068,736	6,210,982	12,319,908	17,268,761

¹ In the 2009 actuals, the Mercer Settlement was accounted for as a revenue and an expenditure (as an increased pension contribution). For comparison purposes, these offsetting entries have been removed from the figures above.