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Via Email

CJ Pahl
Milwaukee County Office of the Comptroller

Re: Actuary's Review of Proposed Ordinance Amendments to the Milwaukee County Employees' Retirement System

Dear CJ:

As requested, we have reviewed the proposed ordinance changes and present this letter detailing our findings. A summary of the proposed amendments to the Milwaukee County Employees' Retirement System (ERS) follows, as well as our comments on the cost impact to the system.

Actuarial Impact

If a change to the ordinance would affect Segal's calculation of the actuarial assets or actuarial liabilities, then there is an actuarial impact from the proposed change.

Section 1 of the Resolution, Ordinance Section 201.24(3.1)(1)

The proposed amendments to Ordinance section 201.24(3.1)(1) are as follows:

- Various technical changes are made to subsection (b) related to the timing of contributions and other issues.
- Subsection (c) previously provided that overpayment amounts collected would reduce the amount contributed by the County to the ERS Trust in the subsequent year. The elimination of this language in the subsection results in no offset to the County's contribution.
- Various technical changes are made to subsection (d).

Effective Date. Effective upon passage and publication.

Segal Comments on Section 1 of the Resolution

The technical changes in subsection (b) and subsection (d) do not have an actuarial impact.

For subsection (c), we note that Segal is not including future overpayment repayment amounts in determining the actuarial assets or in the determination of the Actual Funding Contribution. The elimination of an offset to the ERS Trust does not affect the actuarial valuation, and therefore does not have an actuarial impact. As overpayments are made, those contributions to the ERS will create actuarial gains, which will be incorporated into the overall gain/loss for the ERS in the following valuation and amortized.

Section 2 of the Resolution, Ordinance 201.24(8.24)

Amendment. The proposed amendments to Ordinance section 201.24(8.24) are as follows:

- Various technical changes are made to section (1) and (2).
- Various technical changes are made to section (3), subsections (a) through (e).
- Section (3), subsection (f) provides that the minimum amount of the overpayment amount recouped will be based on recouping the amount owed with interest over 60 months, rather than using the methods prescribed by the Wisconsin Department of Employee Trust Funds.
- Various technical changes are made to Section (3), subsections (g) through (j).
- Section (4) provides specifics on the interest that will be applied to underpayments and overpayments. The previous language provided that the interest was subject to change based on the results of the VCP submission to the IRS.
- Section (5), subsection (a) is updated to change the de minimus amount for overpayments from \$165 to \$250.
- Section (5), subsection (b) is updated to provide that if the reasonable direct costs of processing and delivering an underpayment would exceed the amount of distribution, the underpayment will not be paid. This provision expands a previous allowance for underpayments of less than \$75.
- Section (6) is updated to provide that overpayment amounts that are outside the claim period, the County shall contribute the amounts to ERS.

Effective Date. Effective upon passage and publication.

Segal Comments on Section 2 of the Resolution

The technical changes in Section (1) and Section (2) do not have an actuarial impact.

The technical changes in Section (3) in subsections other than (f) do not have an actuarial impact.

The change in Section (3), subsection (f) will affect the timing of the recoupment of overpayments. Because the contributions are adjusted for interest, and because Segal does not reflect these recoupments in the valuation, this subsection does not have an actuarial impact.

In reviewing the change in Section (4) to accumulate underpayments using the actuarial equivalence interest rate, we note that the previous ordinance language provided some flexibility on the determination of the interest. The new language is providing specificity. Based on that, this subsection does not have an actuarial impact.

The changes to Section (5), subsections (a) and (b) do not have significant actuarial impact.

The changes to Section (6) do not have significant actuarial impact.

Caveats

Segal is not a law firm and we cannot offer legal advice. The comments in this letter are based on our many years of consulting to employee benefit plans. Readers of this letter should consider retaining appropriate legal counsel if legal advice is needed.

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion

Please let me know if you have any questions. My cell phone number is 312 597 4175, or I can be contacted at gbridges@segalco.com.

Sincerely,



Geoff Bridges, FSA MAAA EA
Vice-President & Consulting Actuary

cc: Scott Manske
Matthew Strom