

2  
3  
4 **A RESOLUTION**

5  
6 To utilize a portion of the anticipated 2015 surplus in the health care program for  
7 employees and retirees to increase the 2015 pension contribution by an additional \$10,000,000,  
8 beyond the amount contained in the 2015 adopted budget, in order to reduce the unfunded  
9 pension liability and save approximately \$10.6 million in interest costs over twenty years and to  
10 change the Pension Fund's amortization period for the Unfunded Actuarial Accrued Liability  
11 from thirty years to twenty years.  
12

13 WHEREAS, in its 2015 annual funding request to the County Executive, the Pension  
14 Board requested a 2015 budget contribution of \$38.3 million; and  
15

16 WHEREAS, the 2015 annual funding request of \$38.3 million was included in the 2015  
17 Adopted Budget by the County Board of Supervisors; and  
18

19 WHEREAS, in its annual funding request to the County Executive, and through various  
20 public meetings, the Pension Board has shared publicly that its actuary, in preparing for the  
21 Actuarial Valuation dated 1/1/2015, omitted cost of living adjustments in its calculations of the  
22 2014 contributions and the 2015 budget contribution for certain groups of retired employees; and  
23

24 WHEREAS, three funding policy changes have already been implemented by the Pension  
25 Board and include immediately recognizing expected administrative expenses for the coming  
26 year, rather than amortizing them over 10 years; reducing future increases in amortization  
27 payments from the current policy (3.5% for ERS and 3.0% for OBRA) to 1.75% annually; and,  
28 updating the actuarial cost method from Aggregate Entry Age Normal to Individual Entry Age  
29 Normal; and  
30

31 WHEREAS, as a result of funding policy changes and the actuary's re-inclusion of cost  
32 of living liabilities for certain retirees, the actual contribution for 2015 has been determined to be  
33 \$57.9 million; and  
34

35 WHEREAS, the \$19.5 million difference between the budget contribution and actual  
36 contribution for 2015 will be added to the unfunded actuarial accrued liability (UAAL) and will  
37 be amortized over a twenty year period; and  
38

39 WHEREAS, assuming no additional contributions are made to the Pension Fund in 2015,  
40 the underfunding of \$19.5 million will result in additional interest costs of \$20.7 million over the  
41 twenty year period; and  
42

43 WHEREAS, an additional \$10.0 million contribution to the Pension Fund in 2015 will  
44 reduce estimated interest costs from \$20.7 million to \$10.6 million for an estimated savings of  
45 \$10.1 million; and  
46

47 WHEREAS, the County has achieved significant savings in its healthcare expenditures in  
48 2015 of approximately \$15.0 million, and has achieved other savings that result in a current  
49 countywide surplus of \$25.0 million which is sufficient to cover an additional \$10.0 million  
50 contribution; and

51  
52 WHEREAS, in its 2016 annual funding request to the County Executive, the Pension  
53 Board also requested that the County approve a change in the amortization period of the UAAL  
54 from thirty years to twenty years; and

55  
56 WHEREAS, industry practices and various resources recommend that a twenty-year  
57 amortization period for the Unfunded Actuarial Accrued Liability is preferred; and

58  
59 WHEREAS, the Comptroller has reviewed cost estimates relating to the change in  
60 amortization period and has found minimal financial impact at this time due to the average  
61 amortization period of the fund being close to twenty years and recommends that the  
62 amortization period be changed from thirty (30) years to twenty (20) years;

63  
64 now therefore,

65  
66 BE IT RESOLVED, the Milwaukee County Board of Supervisors hereby approves the  
67 Pension Fund's utilization of a twenty (20) year amortization period for Unfunded Actuarial  
68 Accrued Liabilities; and

69  
70 BE IT FURTHER RESOLVED, the Milwaukee County Board of Supervisors hereby  
71 approves increasing the 2015 actual contribution to the Pension Fund by \$10.0 million from  
72 \$38.3 million to \$48.3 million by using surplus healthcare appropriations available in the same  
73 organizational unit.