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Via Email

Cynthia (CJ) Pahl
Financial Services Director
Milwaukee County Office of the Comptroller

Re: Actuary's Review of Ordinance Amendments for Clarifying Application Process and Active Service Requirements for the Milwaukee County Employees' Retirement System

Dear CJ:

As requested, we reviewed the Ordinance Amendments for Clarifying Application Process and Active Service Requirements. This letter details our findings. A summary of the amendments to the Milwaukee County Employees' Retirement System (ERS) follows, as well as our comments on the potential cost impact to the System.

Actuarial Impact

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

Our analysis of the proposed changes in the amendments is that they fall under clarifications and procedural modifications. As we are not familiar with the possible effects these administrative changes would have on participant behavior, we estimate that any effect would be immaterial. However, if the County feels that these changes would result in a material difference in experience if these changes were not implemented, we may discuss with you any possible adjustment to our assumptions and analyze the effect on plan liabilities.

Amendments to Ordinance section 201.24(2.19)

Ordinance section 201.24(2.19) includes a definition of retirement.

The proposed amendment is as follows:

- Subsection (1) – This subsection has been revised to clarify that the term “retirement” means not only termination of employment but the submission of a completed retirement application to RPS.

- Subsection (2) – This subsection provides that all pension benefits will commence on the first day of a month. The draft amendments clarify that this date will be the first day of the month following the month that the member fulfills all requirements to retire, including termination of employment and submission of a retirement application.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

New Ordinance section 201.24(2.24)

Ordinance section 201.24(2.24) clarifies the term “active service” and defines that term to mean current employment with Milwaukee County as an employee in an ERS-covered position.

Segal Comments on the New Ordinance

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the new ordinance section.

Amendments to Ordinance section 201.24(3.11)

Ordinance section 201.24(3.11) describes the circumstances under which an employee who has terminated County employment may request a refund of the employee’s accumulated contributions. Currently, the Ordinance requires that a member elect a refund within 180 days of termination of employment. If a member does not request a refund within 180 days, the member loses their ability to receive a refund of their contributions, which may result in nonvested members receiving no benefit from ERS.

The proposed amendment considers extending the employee contribution refund deadline to 5 years after termination of employment, which aligns the refund deadline to the time a nonvested member’s service credit remains valid in ERS.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(3.5)

Ordinance section 201.24(3.5) provides for refunds of member contributions upon termination or death.

The proposed amendment is as follows:

- Paragraph 1 – This paragraph has been revised to clarify that this paragraph applies to beneficiaries as well as members.
- Paragraph 3 – This paragraph has been revised to remove information related to refunds of a member's savings account.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(4.1)

Ordinance section 201.24(4.1) determines normal pension eligibility for ERS members who retire directly from active service.

The proposed amendment is as follows:

- Subsection 1(a) – This subsection has been revised to clarify that to be eligible for a normal pension, a member must satisfy the age and service requirements as well as submit a completed retirement application to RPS before termination of employment. This subsection has been revised to also clarify that a member who is employed by the County but not in an ERS-covered position may still be eligible for a normal pension under this section.
- Subsection 2 – This subsection has been revised to clarify that only members who are in active service at the time of retirement are eligible for the Rule of 75.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(4.2)

Ordinance section 201.24(4.2) provides the requirements for an early normal pension.

The proposed amendments clarify that a member who is applying for early retirement must also submit a retirement application on or before termination of employment. The proposed amendments also clarify that an employee employed by the County in a non-ERS position may retire under Ordinance section 201.24(4.2).

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section. The early retirement changes in an earlier draft ordinance amendment were removed. The cost impact letter Segal provided on December 30, 2022, addressed the original early retirement changes that were drafted and in light of the current amendments should be ignored.

Amendments to Ordinance section 201.24(4.3)

Ordinance section 201.24(4.3) describes eligibility for an accidental disability retirement benefit (“ADR”).

The proposed amendment is as follows:

- Subsection (2) – This subsection has been revised to update the ADR standards to include these additional requirements for ADR applications based on mental injuries.
- Subsection (3) – This subsection describes and clarifies the three presumptions provided for under Wisconsin law for certain impairments and diseases.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(4.5)

Ordinance section 201.24(4.5) provides pension benefits for deferred vested members who terminate County employment prior to retirement.

The proposed amendment is as follows:

- Subsection 1 – This subsection has been revised to clarify that a member is eligible for a deferred vested pension if the member’s employment terminates prior to fulfilling all of the requirements of a normal pension, including the submission of a retirement application.
- Subsection 4 – This subsection has been revised to clarify that a sworn law enforcement officer who terminates employment prior to retirement eligibility may apply for a deferred vested pension benefit at age 57 regardless of the member’s years of service, or age 55, if the member earned at least 15 years of service at the time of termination. The amendment further removes the requirement that the Pension Board authorize a deferred vested member’s early retirement. Instead, under the draft amendments, RPS may approve a member’s early retirement request upon receipt of an application for a member who meets the standards in the Ordinance.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(4.6)

Ordinance section 201.24(4.6) provides details regarding distribution requirements.

The proposed amendment is as follows:

- Subsection 1 – This subsection has been revised to clarify that in order for a member or beneficiary to receive a benefit from ERS, the individual must first submit an application to RPS, and no benefit is payable until such application is received. The amendments also clarify that ERS does not pay retroactive benefits. The subsection includes new proposed language that provides an expiration date for a retirement application.
- Subsection 2 – This subsection has been revised to postpone a member’s required start date to the latest day allowed by the Code.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(5.16)

Ordinance section 201.24(5.16) provides for the backDROP form of benefit.

The proposed amendment is as follows:

- Subsection (1) – This subsection has been revised to clarify that a backDROP is only available to members who are in active service and eligible for a normal retirement benefit.
- Subsection (1)(k) – This subsection has been added and clarifies that an individual who is employed by the County in a non-ERS covered position is not eligible to receive a backDROP.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(6.1)

Ordinance section 201.24(6.1) provides a death benefit for a beneficiary of a deputy sheriff who dies in the performance of duty.

The proposed amendment is as follows:

- **Introductory Paragraph** – This paragraph has been revised to clarify that if a deputy sheriff meets the requirements of Ordinance section 201.24(4.3)(3)(b) and dies in active service as a result of the disease the deputy sheriff is presumed to have contracted the disease through the deputy sheriff’s employment.
- **Subsections (a) and (b)** – This subsection has been revised to remove the requirement that the surviving spouse benefit terminate if the spouse remarries.
- **New Addition** – This section has been revised to add a new sentence that clarifies that if a benefit is payable under this Ordinance section, no Protective Survivorship Option (“PSO”) is payable under Ordinance section 201.24(7.1)(3).

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(6.3)

Ordinance section 201.24(6.3) provides for a lump sum death benefit if no pension benefit is payable for the death of a member in active service.

The proposed amendments clarify that this benefit is only payable for the death of a member in active service.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(6.4)

Ordinance section 201.24(6.4) provides a survivor annuity for members who die in active service prior to retirement after completing a year of ERS service.

The proposed amendment is as follows:

- **Paragraph 1** – This paragraph has been revised to clarify that a survivor pension will not commence until RPS receives a completed application from the beneficiary.

- Paragraph 2 – This paragraph has been revised to propose to change the cutoff dates for survivor pensions payable to a child and a surviving spouse.
- Paragraph 4 – This paragraph has been revised to clarify that a beneficiary who was receiving a benefit as a dependent spouse under the age of 60 must reapply to commence a dependent spouse benefit when they attain age 60.
- Paragraph 5 – This paragraph has been revised to clarify that the survivor benefit payable to a child will not be paid until the child (or a guardian on behalf of the child) applies for the benefit with RPS.
- Paragraph 6 – The amendments delete the final paragraph of Ordinance section 201.24(6.4) to remove the option for a member to designate a beneficiary to receive the membership account and \$2,000 lump sum payment instead of the survivor pension benefit.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(7.1)

Ordinance section 201.24(7.1) allows a member who is eligible to retire but remains in County employment to elect a Protective Survivorship Option (PSO) benefit.

The proposed amendment is as follows:

- Subsection (3) – This subsection has been revised to clarify that a member must meet the age and service requirements for a normal pension to select this option. This subsection has been further revised to clarify that the member must die in active service and that the PSO option must be elected on a form approved by the Office of Corporation Counsel.
- Subsection (4) – The draft amendments propose deleting this subsection that clarify that the member must die in active service and that the PSO option must be elected on a form approved by the Office of Corporation Counsel.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

Amendments to Ordinance section 201.24(11.7)

Ordinance section 201.24(11.7) includes ERS’ anti-alienation provision, which prohibits the attachment, garnishment or other use of pension benefits to pay debts or claims of the member.

The proposed amendment provides an additional exception to the anti-alienation provision for the payment of retiree health care premiums.

Segal Comments on the Amendment

Subject to the caveat in the “Actuarial Impact” section above, we believe there is no actuarial impact from the proposed revisions of the ordinance section.

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 for Actuaries Issuing Statements of Actuarial Opinion in the United States* to issue this Statement of Actuarial Opinion.

Please let me know if you have any questions. My cell phone number is (646) 668-1425, or I can be contacted at mstrom@segalco.com.

Sincerely,



Geoff Bridges, FSA MAAA EA
Vice President & Consulting Actuary

cc: Matt Strom
Patryk Tabernacki