

**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** 07.19.2011

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** Modifications to the following:  
 Ordinance 201.24 (2.18) Normal Retirement Age;  
 Ordinance 201.24 (4.1) Normal Retirement;  
 Ordinance 201.24 (4.5) Deferred Vested Retirement;  
 Ordinance 201.24 (5.1) Normal Pension;  
 Ordinance 201.24 (5.15) Recruitment and Retention Incentive Effective January 1, 2001

**FISCAL EFFECT:**

- |  |  |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact  | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required  | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues     |
| <input type="checkbox"/> Absorbed Within Agency's Budget   | <input type="checkbox"/> Decrease Capital Revenues     |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget   |  |
| <input checked="" type="checkbox"/> Decrease Operating Expenditures                                    | <input type="checkbox"/> Use of contingent funds       |
| <input type="checkbox"/> Increase Operating Revenues   |  |
| <input checked="" type="checkbox"/> Decrease Operating Revenues  |  |

*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	<b>Expenditure or Revenue Category</b>	<b>Current Year</b>	<b>Subsequent Year</b>
<b>Operating Budget</b>	Expenditure	(\$880,081)	(\$880,081)
	Revenue	(\$182,177)	(\$182,177)
	Net Cost	(\$697,904)	(\$697,904)
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost		

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Modification to Ordinance 201.24 (2.18, 4.1, and 4.5) Change in Retirement Age to 64 effective August 1, 2011 for members of AFSCME and on January 1, 2012 for members of Milwaukee Building and Construction Trades Council (Trades) and codify in the ordinances the provisions already contained in the agreement with the Federation of Nursing and Health Professionals (FNHP), International Association of Machinists and Aerospace Workers (Machinists), members of the Technicians, Engineers and Architects of Milwaukee County (TEAMCO), and members of the Association of Milwaukee County Attorneys (Attorneys).

- A. A resolution is being presented to the County Board to modify Ordinance 201.24 (2.18) Normal Retirement Age, Ordinance 201.24 (4.1) Normal Retirement, Ordinance 201.24 (4.5) Deferred Vested Retirement. The changes in the ordinance would change the normal retirement age to sixty-four (64) for an employee whose initial membership in the pension system begins on or after the date as follows:

MEMBERSHIP	INITIAL MEMBERSHIP BEGINS ON OR AFTER
AFSCME	August 1, 2011
Trades	January 1, 2012
FNHP	January 1, 2012
Machinists	January 1, 2010
TEAMCO	January 1, 2010
Attorneys	January 1, 2010

This ordinance change will not impact current members, who are eligible for the Rule of 75.

<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

- B. Per the report of the actuary, Buck Consultants, received on July 19, 2011, the total savings for 2011 by changing the normal retirement age from sixty (60) to sixty-four (64) for members of AFSCME, the Trades and the FNHP is \$456,326. If savings for departments that receive non-tax levy resources are eliminated, the net savings would be reduced by \$94,459 to \$361,866.

There is no savings calculated for the Machinists, the TEAMCO, and the Attorneys as these changes were effectuated through contract negotiations and are contained within the January 1, 2010 valuation report. Changes related to these groups are only meant to codify into ordinance changes already negotiated with these unions.

- C. The 2011 budget includes estimated savings from increasing the retirement age from age sixty (60) to age sixty-four (64) for members of AFSCME, Trades and the FNHP. The total net savings included in the 2011 budget from changing the normal retirement age from 60 to 64 for all employees of these unions whose initial membership in ERS began on or after January 1, 2011 is \$83,662. Per a report from Buck Consultants, the total dollar savings for changing the retirement age from 60 to 64 for all new members was \$456,326. A County-wide revenue offset percentage of 20.7% was used to reduce the savings by \$94,459, to \$361,867. Therefore, the unbudgeted savings for 2011 will be \$278,205.

	Retirement Age
Gross Savings - Actuary	\$ 456,326
Less Revenue Offset	\$ 94,459
Total Savings	\$ 361,867
<i>Less</i>	
2011 Net Budget Savings	\$ 83,661
Total Additional Savings:	\$ 278,205

- D. The estimated savings were calculated based upon a report received from the actuary, Buck Consultants, and is attached as a reference document to this report.

Modification to Ordinance 201.24 (5.1 and 5.15) change in pension multiplier to 1.6 percent for all service credit earned on or after August 1, 2011 for members of AFSCME; on or after May 1, 2010 for members of TEAMCO and the Machinists; on or after June 1, 2010 for members of the Attorneys; and on or after January 1, 2012 for a member represented by the FNHP or by the Trades.

- A. A resolution is being presented to the County Board to modify Ordinance 201.24 (5.1) Normal Pension and Ordinance 201.24 (5.15) Recruitment and Retention Incentive. The changes in the ordinance would change the pension percentage for employees who are members of the following bargaining units to one and six/tenths (1.6) percent for all service credit earned on or after the date as follows:

MEMBERSHIP	SERVICE CREDIT EARNED ON OR AFTER
AFSCME	August 1, 2011
Trades	January 1, 2012
FNHP	January 1, 2012
Machinists	May 1, 2010
TEAMCO	May 1, 2010
Attorneys	June 1, 2010

For all other members, the pension percentage shall stay as currently defined in the ordinance.

- B. Per the report of the actuary, Buck Consultants, received on July 19, 2011, the total savings for 2011 by changing the pension percentage to 1.6 percent for members of ERS represented by AFSCME, the Milwaukee Building and Construction Trades Council, and the FNHP is estimated to be \$2,534,155. If savings for departments that receive non-tax levy resources are eliminated the net savings would be reduced by \$524,570 to \$2,009,585.

There is no savings calculated for members of the International Association of Machinists and Aerospace Workers, members of the TEAMCO, and members of the Association of Milwaukee County Attorneys as these changes were effectuated through contract negotiations and are contained within the January 1, 2010 valuation report. Changes related to these groups are only meant to codify into ordinance changes already negotiated with these unions.

- C. The 2011 budget includes estimated savings from changing the pension multiplier for members of the AFSCME, Milwaukee Building and Construction Trades Council and the FNHP to 1.6 percent for all pension service credit earned after January 1, 2011. The total net savings from changing the pension multiplier for these employees included in the 2011 budget is \$1,589,886. Per the report from Buck Consultants, the total dollar savings for changing the multiplier for these members is \$2,534,155. A County-wide revenue offset percentage of 20.7% was used to reduce the savings by \$524,570 to \$2,009,585. Therefore, the unbudgeted savings for 2011 will be \$419,699.

	Multiplier Change
Gross Savings - Actuary	\$ 2,534,155
Less Revenue Offset	\$ 524,570
Total Savings	\$ 2,009,585
<i>Less</i>	
2011 Net Budget Savings	\$ 1,589,886
Total Additional Savings:	\$ 419,699

- D. The estimated savings for non-represented members were calculated based upon a report received from the actuary, Buck Consultants, and is attached as a reference document to this report.

Summary:

	Retirement Age	Multiplier Change	TOTAL
Gross Savings - Actuary	\$ 456,326	\$ 2,534,155	\$ 2,990,481
Less Revenue Offset	\$ 94,459	\$ 524,570	\$ 619,029
Total Savings	\$ 361,867	\$ 2,009,585	\$ 2,371,452
<i>Less</i>			\$ -
2011 Net Budget Savings	\$ 83,661	\$ 1,589,886	\$ 1,673,547
			\$ -
Total <b>Additional Savings:</b>	\$ 278,205	\$ 419,699	\$ 697,904

Department/Prepared By DAS/ Cynthia (C.J.) Pahl

Authorized Signature

*Cynthia Pahl*

Did DAS-Fiscal Staff Review?  Yes  No