Meeting Minutes

Milwaukee County
Retirement Sustainability Taskforce (RST)
April 24, 2018, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

Members Present:

Chris Abele, Bob Conlin (by phone), Margaret Daun, Norb Gedemer, Rep. Evan Goyke, Ralph Hollmon, Waylon Hurlburt (by phone), Rep. Dale Kooyenga, Maria Lopez Vento, Scott Manske, Jodi Mapp, Kerry Mitchell, Tom Meaux, Ron Nelson, Teig Whaley-Smith

Meeting called to order at 2:36 pm

Item 1 Presentation by David Draine: Options for New Plan Design – Using a Hybrid Design for ERS

Full presentation available at http://county.milwaukee.gov/RST

Questions/Discussion:

Q: Are employee contributions to the defined contribution element of the hybrid voluntary?
A: It could be if you go down that path but for our modeling we assume a mandatory employee contribution.

Q: Are your charts and tables showing two types of hybrids (risk managed hybrid and regular) or one?
A: Our analysis was prepared for two types but for certain charts and tables there is no difference so we show only a single hybrid plan.

Q: The vesting is set at five years for both the defined benefit and defined contribution elements?
A: Yes, in this model. That will be a decision to make if you choose the hybrid model.

Q: How did you calculate the employee contribution for the defined contribution plan portion of the hybrid? (3.6%)
A: Divide the 2019 rate by 2. You can also look at what the total employee contributions will be over time.

Q: The benefits to the employee would be situational and specific, based on higher contribution or longer employment? And they can take it with them?
A: Yes to both.

Q: What about the state statute requirements?
A: State statutes require employees to pay half the cost of benefits. Reducing the unfunded liability reduces active employee share, which reduces the active employee contribution. This relates to the equity issue raised earlier, as state statute requires new employees to pay for the past "sins."

Q: It appears that under those options that are most advantageous to the County, risk is shifted to employees, who then may have trouble meeting their retirement goals.
A: Yes, those options that shift risk and uncertainty from the employer (and taxpayer) shift risk to the employee. It's important to have ease of use built into the plan (having just a few options to choose from, low fee, easy distribution, etc.) to try to counter that risk for the employee. Also, there is another component to consider: the unfunded liability risk. A defined contribution or hybrid model might relieve this risk by necessitating a 7% employee contribution instead of the 9.5% we are currently projecting.

Q: Increased risk for the employee also means there is potential for increased reward, correct?
A: Yes. Better returns on investments would go to the employee's defined contribution account, and increased COLAs are an option if funds succeed.

Q: If we wanted to make adjustments to ERS' existing policy regarding COLAs, would that be an administrative or legislative question?
A: We are working on that legal question. Is it a contract right or no? We are unsure if it's something we can change or not. We may be able to mitigate the issue by using the WRS model of COLAs. With new hires, we can do it. With current and active members, it's harder to say.

Q: Under the hybrid approach, would Milwaukee County still administer the system?
A: Yes

Q: What are our next steps?
A: We will look at options to address the unfunded liability in our May meeting, and then we will begin deliberating our options. The project team will provide a starting point by ranking the options per the criteria we laid out earlier this year. At this point, it seems like there are three real options: join WRS, defined contribution model 1B, or a risk-managed hybrid model. Defined contribution plans 1A and 3 seem too extreme.

Q: Model 1B makes sense, but a 7.2% contribution does seem out of line. We may want to tweak the 1B model.
A: This may not be normal. The model forces these percentages from a financial perspective. We can discuss at subsequent meetings if there is interest in pursuing that model. Also, we need to consider each of the models from a recruitment and a retention perspective. There may be big differences in terms of what is important to young workers we're trying to recruit versus mid-career workers we're trying to retain.

Q: Can we circulate the criteria we came up with to the group again?
A: Yes

Notes:

The next meeting will be **Tuesday, May 29** at the same time and location.
The unfunded liability will be discussed.

Adjourned at 4:16pm.