



Department of Employee Relations

**Tom Barrett**  
Mayor

**Maria Monteagudo**  
Director

**David Heard**  
Fire and Police Commission  
Executive Director

**Michael Brady**  
Employee Benefits Director

**David Kwiatkowski**  
Labor Negotiator

June 13, 2005

Alderman Michael Murphy, Chairman  
Finance and Personnel Committee  
200 East Wells Street  
Milwaukee, WI 53202

**RE: Retiree Health Benefits for Sworn Fire and Police Management Employees**

Dear Alderman Murphy:

Attached is a report prepared By Willis of Wisconsin that compares the benefits of Sworn Fire and Sworn Police management employees retiring under either the Management System or the Local 215/MPA system. The report concludes that there is not a significant cost impact to the City to do this, but notes the variables that could affect future costs. A copy of their letter is attached.

Sincerely,

Michael Brady  
Employee Benefits

Cc: ✓ Terry McDonald  
Marianne Walsh  
Alderman Michael D'Amato  
Maria Monteagudo  
Mark Nicolini  
Dennis Yaccarino



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June 9, 2005

Mr. Michael J. Brady  
Director  
Department of Employee Relations  
City Of Milwaukee  
Room 701, City Hall  
200 East Wells Street  
Milwaukee, WI 53202-3560

**Re: Sworn Fire and Sworn Police Management Retiree Medical Plan**

Dear Mike:

Willis was requested to compare the benefits of Sworn Fire and Sworn Police Management employees retiring under either the Management System or the Local 215/MPA System to assist the City of Milwaukee in making the determination whether the value of the benefits under one program differs from the other, and if so, to what extent. We calculated the extent to which the total benefit cost under the Management retiree medical plan differed from the total benefit cost under the Local 215/MPA plan.

#### **Methodology of Analysis**

We looked at the entire population of pre-Medicare sworn police and sworn fire retirees. This population includes all police and fire retirees under 65 years of age both those represented by unions and those who retired from management positions. The health plan choices and number of unused sick leave days of these 1,065 retirees was considered to be representative of any future retirees.

Currently, retirees have a choice of three health plans: Basic Plan, CompCareBlue Narrow Network Plan and CompCareBlue Broad Network Plan.

Under the Local 215/MPA System, the City pays 65-100% of the cost of the Basic Plan toward the premium of the chosen health plan depending on the number of unused sick leave days. Under the Management System, the City would pay the cost of the low cost plan and the retiree would be responsible for any additional cost should the retiree chose a more expensive plan.

**Willis**  
National Actuarial Practice  
One Plaza East - Suite 1400  
330 East Kilbourn Avenue  
Milwaukee, WI 53202



### **Variables Affecting Future Costs**

The results of this study are dependent on a number of variables that may change in the future: the distribution of retirees selecting a particular health plan, the increasing cost of the health plans in future years, the rate relationship between the Basic Plan and the other health plan choices, and the amount of unused sick leave days accumulated by future retirees.

### **Results**

Allowing eligible employees to move from their future management retiree benefits to the union retiree benefit would not have a significant cost impact to the City.

The impact of moving all the sworn fire and sworn police retirees under 65 to the union system in 2005 would have increased the City's cost by approximately 3%, assuming there were not any changes in health care selection. Applying this percentage to the cost of the 41 sworn fire and police managers who would be impacted should the City decide to institute this change would result in an increase in cost of approximately \$15,000 annually.

Sincerely,

A handwritten signature in cursive script that reads "Sheryl Henry".

Sheryl Henry FSA, MAAA  
Vice President and Actuary  
National Actuarial Practice