

**PENSION TASK FORCE REVIEW MATERIALS FOR AGENDA ITEMS 4-8
FEBRUARY 9, 2012**

4. Overview of Meeting Goals

- *Review of key research findings to date*
- *Establish an understanding of key formula factors' impact on general City benefit liabilities*
- *Identify and discuss possible changes for new general City plan entrants*
- *Discuss reduced complexity of benefits in the new general City plan design*

Review of Research Findings (Comparative Benefit Design Analysis: General City Workers)

- Based on AON consulting research and discussion by Task Force members, a final average salary replacement goal of approximately 85-90% for a “career service” employe (i.e., 30 years or >), when integration with Social Security is accounted for, is a reasonable plan design goal for new entrants. The current estimated replacement ratio for a 30-year employe that accepts a reduced age 62 Social Security benefit is in the range of 105-110%.
- Regarding pension benefit plan design for general (non-protective service) workers. Relative to a group of 87 major Public Employe Retirement Systems the Milwaukee Employes’ Retirement System appears to be relatively near the median in terms of normal retirement age; “career service unpenalized” early retirement; and formula multipliers. Milwaukee ERS appears slightly less generous than the median regarding post-retirement cost-of-living adjustments, and significantly more restrictive in terms of limitations on maximum pension benefit as a percentage of final salary, and unlike many systems, prohibits pension “spiking.”
- The Wisconsin Retirement System (WRS) provides retirement benefits for all state and local government employes with the exception of those participating in the Milwaukee County and Milwaukee City home rule plans. Relative to the WRS, Milwaukee ERS is somewhat more generous in terms of both normal and “career service unpenalized” early retirement ages; and significantly more generous in terms of the formula multiplier per year of service and the guarantee of a post-retirement adjustment. However, the WRS “dividend” process, as a practical matter, has provided retired WRS members with post-retirement adjustments in most years.

5. Presentation by Larry Langer Relating to Possible Plan Design Changes for New General City Entrants



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The analysis considered the following plan design components:

- Normal retirement age increased from age 60 to age 62;
- Unpenalized early retirement age (30 years of service) increased from age 55 to 60;
- Formula multiplier per year of service of 1.5% versus the current 2%;
- Post-retirement COLA (2%) delayed until age 69 (67 for those qualifying for an early unpenalized retirement), versus current plan of 1.5% after 2 years of retirement and 2% after 5 years of retirement.

- Mr. Langer's analysis suggests that the aforementioned income replacement ratio goal of 85-90% of FAS could be achieved with a revised benefit plan design that would reduce the normal cost relative to existing plan design by approximately 32%.

6. Discussion of Options Relating to General City Plan Design Changes for New Entrants

Key policy issues include:

- Desired replacement ratio
- Normal retirement age
- What constitutes "career service"
- Role of employee savings
- Impact of post-retirement inflation on the replacement ratio

Also, the question of the appropriate level of member contribution under a revised plan design should be discussed, especially since all new entrants are paying the member contribution themselves, as opposed to an employer-paid member contribution.

7. Identification of Formula Factors Options Pertaining to New Protective Service Employees.

- Open discussion regarding Task Force interests in analysis from BUCK for the next meeting.

8. Presentation and Discussion Relating to Plan Design Complexity Issues

From Mr. Jerry Allen, Executive Director of the City of Milwaukee Employees' Retirement System



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