

**FISCAL REVIEW SECTION - LEGISLATIVE REFERENCE BUREAU**  
**2006 PROPOSED BUDGET SUMMARY: POLICEMEN'S ANNUITY & BENEFIT FUND**

EXPENSE CATEGORY	2004	2005	2004-2005	2006	2004-2005
	ACTUAL	BUDGET	%CHANGE	PROPOSED	%CHANGE
EMPLOYER'S PENSION CONTRIBUTION	\$975,773	\$975,773	0.00%	\$295,975	-69.67%
ADMINISTRATION	\$94,323	\$95,242	0.97%	\$99,497	4.47%
ANNUITY CONTRIBUTION	\$0	\$0	0.00%	\$0	0.00%
LUMP SUM SUPPLEMENT CONTRIBUTION	\$500,000	\$400,000	-20.00%	\$0	-100.00%
TOTAL	\$1,570,096	\$1,471,015	-6.31%	\$395,472	-73.12%

The Policemen's Annuity & Benefit Fund (PA&BF) provides retirement benefits to police officers who were first employed prior to July 30, 1947. Police officers hired after that date are members of the Employees' Retirement System (ERS).

1. The 2000 Budget provided \$300,000 for pension adjustments to participants in the Firemen's & Policemen Annuity Benefit Funds. Those funds were to be distributed to the participants based on year of retirement (\$75,000) and need (\$225,000). This \$300,000 was split between the two pension funds as follows: Of the \$300,000, \$180,000 went to the police fund and \$120,000 went to the firemen's fund. Under the retirement component, participants received benefits based on a sliding scale percentage. The increase in benefits were based on the decade in which the year of retirement fell. The sliding scale percentage increased for retirements taken in earlier decades. The need-based component was provided only to those whose pension amount was below the U.S. Census Bureau's poverty threshold.
2. The 2001 Budget included a \$2.5 million supplement increase to the Fire Annuity and Benefit Fund and the PA&BF. The PA&BF portion of the \$2.5 million was \$1,395,349. Although members of the PA&BF were not eligible to participate in the city's global pension settlement, the city decided to provide this one-time supplement. The supplement was funded by a \$2.5 million reduction in the tax levy supported annuity contribution, which in turn was funded by a \$2.5 million annuity contribution by the Employer's Reserve Fund.

The Policemen's Annuity and Benefit Fund filed suit against the City regarding a dispute as to contributions to the PABF funded by the City. Originally, the City won this case, but it was appealed by the PABF. The court of appeals remanded the case to circuit court to determine the City's liability. The City petitioned the Wisconsin Supreme Court to review the court of appeal's decision. On August 15, 2001, the City and the PA&BF reached a tentative settlement. Under the terms of settlement, \$150,000

was included in the 2002 Budget as a contribution to PA&BF supplemental payment fund. The Common Council approved the settlement on September 25, 2001 (File #010650).

3. The 2003 and 2004 Budgets included a levy funded, lump sum supplemental contribution of \$500,000 to this fund and the 2005 Budget included a sum supplemental contribution of \$400,000 to this fund.
4. As of December 31, 2004, the combined assets, liabilities, and unfunded pension liability of the "main" fund and the "supplemental" fund were \$7.3 million assets and \$9.5 million in liabilities, resulting in a \$2.2 million unfunded pension liability.

#### ***2006 Budget Items***

1. To address the issue of the Fund's unfunded liability, on May 20, 2005 the Common Council adopted File#050067 a charter ordinance relating to amortization of any unfunded, liability for the Policemen's Annuity and Benefit Fund. The ordinance changed the liability's amortization period from 5 to 10 years, resulting in a 2006 proposed tax levy funding of \$295,975 for the Employer's Pension Contribution (PA&BF).
2. The 2006 Proposed Budget provides \$55,700 for Professional Services. The funding is used for actuarial services, custodian of the fund, audit, etc.

#### ***Membership Items***

1. As of September 7, 2005, the fund had 176 members (61 annuitants and 115 widow annuitants).
2. The PA&BF Board approved benefits improvements effective January 1, 2006 for all members increasing the minimum monthly payment from \$427 to \$500 per month and increasing payments for annuitants above the minimum by \$60.

#### ***Transferring PA & BF Administrative and Managerial Responsibilities to ERS***

1. The fiduciary responsibility for the fund rests in its board. The members of the board are elderly. As members age there is a concern that no members will be willing or able to serve on the board, and the fund will be unable to function.
2. On October 12, 2005, the Finance and Personnel Committee approved a Charter Ordinance (File #050744) abolishing the Policemen's Annuity and Benefit Fund Board of Trustees and transferring administrative and managerial responsibilities with respect to the Policemen's Annuity and Benefit Fund to the Annuity and Pension Board.
3. In future years the budget office anticipates the transfer will result in savings from reductions in administrative costs and investment manager's fees.

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