



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes PENSION STUDY TASK FORCE

ALD. MICHAEL MURPHY, CHAIR
*Patrick Cronin, Rudolph M. Konrad, W. Martin Morics, Dean
Muller, Mark Nicolini, and Derek Tyus*

Staff Assistant: Tobie Black, 286-2231; Fax: 286-3456,
tblack@milwaukee.gov
Legislative Liaison: Aaron Cadle, 286-8666,
acadle@milwaukee.gov

Thursday, June 16, 2011

11:00 AM

Room 301-B, City Hall

1. Call to Order

The meeting was called to order at 11:06 a.m.

Present 6 - Morics, Nicolini, Murphy, Cronin, Muller and Tyus
Excused 1 - Konrad

2. Roll Call

*Members present: Ald. Murphy, Comptroller Morics, and Members Cronin, Muller,
Nicolini, and Tyus.*

Deputy City Attorney Konrad excused.

Also in attendance:

*Dennis Yaccarino, Office of Budget and Management
Asst. City Attorney Beth Conradson Cleary, City Attorney's Office*

3. Approval of Previous Minutes

Comptroller Morics moved approval of the previous minutes.

There was no objection.

4. Discussion of Background Information (approximately 40 minutes)

Present at the table: Mr. Gerald Allen, Employees Retirement System.

*For details of Mr. Allen's presentation, please see the PowerPoint attached to the
activities file of the body.*

Mr. Larry Langer joined the task force at the table at 11:14 a.m.

*Mr. Nicolini inquired as to the effect of post-retirement health benefits on individual's
retirement decisions. Mr. Langer indicated that they can have a significant effect.*

Ald. Murphy asked when, on an actuarial basis, these effects are calculated. Mr. Langer said they are calculated "as they come" because they can be very difficult to predict.

Mr. Muller asked what the city's response was to the 30% decrease in 2008. Mr. Allen said a "hard-wired" provisions of the Milwaukee City Charter required a City contribution to make whole this decrease.

Mr. Langer said one important "bottom-line" aspect of his report is that the ERS can tell its annuitants that it has funds sufficient to cover its obligations to them. Ald. Murphy said it had been underreported and he wanted to emphasize that this task force has nothing to do with the benefits of current annuitants.

Mr. Langer said it is believed that there are approximately 44,000 possible permutations of life/career histories for city employees that have to be considered when calculating an individual's benefits.

Ald. Murphy said that, given the decisions regarding pension systems in the state budget, and its decision not to include protective service employees, general city employees would be required to bear a disproportionate share of the pension system's costs.

Mr. Langer said one thing institutions have begun doing is "nudging" cost levers, such as retirement age, to reflect changes in things like life expectancy. Ald. Murphy said, given life expectancy, and given the protective services pension system, there is a chance that some employees will be annuitants longer than they worked for the city.

Asst. City Attorney Beth Cleary said that, even with the new state budget, the city's ability to move the cost "levers" is likely to be entirely for new hires. This is due to their status as having property rights which vest at the date of employment.

5. Overview of Potential Guiding Principles (approximately 30 minutes)

This discussion was covered under the previous agenda item.

Recess taken at 12:41 p.m.

Task Force Reconvened at 12:51 p.m.

6. Presentation of City's Pension Funding Application by Budget Office with Comments from Buck Consultants on Key Liability Drivers (approximately 40 minutes)

- A. Purpose of Application**
- B. Key Application Variables**
- C. Review of Multi-Year Projections**
- D. Impact of Rate of Return Investment Assumption on Plan Baselines**
- E. Desired Application Improvements and their Utility**

At the table:

Mr. Dennis Yaccarino, Department of Administration - Budget Management Division

For the details of this presentation, please see the PowerPoint attached to the activities file for this task force.

Ald. Murphy asked, based on current expectations, what the expected actuarially-required payment will be for January 2013. Mr. Yaccarino said it would be approximately \$58 million, approximately 20% of the city-purposed revenue received from the tax levy.

Mr. Cronin asked if this task force has the purview to consider the city's investment strategy, particularly as it relates to rate of return. Comptroller Morics said the investment process is not subject to direct Common Council intervention and this task force is a creation of the Council. It might, however, be appropriate to have a report from the investment board for task force consideration.

Mr. Morics, responding to a question from Mr. Cronin, said the city's authority to alter the benefits granted to current employees is much more proscribed than that for future employees.

**7. Wrap-up, Plan for Next Meeting, and Review of Future Meeting Dates
(approximately 10 minutes)**

Ald. Murphy indicated there would be a meeting in July and then, likely, two other meetings at which point the task force would be ready to make its recommendations.

8. Adjournment

Meeting adjourned at 1:11 p.m.

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