

## LRB - FISCAL SECTION ANALYSIS

JULY 11, 2002

ITEM 18, FILE 020430

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #020430 is a communication transmitting a report entitled, Annual Actuarial Statement of the Policemen's Annuity and Benefit Fund of Milwaukee for years ended December 31, 2000 and 2001.

### **Background and Discussion**

1. The Policemen's Annuity & Benefit Fund (PA&BF) provides retirement benefits to police officers who were first employed prior to July 1, 1947.
2. As of December 31,2001, the fund had 273 annuitants and widow annuitants. (There was also one active member.)
3. The report projects the fund's estimated assets and liabilities for the years 2002 to 2011. The fund is estimated to expire in 2011.
4. The report shows that the PA&BF currently has assets of \$7.6 million and projected liabilities of \$9.5 million. The unfunded liability is \$1.9 million.
5. The Budget and Management Division notified the Finance and Personnel Committee of the unfunded liability in a letter dated January 30,2002. In the letter, the Budget and Management Division indicates that based on projected benefits to members and depending on the fund's performance, the fund could be depleted within three to five years. If the projected depletion of the fund materializes, the City will be required to make a contribution to the fund beginning in 2005 or 2006. The Budget and Management Division estimates the present value of these contributions to total \$3.8 million.
6. The PA & BF Supplement Fund is also reviewed in the actuarial report. The Supplement Fund is segregated from the PA & BF. The actuarial report indicates the Supplement Fund has a balance of \$1.5 million. Funding for the Supplement Fund was provided by a \$1.4 million one-time lump-sum distribution to the PABF in 2001 and \$150,000 for the settlement of a lawsuit filed suit against the City regarding a dispute as to contributions to the PABF.

The Supplement Fund provides supplemental benefits to members, currently \$94 a month. The PA & BF Board annually calculates the monthly supplement to members with the goal of extending supplemental payments until 2011. Because the PA & BF Supplement Fund is not considered a pension benefit, the City is not liable for continuing the supplement payments once the Supplement Fund is depleted.

### **Fiscal Impact**

This file is a communication and has no fiscal impact.

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