

Reply to Common Council File No. 101418
From DOA Budget and Management Division

April 5, 2011

Ref: 11004

Common Council File 101418 contains a charter ordinance pertaining to retirement benefits for certain Milwaukee Public Schools (MPS) employees.

Employees of MPS who are not certified for educational licensure purposes are members of the Employees' Retirement System of the City of Milwaukee (ERS). Pursuant to collective bargaining agreements the District wishes to offer an early retirement incentive (ERI) to two of its District Council 48 (AFSCME) union locals and their counterpart non-represented employees. (Management personnel are not included in the MPS ERI proposal). The ERI is essentially the same as that which the City has bargained with all but one of its general city unions. The ERI provides for an accelerated cost of living adjustment (COLA) after one year of retirement, as opposed to current law provisions which apply the COLA after two years of retirement. The ERI also provides for an extra year of age or year of service for eligible employees that select the ERI. Both of these incentives are in effect only for those employees who retire on or after June 21, 2011 and up to December 31, 2011, inclusive.

The impact on ERS liability and amortization costs can be estimated based on the actual "notice to retire" submittals that MPS has received as of its April 1 deadline. There are 195 current MPS employees that would become eligible for the ERI; 69 (35%) of these employees have submitted a notice to retire. Based on this election rate and the distribution among the two union locals, total ERS liability would increase by an estimated \$4.14 million (an increase of ~ 1/10 of 1%). Annual amortization costs over 24 years would be an estimated \$310,000. If an employer contribution is required for this amortization, approximately \$172,000 would be borne by the City portion of the tax levy. (It should be noted that the MPS portion of the levy will be assessed for any contributions related to amortization of the City's ERI, in proportion to its general city covered compensation.)

MPS estimates that the provisions in the agreements with Locals 1053 and 1616, including changes to employee health benefit plan design, will save approximately \$1 million during the contract period that ends June 30, 2012. Annual salary savings that could result from eliminating 69 positions would be approximately \$2.5 million annually. MPS indicates it expects to eliminate the equivalent of 69 positions, if not more, as part of its next budget.

RECOMMENDATION: GENERALLY, THE COMMON COUNCIL HAS ENACTED RETIREMENT BENEFIT CHANGES FOR MPS EMPLOYEES THAT ARE PURSUANT TO COLLECTIVE BARGAINING AGREEMENTS. ADOPTION OF THIS CHARTER ORDINANCE WOULD BE CONSISTENT WITH THAT PRACTICE.



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