

CITY OF MILWAUKEE FISCAL NOTE

A) **DATE** July 9, 2002

FILE NUMBER: 020471

Original Fiscal Note Substitute

SUBJECT: Charter Ordinance relating to ordinary disability retirement benefits for firemen and policemen.

B) **SUBMITTED BY (Name/title/dept./ext.):** Michael J. Haley, Finance Officer, Employees' Retirement System 3689

C) **CHECK ONE:** ADOPTION OF THIS FILE AUTHORIZES EXPENDITURES
 ADOPTION OF THIS FILE DOES NOT AUTHORIZE EXPENDITURES; FURTHER COMMON COUNCIL ACTION NEEDED. LIST ANTICIPATED COSTS IN SECTION G BELOW.
 NOT APPLICABLE/NO FISCAL IMPACT. No immediate fiscal impact to the City, see attached letter from ERS Actuary.

D) **CHARGE TO:** DEPARTMENT ACCOUNT(DA) CONTINGENT FUND (CF)
 CAPITAL PROJECTS FUND (CPF) SPECIAL PURPOSE ACCOUNTS (SPA)
 PERM. IMPROVEMENT FUNDS (PIF) GRANT & AID ACCOUNTS (G & AA)
 OTHER (SPECIFY) Pension Trust

E) PURPOSE	SPECIFY TYPE/USE	ACCOUNT	EXPENDITURE	REVENUE	SAVINGS
SALARIES/WAGES:	The long term Actuarial Liability is estimated at \$103,100. The proposed amendment would allow inclusion of partial				
SUPPLIES:	years service when calculating ordinary disability benefits for police officers and				
MATERIALS:	firefighters consistent with every other ERS benefit calculation. Failure to adopt this file				
NEW EQUIPMENT:	would result in rolling back current benefits to an estimated 18 retirees at an annual				
EQUIPMENT REPAIR:	savings to the System of \$6,100. See attached letter from the ERS actuary				
OTHER:		N/A			
TOTALS			0	0	0

F) FOR EXPENDITURES AND REVENUES WHICH WILL OCCUR ON AN **ANNUAL** BASIS OVER SEVERAL YEARS CHECK THE APPROPRIATE BOX BELOW AND THEN LIST EACH ITEM AND DOLLAR AMOUNT **SEPARATELY**.

<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	Current annual benefits payments are estimated to cost \$6,100. See attached letter from the ERS Actuary.
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	

G) **LIST ANY ANTICIPATED FUTURE COSTS THIS PROJECT WILL REQUIRE FOR COMPLETION:**

H) **COMPUTATIONS USED IN ARRIVING AT FISCAL ESTIMATE:**
 See attached letter form ERS Actuary for assumptions and further details.

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE



A Mellon Consulting Company

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Chicago, Illinois 60602-4336

July 9, 2002

Ms. Anne M. Bahr
Executive Director
City of Milwaukee
Employees' Retirement System
City Hall, Room 603
200 E. Wells Street
Milwaukee, Wisconsin 53202

Re: Amendment to Sec. 36-05-2-c-3 (Ordinary Disability for Fire and Police)

Dear Ms. Bahr:

As requested, we have determined the fiscal impact of amending Sec. 36-05-2-c-3 to provide for the use of all service, including portions of years, in calculating ordinary disability benefits for firefighters and police officers. This amendment affects fewer than 18 members currently retired on ordinary disability. It may also affect ordinary disability benefits for firefighters and police officers who retire in the future with more than five but less than eighteen years of creditable service.

Based on the current provisions of Sec. 36-05-2-c-3, the ordinary disability retirement allowance for these members should equal 25% of final average salary plus 2% of final average salary for each *full year* of service in excess of five years, to a maximum benefit of 50% of final average salary. However, the consistent administrative practice of the System has been to use *all* service, even portions of a year, when calculating the ordinary disability retirement allowance for firefighters and police officers.

The administrative practice of using all service, even portions of a year, conforms with Chapter 36 requirements for every other ERS benefit calculation that involves service credit, including the service retirement allowance for all members, and the ordinary disability retirement allowance for general employees. As a matter of equity, and administrative efficiency, the ERS has requested that Sec. 36-05-2-c-3 be amended to conform with past and current ERS administrative practice.

Because the actuarial liability of the System reflects the way that these benefits are currently administered, the value of providing ordinary disability benefits to firefighters and police officers based on full years of service is already included in the System's Pension Benefit Obligation (PBO) and Normal Cost requirements. Therefore, if Sec. 36-05-2-c-3 were not amended, and its current provisions were to be enforced prospectively as of January 1, 2002, the PBO and Normal Cost requirements of the System would decline.

Ms. Anne M. Bahr
July 9, 2002
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The results of our calculations are as follows:

**January 1, 2002 Fiscal Impact
Decrease in Costs that Would Result from
NOT Amending Sec. 36-05-2-c-3**

Actuarial Liability	
Current Pensioners	\$ 88,700
Current Active Members	<u>14,400</u>
Total	\$ 103,100
 Annual Normal Cost	 \$ 1,900
 Current Annual Benefit Payments	 \$ 6,100

Due to the funded status of the System, there would be no change in the Employer contribution requirements.

Our results are based on the assumptions and methods used for the System's annual actuarial valuation, and on participant data provided for the January 1, 2001 actuarial valuation.

Please call me if you have questions about this material or if you need further information.

Sincerely,



S. Lynn Hill
Associate Principal, Consulting Actuary

cc: Mike Haley