



March 30, 2005

Ms. Anne M. Bahr
Executive Director
Milwaukee Employees' Retirement System
City of Milwaukee
200 E. Wells St.
Milwaukee, Wisconsin 53202-3515

Re: Cost of Change from Medical Panel to Medical Council Review of Psychologically-Based Duty Disability Applications and Re-examinations for Milwaukee Police Association Members Hired After the Execution Date of the 2004 – 2006 Contract Agreement

Dear Anne:

Currently Chapter 36 provides that a Medical Panel (as defined in §36-02-20) shall be responsible for reviewing duty disability applications and re-examinations for firemen and policemen, and that a Medical Council (as defined in §36-02-19) shall be responsible for reviewing ordinary disability applications and re-examinations for all members, and duty disability applications and re-examinations for general employees.

As requested, we have determined the fiscal impact of amending Chapter 36 to provide that the Medical Council (instead of the Medical Panel) shall review all psychologically-based duty disability applications and re-examinations for MPA members hired after the execution date of the 2004 – 2006 contract agreement.

To aid in our analysis of this change, administrative staff of the ERS provided us with statistical information about the system's experience during the five calendar years 2000 through 2004 with regard to psychologically-based duty disability applications made by members of the MPA (handled by the Medical Panel), and also with regard to all psychologically-based ordinary and duty disability applications made by general city employees (handled by the Medical Council).

Based on the 2000 – 2004 experience, and with regard to affected future members of the MPA only, we estimate that the change from review by the Medical Panel to review by the Medical Council would cause a 35% decrease in the rates of approval of the 75% duty disability benefit, and we also estimate that 20% of those denied a psychologically-based duty disability benefit would then apply for and receive a psychologically-based ordinary disability benefit.

Because this change affects members who have not yet been hired, there would be no immediate impact on the Actuarial Liability or the Funded Status of the ERS, though over time the effect would be to lower the system's total Actuarial Liability. We estimate that the change would cause the system's Normal Cost requirements to decrease by \$581 per annum (in 2004 dollars) for each affected new member.

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The fiscal impact of this change as of January 1, 2004 is summarized in the table below:

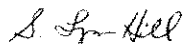
Item	Combined Fund
Change in Actuarial Liability	Nil
Change in Funded Status	Nil
(Decrease) in Normal Cost	(\$581) per member hired after the effective date of the contract*
Change in Annual Contribution	Nil

* The average decrease in cost per new hire is based on data for members hired during 2003. We are providing an average annual Normal Cost savings per member instead of a total Normal Cost amount since the number of members hired after the effective date of the contract will increase over time until eventually all members of the MPA are affected. As of January 1, 2004, there were 1,646 police who were active members of the MPA. None of these members are affected by this change.

Except for the changes in assumed rates of disability explained on the preceding page, these results are based on the participant data and actuarial assumptions and methods used to prepare the January 1, 2004 actuarial valuation.

Please call me if you have any questions or need further information.

Sincerely,



S. Lynn Hill
Director, Retirement Consulting

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cc: Martin Matson



March 30, 2005

Ms. Anne M. Bahr
Executive Director
Milwaukee Employes' Retirement System
City of Milwaukee
200 E. Wells St.
Milwaukee, Wisconsin 53202-3515

Re: Cost of Including \$150 bi-weekly Police Liaison Officer Payments in Pensionable Earnings for Milwaukee Police Association Members Effective Pay Period 1, 2004.

Dear Anne:

As requested, we have determined the fiscal impact of including \$150 bi-weekly Police Liaison Officer (PLO) payments in pensionable earnings effective Pay Period 1, 2004. Currently three MPA members are PLOs and they each receive bi-weekly PLO payments of \$75, none of which is pensionable.

Effective Pay Period 1, 2004 the ERS will receive 7% employer-paid member contributions based on all \$150 bi-weekly PLO payments. In addition, the \$150 bi-weekly PLO payments will be considered pensionable when determining the service retirement allowance, but will not be considered pensionable for purposes of determining other ERS allowances.

The fiscal impact of this change as of January 1, 2004 is summarized in the table below:

Item	Combined Fund
Increase in Actuarial Liability	\$120,000
(Decrease) in Funded Status	(0.004)%
Increase in Employer Normal Cost	\$422
Increase in Actuarially Determined Employer Contribution	Nil
Increase in Annual Employer-Paid Member Contributions	\$822

These results are based on the participant data and actuarial assumptions and methods used to prepare the January 1, 2004 actuarial valuation. In addition, we assumed that, with or without this benefit change, the three current PLO members will retire while holding the position of PLO, and that there will always be three MPA members who hold the position of PLO.

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Please call me if you have any questions or need further information.

Sincerely,



S. Lynn Hill
Director, Retirement Consulting

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12736/C3759RET21-PLO-Pay-MPA.doc

cc: Martin Matson



March 30, 2005

Ms. Anne M. Bahr
Executive Director
Milwaukee Employees' Retirement System
City of Milwaukee
200 E. Wells St.
Milwaukee, Wisconsin 53202-3515

Re: Cost of Including Additional \$400 Certification Pay in Pensionable Earnings for Milwaukee Police Association Members who Retire on or after January 1, 2004

Dear Anne:

As requested, we have determined the fiscal impact of increasing the amount of Certification Pay which is pensionable from \$600 per year to \$1,000 per year (an increase of \$400 per year) effective January 1, 2004 for members of the Milwaukee Police Association.

Under the 2001 – 2003 contract, 7% employer-paid member contributions are made each year on the \$600 payment. Beginning in 2004 (under the 2004 – 2006 contract), they will be made on the \$1,000 payment. In addition, the amount of Certification Pay that is considered pensionable when determining the service retirement allowance will increase from \$600 to \$1,000 for service retirements occurring on or after January 1, 2004. For service retirements in 2004, the amount to be included in the service retirement calculation is the amount the member would have received had he or she stayed in service for all of 2004. Certification pay is not considered pensionable for purposes of determining ERS allowances other than the service retirement allowance.

The fiscal impact of this change as of January 1, 2004 is summarized in the table below:

Item	Combined Fund
Increase in Actuarial Liability	\$1,135,000
(Decrease) in Funded Status	(0.034)%
Increase in Employer Normal Cost	\$24,000
Increase in Actuarially Determined Employer Contribution	Nil
Increase in Annual Employer-Paid Member Contributions	\$46,000

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As of January 1, 2004, 1,646 police who were active members of the MPA on that date were eligible for this benefit improvement.

These results are based on the participant data and actuarial assumptions and methods used to prepare the January 1, 2004 actuarial valuation.

Please call me if you have any questions or need further information.

Sincerely,

S. Lynn Hill

S. Lynn Hill
Director, Retirement Consulting

SLH:pl
12736/C3757RET21-\$400-Cert-Pay-Police.doc
cc: Martin Matson