

September 6, 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 \$1,000 EMT-II Premium Pay in Pensionable Earnings for 150 Milwaukee Professional Fire Fighters Association Members**

Dear Anne:

As requested, we have determined the fiscal impact of including the first \$1,000 of annual EMT-II Premium Pay in pensionable earnings for 150 members of the Milwaukee Professional Fire Fighters Association. Currently, total EMT-II Premium Pay equals 5% of base salary for up to 150 properly qualified members and, under the pre-2004 contract agreement, none of the EMT-II Premium Pay has been pensionable.

Effective January 1, 2005, the ERS will receive 7% employer-paid member contributions on the first \$1,000 of annual EMT-II Premium Pay. In addition, for eligible employees who retire from active service on a normal service retirement on or after January 1, 2006, the first \$1,000 of EMT-II Premium Pay from the prior calendar year will be considered pensionable for purposes of calculating the normal service retirement allowance.

The fiscal impact of this change as of January 1, 2005 is summarized in the table below:

Item	Combined Fund
Increase in Actuarial Liability	\$336,000
(Decrease) in Funded Status	(0.012)%
Increase in Employer Normal Cost	\$8,000
Increase in Actuarially Determined Employer Contribution	Nil
Increase in Annual Employer-Paid Member Contributions Commencing in 2005	\$10,500

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These results are based on the participant data and actuarial assumptions and methods used to prepare the January 1, 2005 actuarial valuation. For purposes of this cost estimate we assumed that 150 eligible members would receive at least \$1,000 of EMT-II Premium Pay every calendar year commencing January 1, 2005.

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