

FISCAL REVIEW SECTION - LEGISLATIVE REFERENCE BUREAU
2005 PROPOSED BUDGET SUMMARY: POLICEMEN'S ANNUITY & BENEFIT FUND (PA&BF)

	2003	2004	2003-2004	2005	2004-2005
<u>EXPENSE CATEGORY</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>%CHANGE</u>	<u>PROPOSED</u>	<u>%CHANGE</u>
EMPLOYER'S PENSION CONTRIBUTION	\$473,708	\$975,773	105.99%	\$975,773	0.00%
ADMINISTRATION	\$88,505	\$104,107	17.63%	\$95,242	-8.52%
ANNUITY CONTRIBUTION	\$964	\$0	-100.00%	\$0	0.00%
LUMP SUM SUPPLEMENT CONTRIBUTION	\$500,000	\$500,000	0.00%	\$400,000	-20.00%
TOTAL	\$1,063,177	\$1,579,880	48.60%	\$1,471,015	-6.89%

The Policemen's Annuity & Benefit Fund (PA&BF) provides retirement benefits to police officers who were first employed prior to July 30, 1947. Police officers hired after that date are members of the Employees' Retirement System (ERS).

1. The 2000 Budget provided \$300,000 for pension adjustments to participants in the Firemen's & Policemen Annuity Benefit Funds. Those funds were to be distributed to the participants based on year of retirement (\$75,000) and need (\$225,000). This \$300,000 was split between the two pension funds as follows: Of the \$300,000, \$180,000 went to the police fund and \$120,000 went to the firemen's fund. Under the retirement component, participants received benefits based on a sliding scale percentage. The increase in benefits were based on the decade in which the year of retirement fell. The sliding scale percentage increased for retirements taken in earlier decades. The need-based component was provided only to those whose pension amount was below the U.S. Census Bureau's poverty threshold.
2. The 2001 Budget included a \$2.5 million supplement increase to the Fire Annuity and Benefit Fund and the PA&BF. The PA&BF portion of the \$2.5 million was \$1,395,349. Although members of the PA&BF were not eligible to participate in the city's global pension settlement, the city decided to provide this one-time supplement. The supplement was funded by a \$2.5 million reduction in the tax levy supported annuity contribution, which in turn was funded by a \$2.5 million annuity contribution by the Employer's Reserve Fund.

The Policemen's Annuity and Benefit Fund filed suit against the City regarding a dispute as to contributions to the PABF funded by the City. Originally, the City won this case, but it was appealed by the PABF. The court of appeals remanded the case to circuit court to determine the City's liability. The City petitioned the Wisconsin Supreme Court to review the court of appeal's decision. On August 15, 2001, the City and the PA&BF reached a tentative settlement. Under the terms of settlement, \$150,000

was included in the 2002 Budget as a contribution to PA&BF supplemental payment fund. The Common Council approved the settlement on September 25, 2001 (File #010650).

3. The 2003 Budget included a levy funded, lump sum supplemental contribution of \$500,000 to this fund. Another \$500,000 was provided to the Firemen's Pension Fund. The 2004 Budget also included a, levy funded, lump sum supplemental contribution of \$500,000 to this fund. Another \$500,000 was provided to the Firemen's Pension Fund.

2005 Proposed Budget Issues

2005 Employer's Pension Contribution

The 2005 Proposed Budget includes \$975,733 as the City's PA&BF pension contribution. Of that amount, \$505,773 is to fund the amount annually set by the PA&BF actuary.

The remaining \$470,000 is to fund part of an approximately \$2.3 million unfunded past service liability. The liability amount will be amortized over the next 5 years. (The Budget and Management Division notified the Finance and Personnel Committee of the unfunded liability in a letter dated January 30, 2002.)

Professional Services

The 2005 Proposed Budget provides \$54,340 for Professional Services. This is a \$7,360 decrease from the \$61,700 provided for this account in the 2004 Budget. These funds are used to pay for Professional Services (actuarial services, custodian of the fund, audit, etc.) related to the PA&BF. The reduction reflects an adjustment in the funding for investment services.

Lump Sum Supplement Contribution

The 2005 Proposed Budget includes a, levy funded, lump sum supplemental contribution of \$400,000 to this fund. Another \$400,000 is being provided to the Firemen's Pension Fund.

Fund Membership

As of July 31, 2004, PA&BF, membership included 206 total retired annuitants and spouses.

The table on page 3 shows the age group breakdown of the PA&BF annuitants and spouses.

Age Group of Retirees	# of Annuitants & Spouses
100 Years or Older	1
90-99	51
80-89	144
70-79	10
TOTAL	206

The table below provides a breakdown of the monthly pension benefit paid to annuitants.

Monthly Pension Benefit*	# of Annuitants
\$300	2
\$301-\$600	115
\$601-\$800	41
\$801-\$999	17
Over \$1,000	31

*Includes payments from the supplement fund. Each annuitant receives \$127 a month. (\$94 supplement from the 2001 supplement and \$33 a month from the 2004 supplement.)

Fund Valuation and Return

1. The 2003 Annual Actuarial Statement of the Policemen's Annuity and Benefit Fund projected the fund's estimated assets and liabilities for the years 2004 to 2013. The Statement assumes an annuity purchase for the remaining annuitants in 2013.
2. The 2003 Annual Actuarial Statement shows that as of December 31, 2003, the PA&BF's actuarial value of assets was \$5.5 million and actuarial accrued liability (AAL) of \$8.7 million. The unfunded liability is \$3.2 million.
3. The PA&BF's rate of return was 2.19%

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