

August 31, 2005

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

Re: Fiscal Impact of Changing Elected Official Benefit Accrual Rate and Member Contribution Rate Commencing with the April 2008 Election

Dear Anne:

As requested, we have determined the fiscal impact of changing, effective with the April 2008 election, the benefit accrual rate for elected officials other than the mayor, city attorney, comptroller and treasurer, and the member contribution rate for elected officials other than the city attorney, comptroller and treasurer.

Currently the retirement allowance for elected officials other than the mayor is based on 2.6% of final average salary per year of service prior to January 1, 1996, plus 2.5% per year of service since January 1, 1996, to a maximum of 70% of final average salary. Under the proposed charter ordinance the retirement allowance for elected officials other than the mayor, city attorney, comptroller and treasurer would become 2.6% of final average salary per year of service prior to January 1, 1996, plus 2.5% per year of service from January 1, 1996 through April 14, 2008, plus 2.0% per year of service for service after April 14, 2008, to a maximum of 70% of final average salary. (The 70% cap is imposed by the current provisions of section 36-06-10-f of the Milwaukee City Charter.)

Currently the member contribution rate for all elected officials is 7% of the member's earnable compensation. Under the proposed charter ordinance the member contribution rate for all elected officials other than the city attorney, comptroller and treasurer would decrease, effective April 15, 2008, to 5.5% of the member's earnable compensation. The city currently pays for the member contributions, so a decrease in the member rate translates into a decrease in city-paid member contributions effective April 15, 2008.

Ms. Anne M. Bahr
August 31, 2005
Page 2

The fiscal impact of this change is summarized in the table below:

Item	Combined Fund
(Decrease) in Actuarial Liability as of January 1, 2005	\$ (27,000)
Increase in Funded Status	0.0008%
Change in Actuarially Determined Employer Contribution	Nil
(Decrease) in Annual Employer-Paid Member Contributions for 2008 (partial year of change)*	\$ (17,500)
(Decrease) in Annual Employer-Paid Member Contributions for 2009 (first full year of change)*	\$ (25,500)

*Assumes total payroll for elected officials increases by 3% per annum.

These results are based on the participant data and actuarial assumptions and methods used to prepare the January 1, 2005 actuarial valuation. Based on this data, 15 aldermen and 3 municipal judges will be affected by the change in benefit accrual rate. These same members, plus the mayor, will be affected by the change in the member contribution rate.

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