

2024



Legislative Reference Bureau

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EMPLOYEES' RETIREMENT SYSTEM

2024 Proposed Plan and Executive Budget Review

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Budget Hearing: 1:00 pm on Wednesday, October 4, 2023

\$24,436,800

Proposed 2024 Budget

\$4,200,000

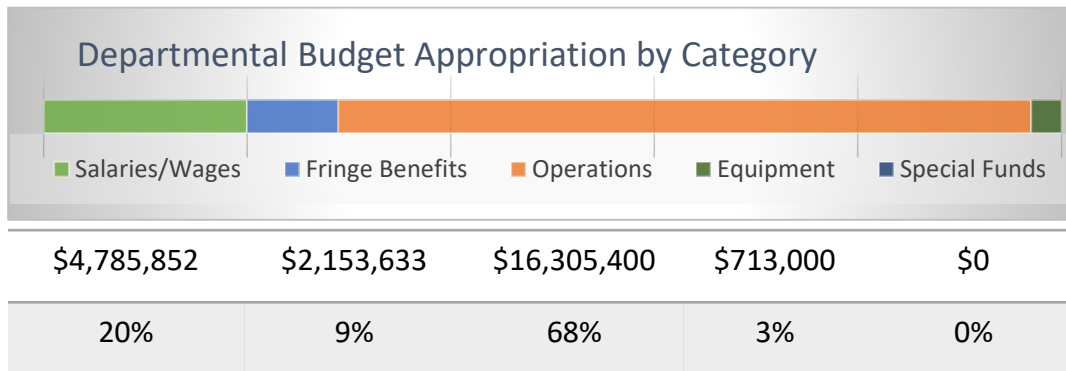
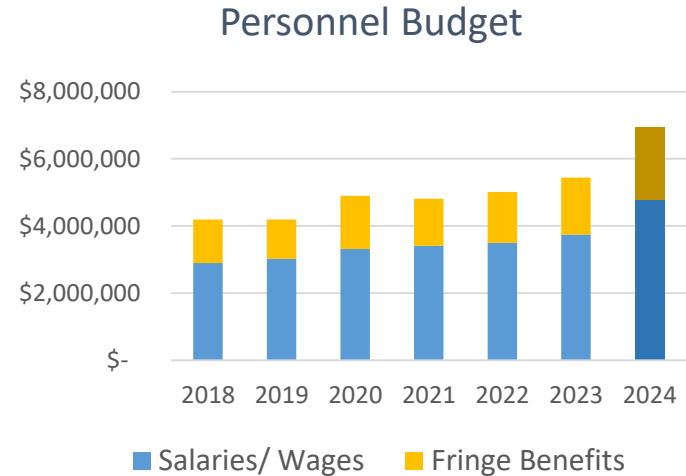
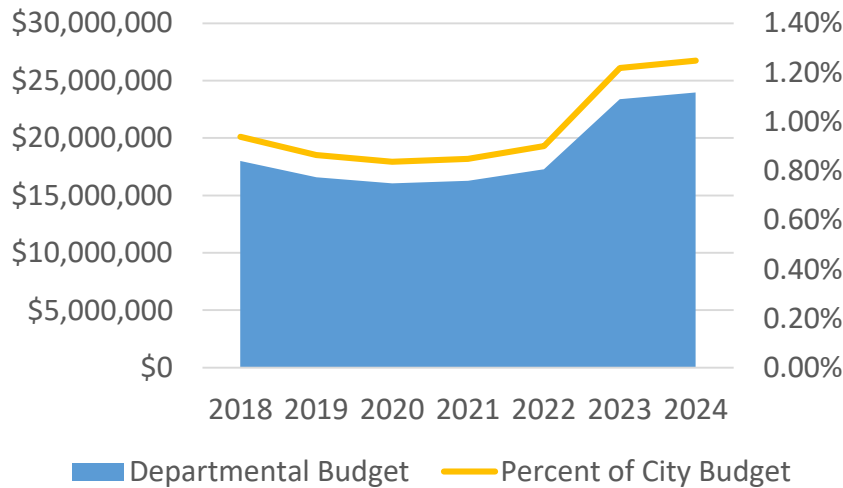
Proposed 2024 Budget (Levy). Note: The 2024 Group Life Insurance Premium is the only ERS item that is on the levy.

\$ 900,000

\$ Overall Change from 2023

\$24,122,885

Requested 2024 Budget



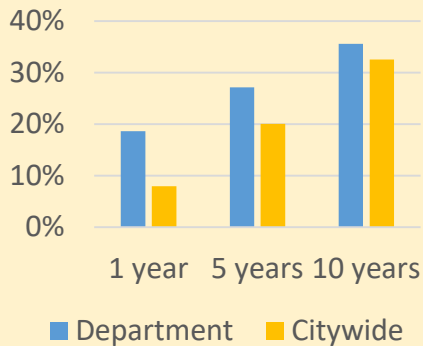
\$0

2024 Salaries and Wages
funded with ARPA

33%

Increase in Salaries and Wages,
compared to 2023
(ARPA + Levy)

Retirement Eligible



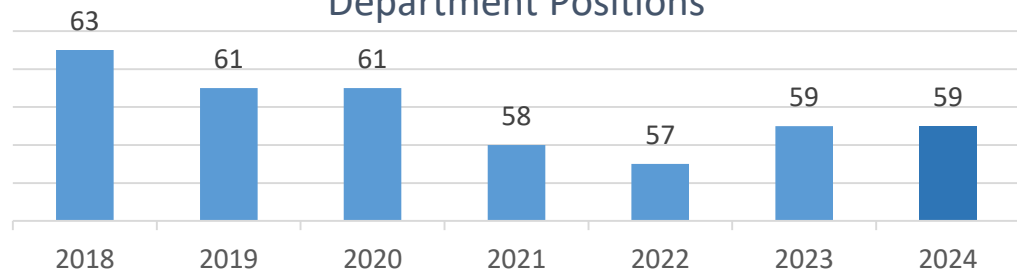
Staffing Vacancies

The department has one vacancy: one Benefits Services Coordinator.

Staffing Update

There are a significant number of reclassifications in this department. The net number of positions is unchanged from 2023. However, salaries are up by \$1.25 million, and fringe benefits are up \$563,726.

Department Positions



0	0%
Change in Positions	% Change in Positions
1	4
Current Vacancies	Voluntary Separations

\$0

Total value of 0 Purchasing Contracts greater than \$500,000.

\$83,014,690

Current balance of the Pension Reserve Fund.

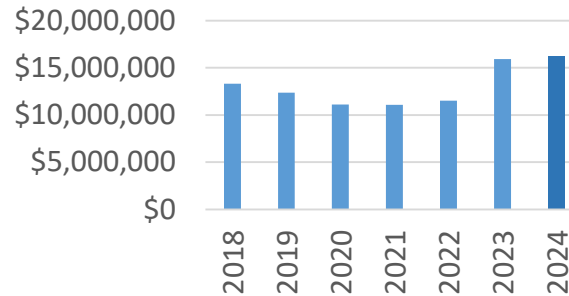
29,579

Total number of members and beneficiaries of the Employees' Retirement System as of January 1, 2023, of which 67% are retirees.

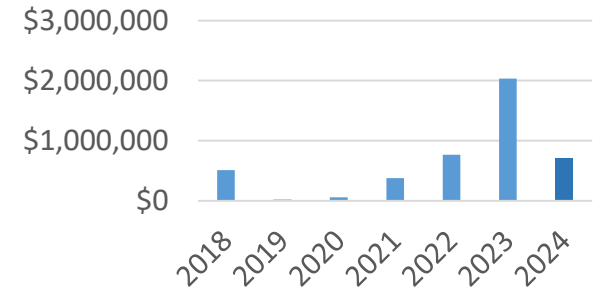
6.8%

Assumed rate of return of pension fund assets beginning January 1, 2024. The assumed rate of return may not exceed that of the Wisconsin Retirement System per the requirements of Act 12.

Operating Expenditures Budget



Equipment Budget



Revenue

The department expects \$24,436,800 in revenues in 2024 for charges for services. This is an increase of \$919,451 from 2023.

Special Purpose Accounts

2024 Group Life Insurance Premium	\$4,200,000
Retirees' Benefit Adjustment Fund	<u>\$ 25,000</u>
TOTAL	\$4,225,000

Grants

This department receives no grant funding.

Capital Programs and Projects

This department has no capital projects.

\$451,050,000

Total annual benefits
paid out by ERS in 2022.

2048

When Expected Annual
Benefit Payments are
projected to peak at
approximately \$673,266,289.

-6.5%

Fund's net of fees
rate of return in 2022.
This beats the benchmark return
of -10.6%.

7.3%

Fund's 2023 YTD net of fees
rate of return.
This is underperforming the
Fund's benchmark by 1.9%.

Total Actuarial Accrued Liability and Act 12

One of the major impacts of Act 12 is the mandate that ERS's assumed rate of return be in line with the Wisconsin Retirement System, which is 6.8% , much lower than the 7.5% ERS had planned to begin using.

Based on a 30-year amortization of unfunded liability, this actually increases the City's accrued liability from \$7,053,087,000 to \$7,616,350,000, an increase of \$563,263,000.

Employer Contribution and Act 12

Because Act 12 will increase the City's Unfunded Liability (see below), the annual employer contribution is also set increase.

Based on the change from the 8% to 7.5% discount rate, the City's annual contribution leapt from approximately \$75 million to \$131 million. Under the new discount rate tied to the Wisconsin Retirement System of 6.8%, the City's annual contribution is expected to be \$174,890,000, almost \$100 million more than the prior required annual contribution.

Unfunded Liability and Act 12

The increase in the City's accrued liability because of Act 12 is as follows:

Based on Actuarial Value of Assets:

Pre-Act 12: \$1,306,260,000 (81.5%)

Post-Act 12: \$1,868,740,000 (75.5%)

Based on Market Value of Assets:

Pre-Act 12: \$1,626,760,000 (76.9%)

Post-Act 12 : \$2,189,250,000 (71.3%)

Key Performance Measures

Measure	2021 Actual	2022 Projected	2023 Planned
Annualized excess return above the blended benchmark index, gross of fees (over the past five years).	1.6%	0.5%	0.5%
Exceed 95% favorable rating on customer satisfaction survey.	99%	98%	98%

Act 12 Provisions Directly Impacting ERS

- ERS is “soft closed” to new hires and re-hires effective January 1, 2024.
- State-mandated 30-year amortization of unfunded actuarial accrued liability.
- State-mandated investment return assumption no higher than WRS (currently 6.8%).
- State-mandated financial and actuarial audit by the Wisconsin Legislative Audit Bureau.

Changes to Partner Agency Employer Contributions

The Annuity & Pension Board has adopted a change in the allocation of employer contribution costs among employers as a result of the closure of the ERS to new hires mandated by Act 12.

The new method for allocating that portion of the contribution toward paying off the unfunded liability will be allocation pro rata on the employer's share of the unfunded liability, rather than the employer's portion of pensionable wages as in prior years. This is equitable because the amount of pensionable wages will decline faster in some agencies than for the City and other agencies due to different employment turnover rates as new hires are enrolled in WRS.

If paying off unfunded liability continued to be pro rata based on wages, as before, some agencies would quickly pay less than their share of the unfunded liability or nothing at all as their employees enrolled in ERS dwindle.

This change in how the contribution is allocated does result in the agencies in total paying less than they would have under the old method but still more than in 2023.

In terms of dollars, this results in the City having a higher contribution than it would have under the method where contributions were averaged across all agencies, \$168 million v. \$174 million in 2024. Overall, the City's partner agencies pay less (\$48.4 million v. \$42 million). However, some individual agencies actually contribute more. For example, under the new method, MATC now contributes \$259,000, when previously it contributed \$0. Similarly, Veolia will now contribute \$1.4 million, when previously it only contributed \$145,000.