

MILWAUKEE RETIREE ASSOCIATION

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February 22, 2013

Finance & Personnel Committee, City of Milwaukee

Subject: Common Council File No. 121417

Dear Honorable Members:

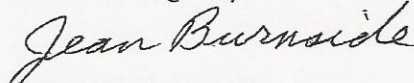
As stated in Mr. Nicolini's letter dated January 30, 2013, the proposal for a stable contribution funding policy has three laudable goals. They are: 1) contribute normal costs regardless of the funded status, 2) continue to amortize unfunded past service liabilities on a schedule at least as stringent as currently employed, and 3) maintain asset coverage for retired lives.

The proposal has its genesis in an actuarial study and funding policy prepared for the City by Buck Consultants using an asset liability model and 999 scenarios. Using the model, the scenarios and a Monte Carlo type simulation technique, Buck concluded that the fulfillment of one goal under the proposal did not subsume any other goal under the proposal. For example, even with contributions being made to implement goal 1, there was considerable volatility in the funding ratio such that in a limited number of simulations the fund ratio would dip downwards to 61%, thus requiring a separate contribution to meet goal 3 of maintaining the funded status of retired lives.

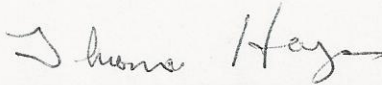
Given the laudable goals discussed and the extensive study commissioned by the City underlying the proposal, we feel that the Common Council should not want to entertain a proposed charter ordinance that either disregards one of the goals or contradicts the findings of the City commissioned study upon which the proposal is based. Unfortunately, we believe Part 6 of Common Council File # 121417 creating Section 36-08-6-h-1 is sufficiently ambiguous so as to permit that type of interpretation. The charter ordinance may be interpreted to require only a normal cost contribution on the presumption that contribution of this amount would be sufficient to amortize unfunded past service liability and to maintain the solvency of the fund for retired lives.

Given the importance of funding to 11,000 dedicated former employees, and all active members for that matter, surely we can all agree that there is no room for ambiguity in this matter. Hopefully, the file can be held to allow time to redraft the paragraph of concern to make clear that the fixed contribution shall include amounts necessary to amortize the unfunded liability and the amounts necessary maintain the fully funded status for retired lives in addition to amounts required to pay for normal cost.

With warm regards,



Jean Burnside, President



Thomas Hayes, Vice President