

## LRB – FISCAL REVIEW SECTION ANALYSIS

MAY 19, 2004

ITEM 6, FILE 020598

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #020598 is a substitute charter ordinance relating to involuntary separation.

### Background

1. Currently, if a member of the Employees' Retirement System is discharged or position is eliminated and has no other employment the City, they may be eligible for monthly separation benefits. The member can elect to start receiving actuarially reduced benefits immediately, wait to receive a full benefit when they reach their minimum service retirement eligibility age, or elect an early retirement benefit at age 55 with 15 years of service. Members with 8 or 10 years of service have the option to withdraw the contributions that have been made on their behalf.

### Discussion

1. This charter ordinance extends the minimum benefit provision for the service retirement allowance (s.36-05-1-a of the Milwaukee Charter) to the immediate allowance provision. If the immediate allowance falls below the minimum benefit (\$25), the member will be paid a lump sum.
2. ERS is requesting this substitute charter ordinance because it will reduce administrative costs. It will give ERS the opportunity to cash out small amounts of pension at the time a member separates versus holding the money until they are eligible to retire. The cost of administering the provision as it currently is written is high since ERS maintains information on the members sometimes for 20 or 30 years, sends them annual statements, keeps their addresses up to date, etc.

### Fiscal Impact

1. The ERS actuary estimates the charter ordinance will have no fiscal impact.

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