



Department of Employee Relations

**Tom Barrett**  
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November 30, 2016

Alderwoman Milele Coggs, Chairwoman  
City of Milwaukee Common Council Finance and Personnel Committee  
200 East Wells Street, Room 205  
Milwaukee, WI 53202

**File No: 161049 Ordinance Relating to Retiree Health Benefits for New General City Employees**

Dear Alderwoman Coggs and Finance Committee Members:

The proposed ordinance change recommends eliminating retiree health benefits for general city employees hired on or after January 1, 2017. Currently general city retirees with at least 15 years of creditable service with the City, the Housing Authority of the City of Milwaukee (HACM), or the Redevelopment Authority for the City of Milwaukee (RACM) are eligible for City health benefit coverage upon meeting the requirements specified in the Milwaukee Code of Ordinances. The City has approximately 6,600 retirees, of which 3,500 enroll in the City's retiree healthcare plan and 51% of those are general city retirees. An additional 1,200 retirees enroll in Medicare Advantage Plans sponsored by the Milwaukee Retiree Association.

The City provides strong retirement plan options and benefits to its employees. The pension plan continues to be one of the nation's top rated and the City also provides health benefits for many of its retirees. While the City is committed to maintaining health benefits for current employees who qualify under the provisions of the Milwaukee Code of Ordinances, maintaining this benefit when other local taxing units have discontinued it will pose serious fiscal challenges long term.

The City's 2017 Healthcare budget is approximately \$115 million and retiree healthcare expenditures comprise approximately 30% of the City's annual healthcare spend. While the City has been able to maintain flat healthcare premium rates for active employees for the last 6 years, early retiree healthcare premium rates have increased by 27% during the same time period. Although the number of retirees taking the City's health insurance has decreased, the expenditures have not decreased by a similar amount. With the current rate of projected service eligible retirements (1,001 or 16% in 2016, 2,327 or 37% in 2021 and 3,367 or 53% in 2026) the number of retirees eligible for the City's health insurance will likely increase within the next 5-10 years.

As indicated above, health insurance benefits are not currently offered by the Milwaukee Public Schools or Milwaukee County to new employees. At Milwaukee Public Schools, employees hired after June 30, 2013 are not eligible for retiree health insurance. At Milwaukee County, employees hired after January 1, 1994 with 15 years of service are eligible for retiree health insurance; however the member pays 100% of the cost.



It is important to note that this recommendation is not expected to impact the City's recruitment and retention efforts. Recent research and actual experience have demonstrated that individuals now entering the workforce value a different mix of benefits and programs that support work-life balance interests and enable them to address both personal and professional needs and goals.

Although the changes recommended here will not realize expenditure savings for 15-30 years, we believe it is the fiscally responsible thing to do.

The DER recommends the attached ordinance change be approved. I'm happy to address any comments or questions regarding this file.

Sincerely,  
Renee Joos  
Employee Benefits

CC: Ellen Tangen, City Attorney's Office  
Dennis Yaccarino, Budget Office

