

..Number

091274

..Version

PROPOSED SUBSTITUTE A

..Reference

..Sponsor

THE CHAIR

..Title

A substitute charter ordinance relating to annual valuations of the assets and liabilities of the employees' retirement system.

..Sections

36-02-3.2 cr

36-02-3.5 cr

36-02-3.7 cr

36-02-8.2 cr

36-02-17.5 cr

36-08-6-h-2 am

36-15-15 ra

36-15-15-b cr

..Analysis

This charter ordinance provides that, beginning with the valuation of the assets and liabilities of the employees' retirement system that determines employer contributions due and payable January 31, 2011, the system's actuary shall employ a 5-year asset smoothing period and an asset valuation corridor that allows for a variation between the market value and actuarial value of assets of 20%. The actuary shall calculate amortization of the unfunded liability based on a level percent of payroll amortization. The actuary shall apply a closed amortization method to a 24-year amortization period until the amortization period is reduced to the expected future working lifetime of the active system's population, calculated separately for police, fire and general city members.

..Body

The Mayor and Common Council of the City of Milwaukee do ordain as follows:

Part 1. Section 36-02-3.2, 3.5, 3.7, 8.2 and 17.5 of the city charter is created to read:

36.02 Definitions.

3.2. AMORTIZATION PERIOD shall mean the period of time over which unfunded liability, if any, is amortized.

3.5 ASSET SMOOTHING PERIOD shall mean the length of time over which changes in the market value of assets are converted to actuarial values.

3.7 ASSET VALUATION CORRIDOR shall mean the maximum variance between the market value of assets and the actuarial value of assets that may be used in the annual valuation.

8.2 CLOSED AMORTIZATION PERIOD shall mean a schedule for amortizing unfunded liability that decreases by one year annually.

17.5 LEVEL PERCENT OF PAYROLL AMORTIZATION shall mean a trend in the amortization payments needed, if any, to eliminate unfunded liability, expressed as a constant percentage of projected payroll.

Part 2. Section 36-08-6-h-2 of the code is amended to read:

36-08. Method of Financing.

6. CITY CONTRIBUTIONS.

h. Combined Fund.

h-2. Any difference between the actuarial accrued liability as defined in subd. 1, and the sum of the actuarially determined value of the assets of the combined fund plus any unamortized bases established under this par. in prior valuations, shall be amortized ~~[[over a period which will not exceed 30 years from the valuation date on which such difference is established]]~~ > > as directed in s. 36-15-15-b < < ; provided that as part of the valuation next following a fiscal year in which the city and city agency contributions are zero due to application of the 100% funded status limitation of this par. the actuary may eliminate any previously established amortization schedules and bases and shall recalculate a new “fresh-start” amortization schedule. Future payroll growth may be taken into account in the amortization process.

Part 3. Section 36-15-15 of the city charter is renumbered 36-15-15-a and amended to read:

36-15. Administration.

15. ANNUAL VALUATIONS. a. On the basis of such tables as the board shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the retirement system. > > For the purposes of the annual valuation, the actuary shall employ the projected unit credit actuarial cost method. < < .

Part 4. Section 36-15-15-b of the city charter is created to read:

b. Beginning with the valuation that determines employer contributions due and payable January 31, 2011, the actuary shall employ a 5-year asset smoothing period and an asset valuation corridor that allows for a variation between the market value and actuarial value of assets of 20%. The actuary shall calculate amortization of unfunded liability based on a level percentage of payroll amortization. The actuary shall apply a closed amortization method to a 24-year amortization period, until the amortization period is reduced to the expected future working lifetime of the active population, calculated separately for police, fire and general city members. Beginning with the valuation that determines employer contributions due and payable January 31, 2011, the board shall provide a copy of the annual valuation to the mayor and the common council no later than August 15.

Part 5. This is a charter ordinance and shall take effect 60 days after its passage and publication, unless within such 60 days a referendum petition is filed as provided in s. 66.0101(5), Wis. Stats., in which event this ordinance shall not take effect until submitted to a referendum and approved by a majority of the electors voting thereon.

..LRB

APPROVED AS TO FORM

Legislative Reference Bureau

Date: _____

..Attorney

IT IS OUR OPINION THAT THE ORDINANCE
IS LEGAL AND ENFORCEABLE

Office of the City Attorney

Date: _____

..Requestor

..Drafter

LRB09339-3

BJZ:lp

1/28/10