



Legislation Text

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031026
SUBSTITUTE 1

THE CHAIR

Substitute resolution regarding an Intergovernmental Agreement in connection with pension obligation bonds for the Milwaukee Public Schools. (Comptroller)

This resolution specifies certain items to be included in the Intergovernmental Agreement between the City and MPS relating to the Pension Obligation Bonds anticipated to be issued for MPS.

Whereas, Milwaukee Public Schools ("MPS") provides pension benefits to current employees and retirees; and

Whereas, MPS sets aside funds each year to provide for pension benefits as they are earned; and

Whereas, The amount currently set aside to fund the pension benefits already earned is significantly below the actuarial cost of providing those benefits; and

Whereas, It is in the best interest of employees and MPS to fully fund accrued pension liabilities; and

Whereas, It is in the best interest of the Citizens of the City of Milwaukee ("City") that future taxpayers are not burdened by the cost of benefits relating to services provided in the past; and

Whereas, MPS is currently considering the sale of up to \$200,000,000 of bonds ("Bonds") through the City and through the Redevelopment Authority of the City of Milwaukee ("RACM") to finance all or a portion of the liability for accrued future benefits owed to the Wisconsin Retirement System ("WRS"); and

Whereas, These proposed Bonds will save MPS over \$410 million in future interest costs (\$35 million in today's dollars) before the liability can be fully amortized; and

Whereas, Full funding will assure that all current and future employee pension benefits already granted through collective bargaining will in fact be provided; and

Whereas, This resolution has no impact on the rights of its employees or retirees to receive benefits already established through collective bargaining, but establishes the expectation of full funding of any future employee pension benefits granted; to help ensure that those benefits will be paid to employees and retirees; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that any Intergovernmental Agreement between the City and MPS relating to the Bonds addresses the following objectives:

1. The financing of the Unfunded Actuarial Accrued Liability ("UAAL") owed to WRS is intended to be structured to equal, as close as possible, the anticipated payments projected to be made to WRS had such financing not been performed;
2. That payments due in a calendar year to the City for General Obligation debt issued for the financing of the UAAL owed to WRS shall be made by MPS to the City prior to the beginning of the calendar year in which such payments are due;
3. That by June 30, 2004, MPS shall develop a plan, consistent with accepted actuarial standards, to fully fund the remaining unfunded MPS pension liabilities, not included in the City/RACM financing, or the City pension plan;
4. That in order to avoid creating future unfunded pension liabilities, that current and future pension type benefits are to be, consistent with accepted actuarial standards and sound financial management principles, fully provided for from appropriations in the year such amounts are earned/accrued and/or granted;
5. That the Superintendent prepare an experience study for each pension type benefit plan, other than the WRS plan and the City pension plan, at least once every 5 years;
6. That any future UAAL identified as a result of an experience study and/or changes in actuarial assumptions are to be fully funded over a period of time consistent with accepted actuarial standards and sound financial management principles; and
7. That the Superintendent shall present to the City an Annual Status Report of Employee Pension Benefit Funding as of the end of the previous fiscal year that includes: 1) the funding costs included in the annual budget projection; 2) updates the City as to MPS's progress towards fully funding pension type benefits and fulfilling the objectives set forth in this resolution; and 3) the ability of MPS to provide for such expenses.

Comptroller

Comptroller
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