



Legislation Details (With Text)

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File created: 2/5/2013 **In control:** COMMON COUNCIL

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Effective date:

Title: A charter ordinance relating to employer contributions to the combined fund of the employees' retirement system.

Sponsors: THE CHAIR

Indexes: CHARTER ORDINANCES, EMPLOYES RETIREMENT SYSTEM

Attachments: 1. FW file 121417 on April 29 Council agenda, 2. Request from Pension and Annuity Board, 3. Budget and Management Division Response, 4. Letter to Common Council from Budget and Management Division, 5. Letter to Finance from Milwaukee Retirees Association, 6. Fiscal Impact Statement, 7. Buck Consultants PowerPoint, 8. Hearing Notice List, 9. Notice Published on 5-16-13

Date	Ver.	Action By	Action	Result	Tally
2/5/2013	0	COMMON COUNCIL	ASSIGNED TO		
2/21/2013	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
2/21/2013	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
2/26/2013	1	FINANCE & PERSONNEL COMMITTEE	HELD TO CALL OF THE CHAIR	Pass	5:0
2/26/2013	0	FINANCE & PERSONNEL COMMITTEE	SUBSTITUTED	Pass	5:0
3/7/2013	1	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
3/14/2013	2	FINANCE & PERSONNEL COMMITTEE	HELD TO CALL OF THE CHAIR	Pass	4:0
3/14/2013	1	FINANCE & PERSONNEL COMMITTEE	SUBSTITUTED	Pass	4:0
3/14/2013	2	CITY CLERK	DRAFT SUBMITTED		
4/18/2013	2	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
4/24/2013	3	FINANCE & PERSONNEL COMMITTEE	RECOMMENDED FOR PASSAGE	Pass	5:0
4/24/2013	2	FINANCE & PERSONNEL COMMITTEE	SUBSTITUTED	Pass	5:0
4/24/2013	3	CITY CLERK	DRAFT SUBMITTED		
4/30/2013	3	COMMON COUNCIL	PASSED	Pass	14:0
5/1/2013	3	MAYOR	SIGNED		
5/9/2013	3	MAYOR	SIGNED		
5/16/2013	3	CITY CLERK	PUBLISHED		

121417

SUBSTITUTE 3

991585, 091274

THE CHAIR

A charter ordinance relating to employer contributions to the combined fund of the employees' retirement system.

36-02-2.5 cr

36-02-10.5 cr

36-02-14.5 cr

36-02-22.5 cr

36-02-26.5 cr

36-08-6-h rc

36-08-9-a am

This charter ordinance revises the method used to determine employer contributions to the combined fund of the employees' retirement system and repeals the full-funding limit.

Current charter provisions require that employers pay annually into the combined fund: (1) the normal contribution, which is the actuarial accrued liability expected for the current year of service for members, reduced by the amount of the member contributions; and (2) the amount required to amortize the accrued unfunded liability. Employers might not be required to make these contributions, or might be required to make smaller contributions because the full-funding limit phases out employer contributions when the combined fund attains 100% funded status.

This charter ordinance requires employers to pay an amount that is the product of the actuarial contribution rate applied to the sum of covered compensation. The actuarial contribution rate is defined as the percentage of covered compensation that determines the amount of the annual contribution from the city and city agencies to the combined fund beginning with the contribution due on January 31, 2014. Covered compensation is defined as the compensation earned for which membership service is credited. This charter ordinance requires the actuarial contribution rate set by the actuary to be applicable for 5 years and to be reset every 5 years and requires annual employer contributions regardless of whether the combined fund reaches 100% funding status.

Whereas, Under s. 36-14 of the City Charter the City is vested with home rule authority over the Employees' Retirement System (ERS); and

Whereas, The combined fund of the ERS accounts for 99.7% of all the accrued liabilities for members, retired members, survivors and beneficiaries; and

Whereas, Existing City Charter provisions provide for employer contributions to be based on the results of an annual valuation performed by the ERS actuary; and

Whereas, The application of these provisions, including the full-funding limit, resulted in no employer contributions to the combined fund for 2011 and 2012; and

Whereas, The full-funding limit and the existing provisions create the potential for significant budgetary volatility, are inconsistent with the principle of intergenerational equity and are not the optimum method for financing retirement benefit obligations; and

Whereas, The provisions governing an employer's contribution should take into account the long-term nature of retirement benefit obligations and the inherent volatility of the financial markets that affect annual ERS investment returns; and

Whereas, The Government Accounting Standards Board (GASB) has issued Statement Number 68, relating to accounting and financial reporting for state and local government pension funds; and

Whereas, GASB Statement Number 68 removes the link between annually determining an employer's contribution and the reporting of the financial status of a governmental pension plan; and

Whereas, The Government Finance Officers Association (GFOA) has resolved to support general objectives for funding a public pension plan that include funding discipline, maintaining intergenerational equity and managing contributions as a stable percentage of payroll; and

Whereas, The ERS actuary has developed a funding plan that would establish stable employer contribution rates for 5-year intervals based on a level percentage of covered compensation for policemen, firemen and general City employees and that would eliminate the full-funding limit; and

Whereas, The actuarial analysis of the stable employer contribution proposal has concluded that the actuarial contribution rate method can achieve stable and predictable contribution levels and would maintain the actuarial integrity of the ERS; now, therefore

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

Part 1. Section 36-02-2.5 of the city charter is created to read:

36-02. Definitions.

2.5. ACTUARIAL CONTRIBUTION RATE shall mean the percentage of covered compensation that determines the amount of the annual contribution from the city and city agencies to the combined fund beginning with the contribution due on January 31, 2014.

Part 2. Section 36-02-10.5 of the city charter is created to read:

10.5. COVERED COMPENSATION shall mean the compensation earned for which membership service is credited.

Part 3. Section 36-02-14.5 of the city charter is created to read:

14.5. EMPLOYERS' SHARE OF NORMAL COST shall mean the difference between normal cost as defined under s. 36-02-22.5 and member contributions under 36-08-7.

Part 4. Section 36-02-22.5 of the city charter is created to read:

22.5. NORMAL COST shall mean the actuarial present value of the projected retirement benefits under the benefit formulas attributable to members' service during the current year.

Part 5. Section 36-02-26.5 of the city charter is created to read:

26.5. RETIRED LIVES shall mean the portion of plan liabilities attributed to retired members.

Part 6. Section 36-08-6-h of the city charter is repealed and recreated to read:

h. Combined Fund.

h-1. Beginning with the contribution due on January 31, 2014, on account of members, retired members, survivors and beneficiaries who are participants in the combined fund, the city and city agencies shall pay annually into the combined fund for the preceding year an amount equal to the product of the actuarial contribution rate applied to the sum of the covered compensation. The actuarial contribution shall be based on separately calculated rates for policemen, firemen, and general city employees and shall be applicable for a 5-year period. The actuary shall, consistent with actuarial standards of practice, set the actuarial contribution rate at a percentage sufficient to fund the entire amount of the employers' share of the normal cost, to amortize any unfunded past service liability and to maintain the solvency of the combined fund to meet benefit obligations for retired lives.

h-2. Commencing with the contribution due on January 31, 2019, the actuary shall reset the actuarial contribution rate every 5 years in conjunction with a 5-year experience review of the employees' retirement system. The actuary shall, consistent with standards of actuarial practice, base the reset rate on the current interest, mortality, separation, morbidity and retirement tables as adopted by the board.

h-3. The actuary shall submit the annual contribution amounts payable each year based on the actuarial contribution rate to the board no later than August 15.

Part 7. Section 36-08-9-a of the city charter is amended to read:

36-08. Method of Financing.

9. COMBINED FUND. a. Creation. Effective January 1, 2000, there shall be created a fund to be known as the combined fund into which all member contributions, city contributions and city agency contributions, shall be paid on account of members, retired members and beneficiaries participating in the combined fund, together with interest earnings attributable to assets of the combined fund. There shall be paid annually into the combined fund by the city and city agencies for the preceding fiscal year the ~~normal~~ >>actuarial<< contribution ~~of~~ >>under sub. 6-h-1<< for members who participate in the combined fund. All members of the retirement system first enrolled after June 27, 2000 shall participate in the combined fund. Members and retired members (or their survivors and beneficiaries if the member is deceased) enrolled in the retirement system prior to June 28, 2000 may execute a consent form to participate in the combined fund in which case they shall participate in the combined fund effective January 1, 2000. Other members, retired members, survivors and beneficiaries shall participate in the combined fund effective January 1, 2000 only after there is a final determination by a court of competent jurisdiction that such participation does not violate their individual rights. If a member is a participant in the combined fund the member's survivors and beneficiaries shall be designated as participants in the combined fund by virtue of the members' participation in the combined fund. All retirement allowances, disability benefits, separation benefits and other benefits payable to combined fund participants shall be paid from the combined fund effective January 1, 2000 or upon enrollment in the retirement system if participants are first enrolled in the retirement system after January 1, 2000. Effective January 1, 2000, all expenses in connection with the administration and operation of the retirement system defined as those described in the letter dated April 29, 1999 (and attachments), attached to the file [#991585, April 11, 2000; eff. Jan. 19, 2001], including investment related expenses, computerization related expenses and indirect related expenses (overhead) shall be paid from the combined fund created under this ~~sub~~ >>subsection<<.

Part 8. 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.

APPROVED AS TO FORM

Legislative Reference Bureau

Date: _____

IT IS OUR OPINION THAT THE ORDINANCE
IS LEGAL AND ENFORCEABLE

Office of the City Attorney

Date: _____

LRB144935-4

Mary E. Turk

4/12/2013