

ADOPTED 2006 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

OPERATING AUTHORITY & PURPOSE

Pursuant to the provisions of Section 59.51(2) of the Wisconsin Statutes, the County Board may represent the County and have management of the

business and concerns in all cases where no other provision is made.

BUDGET SUMMARY				
	2004 Actual	2005 Budget	2006 Budget	2005/2006 Change
Health Benefits-Hospital, Professional, Major Medical & Dental	\$ 99,201,208	\$ 112,081,227	\$ 125,166,827	\$ 13,085,600
Employee Group Life Insurance	1,799,398	1,421,458	1,683,661	262,203
Annuity – County mandatory Contribution	233,178	313,000	42,000	(271,000)
Retirement system Contribution-OBRA Retirement System Contribution	348,000	365,000	462,000	97,000
Medicare Reimbursement to Retired Employees	34,910,000	35,370,000	27,400,000	(16,170,000)
Health Benefits – Consultant Fees	4,007,933	4,610,081	5,329,377	719,296
Local Transportation (Transit Pass Program)	69,807	183,833	183,833	0
Other Contributions	304,119	325,866	342,162	16,296
Total Expenditure	2,275,874	1,328,084	1,328,084	0
Abatements	\$ 143,149,517	\$ 155,998,549	\$ 161,937,944	\$ 5,939,395
Revenue	(135,281,247)	(148,691,536)	(153,803,899)	5,112,363
Property Tax Levy	8,158,201	7,307,013	8,134,045	827,032
	\$ (473,258)	\$ 0	\$ 0	\$ 0

5403 - Health Benefits - Hospital, Professional, Major Medical and Dental Expense

Increase \$13,085,600, from \$112,081,227 to \$125,166,827

This appropriation provides for the costs associated with the following health benefits:

	<u>Budget</u>	<u>Budget</u>	<u>Change</u>
Basic Health Benefits, Including Major Medical	\$ 61,705,711	\$ 73,888,892	\$ 12,183,181
Mental Health/Substance Abuse/EAP Carve-Out	1,159,102	1,193,013	33,911
Employee Assistance Program	83,349	75,303	(8,046)
Health Maintenance Organizations (HMO)	43,161,645	42,537,900	(623,745)
County Dental Plan	1,855,454	1,435,836	(419,618)
Dental Maintenance Organizations (DMO)	1,906,293	2,244,800	338,507
Administrative Expense	2,060,673	0	(2,060,673)
Employee Health Plan Waiver	149,000	135,500	(13,500)
2005 Run Out		3,055,583	3,055,583
2005 Run Out Admin Exp		600,000	600,000
Total Health Benefit Cost	\$ 112,081,227	\$ 125,166,827	\$ 13,085,600

The 2006 appropriation for employee health benefits reflects the cost of a new two-year contract with WPS, Inc., which was before the County Board in September 2005. HMO and PPO costs represent estimated enrollment by

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employees and retirees multiplied by negotiated monthly premiums to be paid by the County. The total cost to the County may rise or fall depending on actual enrollment and service use.

These costs may also change depending on the adoption of collective bargaining agreements with the County's represented employees. The County is currently negotiating with every union. The cost estimates are based on monthly premiums agreed to, which assume all eligible employees participate, thus a delay in implementation of the new benefit package by one or more unions will have an effect on the actual monthly rates.

Assuming the County reaches agreements with all represented and non-represented groups on the wage and benefit package passed by the Personnel Committee, approximately \$10.2 million in revenues will be generated by instituting co-payments for several services, which will be deposited into a non-departmental account, 1972. Approximately \$4.5 million of this revenue will be used to offset wage and benefit increases for all County employees (again subject to reaching agreements with the County's represented employees). Because of the uncertainty that agreement can be reached in a timely fashion with the County's represented employees, the total remaining revenue (approximately \$5 million) may not actually be generated during the year. Therefore, it is recommended that this revenue not be budgeted to cover expenses, but instead be deposited into the County's contingency fund. Use of these funds to support expenditures could result in a 2006 year-end deficit for the County if these revenues are not realized.

The Department of Administrative Services will continue to provide quarterly reports to the Committee on Finance and Audit as to the status of health care expenditures in 2006.

A five-year comparison of budget and actual experience for health insurance is as follows:

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>% Change</u>
2000	\$ 61,023,804	\$ 62,789,308	2.9
2001	\$ 68,626,405	\$ 69,619,600	1.4
2002	\$ 77,163,449	\$ 81,476,337	5.6
2003	\$ 80,601,606	\$ 84,875,417	5.3
2004	\$101,269,028	\$ 99,201,208	(2.0)

5404 - Employee Group Life Insurance

Increase \$262,203, from \$1,421,458 to \$1,683,661

The group life insurance appropriation is based on the coverage amount, which in turn is based on employees' salaries. For 2006, employee group life insurance costs increase \$262,203, from \$1,421,458 to \$1,683,661.

A five-year comparison of budget and actual experience for group life insurance is as follows:

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>% Change</u>
2000	\$ 1,680,495	\$ 1,976,544	17.6
2001	\$ 1,938,394	\$ 1,758,717	(9.3)
2002	\$ 1,449,666	\$ 1,450,167	0.0
2003	\$ 1,500,598	\$ 1,514,694	0.9
2004	\$ 1,486,866	\$ 1,799,398	21.0

5405 - Annuity - County Mandatory Contribution

Decrease \$271,000, from \$313,000 to \$42,000

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The budget for the County's mandatory annuity contribution relates to eligible employees who have been members of the pension system prior to January 1, 1971, at the following rates:

- 8% of earnings for Deputy Sheriff
- 8% of earnings for Elected Officials
- 6% of earnings for Other Employees

A five-year comparison of budget-to-actual experience for the annuity contribution is as follows:

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>% Change</u>
2000	\$ 650,000	\$ 629,279	(3.2)
2001	\$ 525,000	\$ 565,861	7.8
2002	\$ 525,000	\$ 413,645	(21.2)
2003	\$ 496,375	\$ 349,739	(29.5)
2004	\$ 313,000	\$ 233,178	(25.5)

5406 – Retirement System Contribution – OBRA

Increase \$97,000, from \$365,000 to \$462,000

The OBRA pension contribution was established as a separate account in 2002 to differentiate the contribution from the Retirement System Contribution made for full-time County employees. The 2005 OBRA contribution was \$365,000. For 2006, the contribution to the OBRA Retirement System is \$462,000, an increase of \$97,000.

A five-year comparison of budget and actual experience for the Retirement System Contribution - OBRA is as follows:

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>% Change</u>
2000	\$ 229,359	\$ 229,359	0.0
2001	\$ 250,094	\$ 250,094	0.0
2002	\$ 274,972	\$ 274,972	0.0
2003	\$ 279,727	\$ 279,727	0.0
2004	\$ 365,000	\$ 348,000	(4.7)

5409 - Retirement System Contribution

Decrease by \$7,970,000 from \$35,370,000 to \$27,400,000

The 2006 Adopted budget provides \$27,400,000 for the County's contribution to the Milwaukee County Employees Retirement System (ERS). This amount is a decrease of \$7.97 million from the 2005 Adopted Budget.

The appropriation level of \$19.2 million represents the normal cost for 2006 – the actuarial liability for future benefits and expenses allocated to the year – of the ERS system assuming a 8.5% return on investments; this number reflects the information provided to the County by the ERS actuary in June 2005. The 2006 appropriation of \$27.4 million does not fully cover the annual amortization of the system's unfunded liability.

The County Executive proposes that this action is necessary to facilitate a debate within the County over the future of the ERS. This debate is required because enhancements to the ERS approved in 2001 were done so in an unethical, and possibly illegal manner. These enhanced benefits are unsustainable in the long term. Finally,

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the County has faced annual deficits that have required cuts to services, capital projects, and layoffs that have been caused in part by the need to fund these enhancements.

5416 - Medicare Reimbursement to Retired Employees

Increase \$719,296, from \$4,610,081 to \$5,329,377

This account provides for County payment of the Medicare Part D premium for retired employees, including their eligible beneficiaries, over age 65, who retired with 15 or more years of pension-credited service or are on Disability Medicare. The actual cost of the premium will not be finalized by Congress until November. It is estimated that the 2006 rate will increase from \$78.10 to \$89.20 per month.

Under the Medicare Prescription Drug Improvement and Modernization Act of 2003 and implementing regulations at 42 C.F.R. subpart R (Medicare Part D), the County estimates revenues of approximately \$2.6 million in 2006. This revenue will be deposited into a new non - departmental account, 1969. Because this is a new Federal program and there is uncertainty that these funds will be received in a timely manner, it is recommended that this revenue not be budgeted to cover expenses, but instead be deposited into the County's contingency fund. Use of these funds to support expenditures could result in a 2006 year-end deficit for the County if these revues are not realized.

A five-year comparison of budget-to-actual experience for Medicare reimbursement to retired employees is as follows:

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual % Change</u>
2000	\$ 2,765,082	\$ 2,847,228	3.0
2001	\$ 2,752,582	\$ 2,898,726	5.3
2002	\$ 3,320,970	\$ 2,930,049	(11.8)
2003	\$ 3,714,216	\$ 3,805,265	2.5
2004	\$ 4,610,081	\$ 4,007,933	(13.1)

6148 - Health Benefits - Consultant Fees

No change from \$183,833

An appropriation of \$183,833 is included to retain outside consultants to assist Human Resources staff in actuarial analysis, ad hoc reporting, requests for proposal and contract/rate negotiations.

6804 - Local Transportation (Transit Pass Program)

Increase \$16,296, from \$325,866 to \$342,162

An appropriation of \$342,162 is included to cover the continuation of the County's corporate transit pass program. In 2004, the County, as the employer, purchases quarterly passes for \$126 each, while the employee reimburses the County \$30 per quarter through payroll deduction. The impact of the Marquette interchange construction project may cause a significant increase in passes sold.

8299 - Other Contributions

No change from \$1,328,084

Costs associated with the County's obligation to United Regional Medical Services in the amount of \$1,328,084 for pension-related expenses from the closure of John L. Doyne Hospital are included in this budget for 2006.