



CITY OF WAUWATOSA
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EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, May 31, 2011
Back of Council Chambers

PRESENT: Alds. Donegan, Ewerdt, Organ, Walsh, Berdan - 5

ALSO PRESENT: J. Archambo, City Administrator; B. Aldana, Asst. City Atty./HR Director;
M. Loy, Health & Prod. Coord.; J. Ruggini, Finance Director

Ald. Donegan as Chair called the meeting to order at 7:00 p.m.

2010 Retiree Medical Expense and Liability Report under GASB 45

The committee reviewed a memo from the Finance Director. Mr. Ruggini advised that the City is required under Governmental Accounting Standards Board (GASB) Statement 45 to conduct a biennial actuarial evaluation of its retiree medical liabilities. This is not a new liability. It is a new way of reporting it which will be phased into the balance sheet.

Mr. Ruggini introduced Bill Hogan, of Milliman, the actuary engaged by the City for this project. Mr. Hogan reviewed the report with the committee. GASB 45 requires governments to begin disclosing liabilities related to the cost of providing post-retirement benefits other than pension.

Mr. Hogan reviewed the benefits and advised that while the liability must be reported annually, the valuation can be conducted biennially. As of January 1, 2011 the City's Actuarial Accrued Liability (AAL) for projected benefits of employees is \$52.3 million. This is the present value of retiree medical benefits already earned on an accounting basis by employees and retirees based on assumptions as to future contingent events such as length of service and mortality.

Mr. Hogan reviewed the analysis and discussed the important considerations. He noted that the AAL is the value of benefits earned, not an annual cost. The AAL is projected to increase \$2.2 million in 2011, but it has been held relatively flat since 2008. The AAL would have been much greater had the City not made changes in plan administration, design and eligibility it has since 2007. In order to fully-fund its retiree health care liability, the City would have to increase health care spending by \$3.2 million in 2012. This assumes the same level of benefits will continue to be provided which is not certain given budgetary pressures and the changing healthcare environment. Retirees health care will continue to be a source of budgetary pressure as cash outlay for retiree claim costs is forecasted to increase 84% over the next nine years.

The committee asked Mr. Ruggini for a breakdown of figures for active versus retired employees.

Mr. Ruggini told the committee that since money has not been set aside for these benefits from day one they need to catch up. The accounting standard says you have to accrue the expense for the time the employee has already worked. The City has not done that and now they are. We have to establish our liability based on the number of years the employees have worked.

Mr. Ruggini said that the City will have to reduce health care costs by 25% or find new revenue streams. Mr. Ruggini viewed this as a budgetary challenge. The City will have to prioritize.

Mr. Archambo said that the benefit can change for the future. He said the City cannot be passive about this with forecasted retiree claim costs to increase 84% over the next nine years.

Retirement demographics analysis

This item was held until the next meeting.

AFSCME petition for arbitration

Moved by Ald. Walsh, seconded by Ald. Berdan
to convene into closed session per Wis. Stat. 19.85(1)(e):
Deliberating or negotiating the purchase of public properties,
the investing of public funds, or conducting other specified
public business, whenever competitive bargaining reasons
require a closed session, and may reconvene into open session.

The meeting adjourned at 8:10 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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