



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

Thomas A. Rick, CFA
Chief Investment Officer

Beth Conradson Cleary
Deputy Director

May 20, 2013

Mr. Jim Owczarski
City Clerk
Room 205, City Hall

REVISED

Dear Mr. Owczarski:

Please be advised that an Administration & Operations (A & O) Committee Meeting of the Annuity and Pension Board has been scheduled for **Tuesday, May 21, 2013 at 9:00 a.m. in the Employees' Retirement System Conference Room at 789 N. Water Street, Suite 300.** If a quorum of the Board is present, this meeting will convene as a Special Board Meeting. The agenda is as follows:

- I. IT Projects Portfolio.
- II. Organizational/Personnel Update.
- III. Approval of Internal Audit Charter
- IV. Approval to go to market and/or pursue a contract extension for Internal Audit Services.
- V. Update on HELPS Retiree Health Insurance Premium Deduction Initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard J. Allen".

Bernard J. Allen
Executive Director

BJA:smf

NOTICE TO PUBLIC - Meetings of the City of Milwaukee Annuity and Pension Board are open to the public. Those in attendance wishing to address the Board on a specific agenda item may do so by registering in advance of the meeting with the Board Secretary.

PLEASE NOTE - Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through sign language interpreters or other auxiliary aids. For additional information or to request this service, please call 286-3557.



Administration and Operations Committee

ERS IT Portfolio Report

May 21st, 2013

- Information Technology Projects Summary
- Applications Stats
- What's next
- IT Portfolio

Information Technology Projects

Summary

- Windows 2008 upgrades completed on all non Merits servers
- VmWare upgrade will be completed with in house staff
- 809 Consolidation planning/design stage started
- Physical network inventory completed
- All desktop upgrades completed
- All IT standard operating guidelines have been reviewed and updated.

Application Stats

Category	High Priority	Low Priority	Total
Current Inventory	6	11	17
PIR	4	7	11
CCR	2	4	6
Pending/Hold	0	2	2
Deployed(Awaiting Next stage) /Ready for Production	0	0	0
Net Current Inventory	6	11	17

What's Next...

- Start Filenet P8/SQL 2008 upgrade (Phase II) Project charter and kick off meeting
- Continue 809 consolidation
- Complete Disaster Recovery Test with Business (June 5th)
- Continue MERITS optimization
- Begin SQL 2008 upgrade
- Rollout of annual Security Awareness Training for ERS employees
- Begin hiring process for network administrator

Portfolio as of 5/15/2013

Project Health:	% Complete	Project Priority	Complexity (S / M / L)	Project Name	Project Mgr	Description	Strategic Goal: G1 - G7	Status:	External Vendor Required: Y/N	Actual Start Date	Target Completion Date	Actual Completion Date	Estimates (Hours)	Actuals (Hours)	Hours Variance = Estimates - Actuals	Total Hardware/Software & Labor Budget (\$)	Actual Spent-to-Date on Hardware/Software & External Labor (\$)	Estimate to Completion (ETC) (of Hardware/Software & External Labor Costs)	\$ Variance = Total Budget - (Actual + ETC)
G	99%	1	L	MPLM - Upgrade Filenet Software	Reid	Upgrade Workflow, Imaging, Scanning and Indexing Systems	G7	IP	Y	7/17/12	9/30/13 5/31/13		3746	2076	1670	\$271,000	\$97,287		\$173,713
G	90%	2	L	External Insurance	Siddiqui	External Vendors for Insurance		IP	N	8/1/12	3/28/2013 6/19/2013		575	455	120	N/A	N/A		N/A
		3		DR Test June	John			NS											
		4		VCenter Upgrade	Raynal			NS			7/31/13								
Y	95%	5	L	Win 2008 Upgrade	Raynal	Upgrade Virtual Servers to Windows 2008	G7	OH	N	12/20/12	5/8/13 5/31/13		532	393	140	N/A	N/A		N/A
G	66%	6	M	Application Optimization (Member Account Maintenance)	Manchu	Evaluate, assess and implement MERITS Software Optimization and Clean-up	G7	IP	N	6/19/12	10/15/13 9/30/2013		2,026	1,294	733	N/A	N/A		N/A
G	17%	7	M	Application Optimization (Generate Benefit Estimate)	Manchu	Evaluate, assess and implement MERITS Software Optimization and Clean-up	G7	IP	N	2/14/13	3/31/14		1,706	306	1,400	N/A	N/A		N/A
		8		FileNet P8 Upgrade				NS											
		9		809 Consolidation		Move ERS Network assets to 789		NS			12/31/13								

Green = On Target
 Yellow = On Watch List
 Red = Needs Management Attention

NS = Not Started
 IP = In Process
 OH = On Hold
 C = Complete

Organizational/Personnel Update

Administration and Operations Committee

Tuesday, May 21, 2013

- ERS Reclasses and Reorgs still in progress
- David Silber will be serving as Acting Chief Investment Officer



GRANT F. LANGLEY
City Attorney

RUDOLPH M. KONRAD
LINDA ULISS BURKE
VINCENT D. MOSCHELLA
Deputy City Attorneys



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NICHOLAS P. DESIATO
JOANNA GIBELEV
Assistant City Attorneys

May 20, 2013

Mr. Bernard J. Allen, Executive Director
City of Milwaukee
Employes' Retirement System
789 North Water Street, Suite 300
Milwaukee, WI 53202

Re: Retired Public Safety Officer Insurance Premium Deduction Program

Dear Mr. Allen:

This letter is in response to your request dated April 26, 2013 that we review documentation your staff has drafted in preparation for ERS implementing a program under the Health Care Enhancement for Local Public Safety Officers Act (HELPS), which allows retired public safety employees to authorize payment of premiums for health, dental, vision, or qualified long-term care payments from their retirement distribution.

In addition to reviewing the documentation you have provided, you also ask whether the ERS should enter into a contract with the third-party administrator. We met with your office to discuss the documentation, the necessity of an agreement with the third-party administrator, and the necessity of a Board rule to set the parameters of the program. This letter confirms our verbal advice at that meeting, which was that the ERS should enter into a contract with the third-party administrator. Our office will assist in drafting this contract and drafting an appropriate Board rule.

The document you have asked that we review consists of 4 pages. It is our understanding that this document will be presented to the A&O Committee for the purpose of discussion. The first 3 pages of documentation you have sent us includes an authorization by the retiree for premium deduction, a waiver of claims, vendor information and certification, information regarding the HELPS Act, and instructions. The last page (page 4) of the document is entitled "ERS Overall Process." Regarding the first three pages, we have very few suggestions. It is thorough and fully sets forth the responsibilities of the retiree, third-party vendor, and the ERS. On page 1, we suggest that item 12a specify that the retiree will notify the ERS in writing if the retiree wants the

Mr. Bernard J. Allen, Executive Director
May 20, 2013
Page 2


deductions to stop. On page 2, we recommend deleting "COMPETENT" in the second paragraph. Other than these two suggestions, based on our review, the first three pages can be utilized by the ERS in the administration of the program.

We suggest that the last page of the document, which is entitled "ERS Overall Process," not be finalized until after the Board has adopted a rule regarding the parameters of the program because some of the items listed in the process could be impacted by the recommended Board rule. For example, number 2.a and number 4.a.i., *i.e.*, how long the vendor is in business or the percentage of eligible retirees necessary in order to contract with a vendor, are requirements that the Board may want to address in a rule. However, it is appropriate to utilize this draft process for discussion at the A&O Committee meeting and for the purpose of making recommendations to the Board.

Very truly yours,



GRANT F. HINGLEY
City Attorney



MAURITA HOUREN
Assistant City Attorney

MH:lmc

1054-2013-1260:192216



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

Thomas A. Rick, CFA
Chief Investment Officer

Beth Conradson Cleary
Deputy Director

April 26, 2013

GRANT F LANGLEY, CITY ATTORNEY
200 E WELLS ST, ROOM 800
MILWAUKEE WI 53202

RE: Retired Public Safety Officer Insurance Premium Deduction Program

Dear Mr. Langley:

In a legal opinion dated October 9, 2012 (which was in response to a request initially submitted by the Fire Fighters Association, Local 215 via its August 27, 2012 letter), the City Attorney advised the Employees' Retirement System that, under §36-10-4, MCC, the Annuity & Pension Board was authorized to allow public safety officers under the Health Care Enhancement for Local Public Safety Officers Act (HELPS) to permit exclusion from distributions for the payment of health care premiums in a time, manner and subject to any limitations established by the board.

To implement this process, our office has drafted the enclosed documents for your review (*i.e.*, an authorization form, instructions and an overview of the process), which are modeled . We would also ask that you advise whether contractual agreements are recommended (in this case, based on Local 215's August 27, 2012 letter, between the ERS, Met Life (the Insurance Provider) and Source 1 Benefits (the third party administrator)). In addition to your review, our office respectfully requests that the City Attorney work with ERS staff to draft an appropriate board rule to administer the benefit process. We would like your written response and any proposed changes to the Authorization prior to the May 21, 2013 A&O Committee meeting.

Thank you for your immediate attention to this matter. Should you have any questions or would like to discuss in further detail, please do not hesitate to contact our office and speak with Beth Conradson Cleary, Deputy Director at 286-2171.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard J. Allen".

Bernard J. Allen
Executive Director

BJA:BCC:kml

Encl.

cc: Rudolph M. Konrad, Deputy City Attorney



Retired Public Safety Officer Authorization for Insurance Premium Deduction from Pension Payment

Person ID _____
or SSN: _____

Member Name: _____

Member Authorization

I hereby elect to have amounts deducted from my ERS benefit to pay for qualified insurance premiums (as provided by the Pension Protection Act of 2006) as administered by the Insurance Provider or Third Party Administrator (TPA) (hereinafter "Vendor") named below.

By signing this authorization, I agree to and understand that:

1. I am voluntarily signing up for this deduction;
2. I have read and understand the Retired Public Safety Officer Insurance Premium Deduction Program information;
3. I certify that I am a retired public safety officer, as defined by federal law;
4. The ERS is not responsible for any erroneous deductions that occur during my participation in this program;
5. The ERS is not responsible for the insurance or any associated claims, disputes, late fees, lapsed coverage, lapsed premium payments, and/or other actions related to the insurance and/or deductions;
6. The ERS is not responsible for any refunds and/or retroactive deductions that may need to occur;
7. Once funds are transferred to the Vendor, any adjustments to the deductions (e.g. refunds, insufficient deductions, etc.) will be between the Vendor and me, and will not be the responsibility of the ERS;
8. The ERS is only acting as the pay administrator for the purposes of routing the deductions from my pay check to the Vendor;
9. The ERS is not responsible for the application of the funds to my insurance account;
10. The ERS will be informed of the deduction amount to be remitted to the Vendor no later than the 10th of each month for deductions to be taken from that month's payment, failing which deductions may not be taken from that payment (and the responsibility to pay the Vendor directly will reside with me);
11. Deductions cannot exceed my monthly annuity payment after all other deductions are taken, including federal and state income tax withholding, that no partial deductions will be taken and that they will reduce my net annuity payment;
12. Deductions will continue to be made from my pension payment until a) the ERS receives directions from me to stop, b) the Vendor does not inform the ERS of any deductions that need to occur, or c) if my benefit ceases;
13. Deductions will only be taken from monthly annuity payments (not from one-time and/or lump sum payments);
14. Deductions will be taken on a post-tax basis (the amount of the deduction will not affect the taxability of my regular benefit payment);
15. The Vendor may at any time inform the ERS of a change to the deduction amount, and the ERS will deduct the new amount from my pension payment if the funds are available;
16. The ERS will not inform me of any changes to the deduction amount;
17. The ERS will not inform me of any deductions that were not taken due to the unavailability of funds;
18. The ERS will not send a separate statement informing me of the total deductions withheld during the course of the year (this amount will be available on the payment advice);
19. This authorization will be effective the later of the first payroll period after receipt of this form by the ERS or the date listed below.

Participant Signature _____ Date _____

WAIVER OF CLAIMS

By signing this form, I agree that I will not make any legal claim of any kind against the ERS, its Board, staff and advisors, and the employer should my participation in this program result in unexpected tax liability to me, including interest and penalties. I understand that my ability to participate in this program is a valuable benefit for which I am willing to sign this waiver of all claims. I further release the ERS, its Board, staff and advisors, and the employer from any liability arising from the administration of payments to any insurer.

Participant Signature _____ Date _____

IMPORTANT LEGAL NOTICE

THE IRS HAS NOT PROVIDED GUIDANCE TO DATE ON THE APPLICATION OF THIS PROGRAM. AS A CONDITION OF PARTICIPATION IN THIS PROGRAM, THE MEMBER ACCEPTS ALL RESPONSIBILITY FOR TRUTH OF THE INFORMATION PROVIDED TO THE ERS. IN ADDITION, IN CONSIDERATION OF PARTICIPATION, THE MEMBER AGREES THAT THE ERS, ITS BOARD, STAFF OR ADVISORS, AND THE EMPLOYER HAVE NO LIABILITY FOR ANY ADDITIONAL TAX LIABILITY, INCLUDING INTEREST AND PENALTIES THAT MAY ARISE FROM PARTICIPATION.

AS THIS WAIVER INVOLVES YOUR LEGAL RIGHTS, YOU ARE ADVISED TO SEEK COMPETENT LEGAL ADVICE PRIOR TO PARTICIPATING IN THE PROGRAM

I UNDERSTAND AND AGREE THAT I HAVE HAD A FULL OPPORTUNITY TO HAVE MY QUESTIONS ANSWERED AND TO SEEK OUTSIDE ADVICE.

Participant Signature _____

Date _____

Vendor Information and Certification

Insurance Provider: _____

TPA Name (if applicable) _____

Insurance Provider/TPA (circle one) _____

Representative Name & Title: _____

By signing this authorization, I certify that:

1. I am an authorized representative of the Vendor named above;
2. The member named in this release is a client of this vendor;
3. I hereby agree to abide by the Insurance Provider Terms and Conditions of the Retired Public Safety Officer Insurance Premium Deduction Program;
4. The Vendor named in this release has a valid contract with the ERS to allow for such direct deductions for purposes of insurance under the HELPS Act and the member is eligible for such deductions

Vendor Representative Signature _____

Date _____

Retired Public Safety Officer Insurance Premium Deduction Program

The Pension Protection Act of 2006 (PPA) allow certain ERS eligible retired public safety officers to take a tax deduction of up to \$3,000 on their federal income tax return for health and long-term care insurance premiums. This law is also commonly referred to as the "HELPS" Act (Health Care Enhancement for Local Public Safety Officers). The health or long-term care insurance can include coverage for an eligible participant's spouse and dependents (but note, the deduction is available only to eligible participants).

To take advantage of this deduction, the ERS must pay the premium to the eligible participant's insurance provider directly.

The eligibility is determined by the Federal law. "Public safety officer" is defined in 26 USC 402(l)(4)(C). At this time only the following classes of ERS annuitants can participate in the program:

- Fire and Police Service Retirees
- Fire and Police Disability Retirees

Other retirement types, and survivors, are not eligible to participate in this program at this time.

More detailed information about the public safety officer tax exclusion and eligibility to participate can be obtained from the Internal Revenue Service's (IRS) (www.irs.gov).

Annuitant Instructions

1. Complete the Member Authorization section of the "Authorization to Deduct Amount From Pension Payment" form (please print your responses clearly and legibly)
2. Sign and date designated areas of the form to acknowledge that you understand and agree to all the terms and conditions of participating in this program
3. Make a copy for your records
4. Provide the authorization form to the Vendor

Insurance Providers/TPAs Instructions

Note: Only Insurance Providers/TPAs who have previously been approved to participate in the program by the ERS can have deductions from pension payments routed to them

1. Complete the Vendor Information and Certification section of the "Authorization to Deduct Amount From Pension Payment" form (please print your responses clearly and legibly)
2. Sign and date the form to acknowledge and agree to the terms and conditions
3. Make a copy for your records
4. Provide the completed authorization form to the ERS at least 14 days prior to the deductions being taken from the pension payments

Insurance Provider/TPAs Terms and Conditions [NOTE: these terms and conditions will most likely be included in a separate contract between the Insurance Provider or TPA and the ERS]

- We have read and understand the Retired Public Safety Officer Insurance Premium Deduction Program.
- We understand an Automated Clearing House (ACH) deposit on behalf of the annuitants will be made directly to the Insurance Provider on the ___ business day of each month.
- We understand the ERS' only responsibility under the program is to deduct and remit the deduction as authorized by the annuitant.
- We understand that the ERS is not responsible for late fees, lapsed premiums, lapsed insurance policy coverage, or any other issues that may arise between the annuitant and us.
- We understand we can terminate this agreement by providing written notice to both the ERS and the annuitant no less than 45 days in advance of the termination date.
- We understand that the ERS will notify us of any deposits made on behalf of the annuitant from payments for which the annuitant was not eligible, such as after the annuitant's death. We further agree to promptly return any such deposit to the ERS.

ERS Overall Process

1. Insurance Provider/TPA ("Vendor") desires to sign-up with the ERS to provide one of the following types of insurance services to the retirees:
 - a. Health (including Vision and/or Dental)
 - b. Long-term
2. The ERS obtains information from the Vendor about the Vendor's organization:
 - a. Organization history
 - i. Criteria: Must have been in business for at least 5 years
 - b. Financial report for previous year
 - i. Criteria: Report is available and shows that the business is solvent
 - c. The ERS also obtains any Better Business Bureau information about the Vendor
 - i. Criteria: Must be rated at A or better, if the BBB has rated the Vendor
3. The ERS reports information to the A&O Committee/obtains permission to proceed to next step
4. Upon receiving A&O Committee's permission, the ERS provides some preliminary retiree information to the Vendor for the purpose of the conducting an outreach (name, address, e-mail)
 - a. Vendor contacts retirees and obtains "signatures" to show interest in the plan
 - i. Criteria: At least 5% of people eligible for the plan want to sign up with the vendor,
5. If enough interest is shown, a formal contract / agreement is set up between the vendor and the ERS that covers the following conditions (at a minimum):
 - a. The ERS dictates all documentation and format requirements for the incoming and outgoing files
 - b. Deadlines to be set according to the ERS' payroll schedule
 - c. Indemnification for the ERS is required
 - d. Insurance requirements (TBD) defined by the ERS must be met
 - e. Requirements about member-interactions are delineated. Vendor responsibilities include:
 - i. Informs member of all changes in premiums, etc.
 - ii. Administering corrections to premiums, etc.
 - iii. Processing death-related refunds
 - iv. Providing the ERS with a copy of all member deduction authorization forms
 - v. Only placing members on the "deduction request" file to the ERS from whom a member deduction authorization (on an ERS defined form) has been obtained
 - f. Payment transfer schedule is defined by the ERS (i.e., when reports and funds are transmitted to the Vendor)
 - i. Funds will be transmitted at the end of the month to cover premiums for the following month
 - ii. Vendor will furnish a report that provides details about the funds (member information) and will be in a format defined by the ERS
 - iii. Erroneous transfers will be returned to the ERS promptly
6. Upon contract approval, the Vendor will be set up in MERITS
7. Enrollment into the plan and obtaining permission to take deductions from the pension payments will be done by the Vendor
8. Vendor will transmit to the ERS, by the 5th day of each month, the authorization form for new members for whom deductions are to be taken
9. ERS staff will mark the form as received in MERITS
10. Vendor will transmit a "deduction request" file to the ERS by the 10th of each month for deductions to be taken from that month's payroll
11. The ERS will transmit to the Vendor, no later than two business days before the last day of the month, the information about members from whose pensions premiums were deducted
12. The ERS will transmit to the Vendor, by the last business day of the month, the actual funds that were deducted from the pension payment
13. Any and all corrections will be handled by the Vendor and no manual deductions will be entered by ERS staff. All information must be provided to the ERS via a file interface

GRANT F. LANGLEY
City Attorney

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Assistant City Attorneys

October 9, 2012

Bernard J. Allen
Executive Director
Milwaukee Employees' Retirement System
789 North Water Street, Suite 300
Milwaukee, WI 53202

Re: Health Care Enhancement for Local
Public Safety Officers (HELPS) Act

Dear Mr. Allen:

The Annuity and Pension Board requested a report concerning the Health Care Enhancement for Local Public Safety Officers (HELPS) Act, 26 USC § 402(1). The request was initially submitted by the Fire Fighters Association, Local 215, and the board requested that a report be submitted to the board.

Generally, a distribution from a qualified retirement plan under IRS Code sec. 401(a) (such as the ERS plan), or an eligible deferred compensation plan maintained by a State or local government under section Code sec. 457 (such as the City's Deferred Compensation Plan), is taxed as income for the year distributed. Code sec. 402(a). Under the Pension Protection Act of 2006 certain eligible retired public safety employees may exclude up to \$3,000 annually from their taxable retirement distribution for health, dental, vision or qualified long-term care premium payments made for themselves, their spouses or their dependents. 26 USC § 402(1).

The qualified health insurance premiums do not have to be for a plan sponsored by the employer. Code §402(1)(4)(D). Moreover, the exclusion applies to self-insured plans as well as insured plans. (See Pub. L. 110-458, §108(j)(1)(C), amending subsec. (1)(5)(A), by substituting "health plan" for "health insurance plan.")

Public safety officers include law enforcement officers, firefighters, chaplains, and members of a rescue squads or ambulance crews. Code § 402(1)(4)(C). An eligible

Bernard J. Allen
October 9, 2012
Page 2

retired public safety officer is an individual who, by reason of disability or attainment of normal retirement age, is separated from service as a public safety officer with an employer who maintains the eligible retirement plan from which pension distributions are made. Code § 402(1)(4)(B).

To qualify for this exclusion from taxable income the premium must be paid directly to the insurer or plan provider by the qualified plan. Code § 402(1)(5)(A). The benefit is not a tax deduction, but is an exclusion of the premium from taxable income. The public safety retiree makes an election to exclude up \$3000.00 of the premium from his or her income. Code § 402(1)(1). (To illustrate, the 1099-R of a public safety retiree receiving a public pension in the amount of \$25,000 a year and paying \$3,000 or more in eligible premiums would report a gross distribution of \$25,000, but a taxable distribution of \$22,000.)

Under the Code, a qualified plan that implements the distribution election is provided with a safe harbor from possibly violating other tax code provisions by a special rule stated in sec. 402(1)(6)(B) as follows:

A plan shall not be treated as violating the requirements of section 401, or as engaging in a prohibited transaction for purposes of section 503(b), merely because it provides for an election with respect to amounts that are otherwise distributable under the plan or merely because of a distribution made pursuant to an election described in subparagraph (A).

The pension benefits of Milwaukee public safety employees are administered by the Employees' Retirement System in accordance with the provisions of Chapter 36, Milwaukee Charter Ordinance.


In 2007, the Common Council amended Chapter 36 by enacting sec. 36-10-4, which authorizes the board to permit eligible retirees to elect and exclusion under the HELPS act for the purpose of paying qualified insurance premiums. The provision contains the caveat "[e]lections pursuant to this subsection shall be made in a time, manner, and subject to any limitations established by the annuity and pension board and may only be changed in accordance with rules established by the board."

Bernard J. Allen
October 9, 2012
Page 3

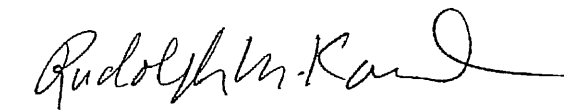
The 2007 amendment authorized the board to permit exclusion from distributions under the HELPS act for the payment of health care premiums in a time, manner and subject to any limitations established by the board. The board, therefore, may permit qualified retirees to elect to exclude distributions to pay premiums for private health care plans, or it may limit the elections to pay premiums for city sponsored plans, or impose other limitations according to its judgment. In addition, the board may pay any costs to implement and administer the distribution election out of the Combined Fund as lawful administrative expense.

Finally, we also note that Charter Ordinance sec. 36-10(1), which prohibits the assignment of beneficiary's allowance specifically excludes from the prohibition "assignments made for the payment of insurance premiums." Although it is doubtful that the election to pay premiums directly to a health care plan would be classified as an "assignment," because, strictly speaking, an assignment refers to an agreement to transfer a right to property as opposed to the property itself, the insertion of this provision by the Common Council recognizes that the payment of health care premiums out of a retirement allowance does not run afoul of the Charter's anti-alienation provision.

Very truly yours,



GRANT F. LANGLEY
City Attorney



RUDOLPH M. KONRAD
Deputy City Attorney

RMK:lmb
1228-2012-1947:185540



Milwaukee Professional

FIRE FIGHTERS' ASSOCIATION *Local 215*

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DEAN T. GONZALEZ

Secretary
MICHAEL E. TORPY

Treasurer
STEVEN J. BUKOWSKI

August 27th, 2012

Mr. Jerry Allen
Executive Director - CMERS
789 W. Water Street
Milwaukee, Wisconsin 53202

Good morning Mr. Konrad,

As a follow up to my initial letter regarding vision and dental benefits being accessible to police and fire retirees and survivors, the following, comprehensive, information is as follows. To further explain myself, we have the premiums back from the carriers for the retired Fire and Police and they are competitive to the market. The group products that we have requested certainly exceed the benefits and rates of the individual plans on the market today.

Being that the coverage is virgin and many of the members have not had dental insurance for years, Met Life had to make some assumptions to account for the adverse selection. This is not dissimilar to what transpired to the city of Milwaukee and your offices when pursuing the concept of transferring from a third party to becoming self insured. I fully expect that if this plan is implemented, the rates would see reductions based on utilization. As is the case in conceptualizing these benefits, certain expectations had to be met.

They are as follows:

- No waiting periods for new timely enrollments. All members will have immediate access to the full benefits when they enroll at our initial open enrollment and all future retirees that come on the plan in a timely fashion will also be awarded this exception. Most virgin coverage's on large voluntary groups have a 6 month waiting period for basic services and a 12 month waiting period for major services. As you are fully aware in your position, this was a monumental accomplishment.
- Less of a deductible for in and out of network for non-preventative service. Other like retiree groups typically have a \$100 deductible. Both of the plans offered have a \$50 deductible.
- Annual maximums for both plans have a \$1200 annual maximum. The industry standard is \$1000 annual maximum.

The attached Geo Access Report showing a good in network provider ratio to member's home zip codes. Utilizing an in-network dentist saves the member about 30% in negotiated fees. Please note the out of state members. These members are disbursed all around the country and nationwide access to a National Network WAS achieved by going to Met Life and Eye Med.



Milwaukee Professional

FIRE FIGHTERS' ASSOCIATION *Local 215*

5625 W. Wisconsin Ave., Milwaukee, Wisconsin 53213-4287

Telephone: (414) 259-8000 Fax: (414) 259-0375

President
DAVID R. SEAGER JR.

Vice-President
DEAN T. GONZALEZ

Secretary
MICHAEL E. TORPY

Treasurer
STEVEN J. BUKOWSKI

The mindset in incorporating you and your offices is informing you of these benefits. One of my concerns is with the CMERS. I do need the approval of the Pension Board to have these premiums deducted from the retirees pension checks for Source 1 Benefits to proceed. Also critical in achieving this mechanism is the HELPS deduction of \$3000 annually. I do realize that our retirees currently receive vision benefits through their normal retiree health care and are able to maintain their dental benefits post active service but for only 18 months via COBRA and that is at 100% of the premium. However, I do like to offer my retirees as well as the police retirees the option to pursue different benefits if they so choose.

It is also important to note that by utilizing Source 1 Benefits in offering vision and dental benefits, some important associated costs and services MUST be noted:

- Marketing and enrollment - i.e. printing and mailing
- Billing
- Customer Service Hotline
- Reporting and Compliance

Included in this email is a prospective timeline provided by Source 1 Benefits. I attach this timeline only to show the mechanism and ease of pursuing these benefits and achieving them. I have spoken extensively with Source 1 Benefits and indicated to them that the next Pension Board meeting is not until late September, I believe the 24th. I have also told them that in that meeting if approved that is the BEST case scenario. My objective is to include yourself, Mr. Brady - Employee Benefits Manager - City of Milwaukee, Mr. Allen - Executive Director of the CMERS as well as Mr. Barmore - Chairman of the CMERS board. I want to provide all participating entities the most information possible so that they may make an informed decision and one that I hope will be successful only to provide our some 3500 retirees and survivors comprehensive vision and dental benefits.

I have also petitioned Source 1 Benefits to incorporate orthodontic work within the benefit package. From my discussions with them they feel that it should not be an issue and should not necessarily change the premium cost to the plan itself. Once I receive that, I will forward it to you as well.

In closing, I so appreciate you time in digesting and processing this information. My only objective in this endeavor is pursuing an avenue that my retirees and police retirees may obtain a benefit that all of them enjoyed



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while active fire fighters and police officers. If you have any questions or concerns please do not hesitate in calling me whatsoever.

Sincerely,

Dave Seager - President

Milwaukee Professional Fire Fighters Association - IAFF Local 215

Cc: Mr. Rudolph Konrad - City Attorney's Office
Cc: Mr. Michael Brady - Employee Benefits Director
Cc: Mr. John Barmore - Chairman - CMERS