



Milwaukee County
Department of Human Resources
INTER-OFFICE COMMUNICATION

Date: June 10, 2021

To: Supervisor Eddie Cullen, Chairperson, Personnel Committee

From: Erika Bronikowski, Director of Retirement Plan Services *EJ kb*

Subject: 2022 Pension Contribution Informational Report (File 21-534) Referral Response
Re: Actuarial Valuation Assumptions

On June 8, 2021, during the discussion of File [21-534](#) at the Personnel Committee meeting, Board Supervisors requested the following information:

- Information regarding how the revenue grown assumption of 1.75% was determined for the purpose of the annual actuarial valuation of the pension system.

The information below is the response to the Supervisor's request.

Information regarding how the revenue grown assumption of 1.75% was determined for the purpose of the annual actuarial valuation of the pension system.

Each year the retirement system's actuary completes a valuation to determine the liabilities and funded status of the pension system. To determine future benefit costs, assumptions are made regarding investment performance and the experience/demographics of the pension system members. A description of the assumptions used in the actuarial valuation can be found beginning on page 50 of the [EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL VALUATION](#) document attached to File [21-534](#).

One of the assumptions used in the actuarial valuation is the anticipated growth rate of the County's revenues, which uses a 1.75% growth assumption. This assumption can be changed with the Pension Board's approval.

A brief explanation of the 1.75% grown assumption can be found on page 51 of the ERS valuation report, under Payroll Growth: 3.50%. *For purposes of amortizing the unfunded accrued liability on a level percentage basis, the System uses 1.75%. This rate reflects the anticipated growth rate of the County's revenues.*

The 1.75% assumption of the growth rate of the County's revenues was set by the Pension Board at the recommendation of the Comptroller and the actuary in April 2015. The Pension Board meeting minutes where the item was discussed have been attached. At the time, it was reduced from 3.5% to 1.75% to align with best practices and more accurately reflect the County's outlook in 2015. The pension system has an upcoming experience review in 2022 where the actuary will review the actual experience of the pension system from 2017 to 2021 and determine if assumptions should be adjusted.

If you have any questions, please let me know.

ATTCH

CC: County Executive David Crowley
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