

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE : July 1, 2013

TO : Marina Dimitrijevic, County Board of Supervisors, Chairwoman

FROM : Scott B. Manske, Comptroller

SUBJECT : Other Post Employment Benefit Valuation Report as of January 1, 2012

**Issue**

The Governmental Accounting Standards Board Statement No. 45 (GASB 45) requires public-sector entities to account for the promise to provide other post-employment benefits (OPEB) over the working life of the employee rather than on a pay-as-you-go basis. GASB 45 requires an actuarial valuation every two years to provide OPEB reporting and disclosure information for financial statements, government agencies and other interested parties.

**Background**

The County's healthcare actuary, Willis, conducted a valuation of the County's OPEB liability and has prepared the attached report regarding the County's retiree healthcare and life insurance benefit. This report indicates that the County's OPEB liability as of January 1, 2012 is \$1,134,995,000. This compares to a prior OPEB liability as of January 1, 2010 of \$1,465,159,000 or a reduction of approximately \$330 million in the County's OPEB costs.

	Actuarial Accrued Liability
2010	\$ 1,465,159,000
2012	\$ 1,134,995,000
Change	\$ (330,164,000)

This reduction is due to the changes in retiree healthcare that have occurred over the past several years. The following changes have been made by the County since the last valuation report of January 1, 2010:

- The trend assumption has been changed from 5% for all future years to 9% in 2012, decreasing by 1% per year to 5% for 2016 and later. The trend assumption is used to inflate health insurance costs each year in the valuation report.
- As of 4/1/2011, the Medicare Part B premium reimbursement has been eliminated for non-represented employees who are not already retired.
- As of 12/31/2011, the Medicare Part B premium reimbursement has been eliminated for all others who are not already retired, except Nurses, Sheriffs and Firefighters.
- As of 12/31/2012, the Medicare Part B premium reimbursement has been eliminated Nurses who are not already retired.
- Employees (except AFSCME, Firefighters, Sheriffs, Nurses and Building Trades Unions) hired after 1/1/2010 are eligible for normal retirement at age 64 (previously age 60).

- AFSCME employees hired after 8/1/2011 are eligible for normal retirement at age 64 (previously age 60).
- Nurses and Building Trades employees hired after 1/1/2012 are eligible for normal retirement at age 64 (previously age 60).
- Medical coverage for Medicare eligible retirees has been changed to Medicare carve-out effective 1/1/2011.
- Prescription drug coverage for Medicare eligible retirees has been changed to an EGWP plan effective 1/1/2013.

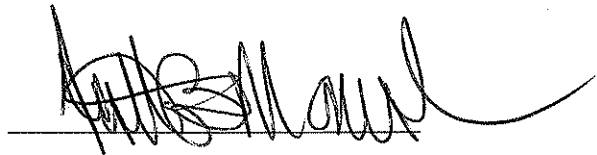
Any future changes to retiree healthcare or life insurance will continue to impact the OPEB amount.

**Fiscal Impact**

Generally, the County provides funding for its OPEB costs on a pay-as-you-go basis as part of its annual operating expenditures in the Fringe Benefits budget. However, the County is required to use the Annual Required Contribution (ARC) as determined by the valuation, to account for OPEB costs in the proprietary fund departments which are Airport, Transit, MSD and Risk Management. Because the ARC has been reduced, the amount contributed by these departments for OPEB will be less. Since the County's proprietary fund departments are not funded by tax levy and since the County provides funding for its OPEB on a pay-as-you-go basis for non-proprietary fund departments, this valuation results in no tax levy impact to the County.

**Recommendation**

This report is informational only. No action is necessary.

A handwritten signature in black ink, appearing to read "Scott B. Manske", written over a horizontal line.

Scott B. Manske, Comptroller