

September 17, 2015

Mark Grady  
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Employees' Retirement System of the  
County of Milwaukee  
901 N. 9th St.  
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**Re: Proposed Ordinance Amendments to Eliminate Two Optional Forms of Benefit**

Dear Mark:

You requested that Buck provide a report on the actuarial impact of an amendment to the ERS which would eliminate two optional forms of benefit. This letter presents the results of our analysis. This letter solely addresses the actuarial impact and does not provide any analysis on the legal implications of eliminating optional forms of benefit payment or any other matters.

***Proposed Ordinance Amendment under Consideration***

The proposed ordinance would prospectively eliminate what are currently "Option 1" and "Option 7." Option 1 allows a member to accept a reduced monthly benefit and then leave to a survivor the balance in their membership account, reduced by payments made to the member. Option 7 provides the flexibility to the Pension Board in its discretion to allow any other option other than the standard options.

***Actuarial Analysis***

The proposed ordinance amendments would have an immaterial impact on the actuarial cost of the ERS. The basis of this conclusion is as follows:

First, both of the options that are proposed to be eliminated are actuarially equivalent to the normal form of payment. By actuarially equivalent, we mean that the value of the benefit amounts using these optional forms is identical to the value of the retirement benefit in the single life annuity form offered by the ERS. Since there is no "cost" (positive or negative) to ERS when these options are elected, there is no cost to the ERS associated with no longer offering them.

We note as a practical matter that these options have been selected by very few members. According to our valuation data records, there are currently 45 retirees who have selected Option 7, and Option 1 has not been elected since 2011.

***Basis for the Analysis***

Unless otherwise noted in this analysis, we have based this analysis on the data, assumptions and methods used for the results of the January 1, 2015 actuarial valuation. For purpose of this analysis, current provisions are those included or referenced in the January 1, 2015 actuarial valuation.

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Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

This analysis does not include the impact of the proposed amendment on other programs on the County of Milwaukee, including administrative costs.

Use of this letter for any other purposes or by anyone other than the Board members and staff of the System may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the letter for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this letter without Buck Consultants' written consent.

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Please call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "LL", written over a light blue horizontal line.

Larry Langer, ASA, EA, MAAA  
Principal, Consulting Actuary

LL:pl  
19150/C8499RET01-Prop Amend Eliminate Forms of Benefit.docx

cc: Troy Jaros