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April 15, 2013

Mr. Mark Grady
Deputy Corporation Counsel
Employees' Retirement System of the
County of Milwaukee
901 N. 9th St.
Milwaukee, WI 53233

RE: Actuary's Review of the Financial Impact of 5-Year Vesting for Deputy Sheriffs

Dear Mark:

The Employee Benefits Workgroup has requested that Buck Consultants estimate the cost of changing the vesting requirement for deputy sheriffs from 10-year vesting to 5-year vesting, as presented below.

Impact of Changing Vesting from 10 Years to 5 Years for Deputy Sheriffs
Based on January 1, 2012 Valuation and Assumptions Adopted for 2013

Item	10-Year Vesting	5-Year Vesting	Increase (Decrease)
Valuation Results			
1. Present Value of Future Benefits	$ 2,240,578,045	$ 2,240,638,801	$ 60,756
2. Present Value of Future Normal Cost	$ 99,713,293	$ 99,803,627	$ 90,334
3. Actuarial Accrued Liability: (1 - 2)	$ 2,140,864,752	$ 2,140,835,174	$ (29,578)
4. Actuarial Value of Assets	$ 1,836,542,926	$ 1,836,542,926	$ 0
5. Funded Status: (4 / 3)	85.8%	85.8%	0.0%
6. Unfunded Actuarial Accrued Liability: (3 - 4)	$ 304,321,826	$ 304,292,248	$ (29,578)
7. Normal Cost Rate	7.352%	7.367%	0.015%
8. Total Normal Cost for the Plan Year	$ 14,023,791	$ 14,051,533	$ 27,742

The vesting change would increase the System's present value of future benefits and the ongoing annual normal cost. The increase in the present value of future normal cost for the current active deputy sheriffs exceeds the present value of future benefits, resulting in a decrease in the actuarial accrued liability.

Basis for the Analysis

We have based this analysis on the data and methods used for the January 1, 2012 actuarial valuation, but with the actuarial assumptions adopted for 2013 by the ERS board as a result of the recommendations contained in Buck Consultants 5-year experience study.

The proposed vesting change would impact current and future deputy sheriffs. There are 293 active deputy sheriffs in the January 1, 2012 actuarial valuation. Of these, all but four have at least 10 years of service and are already vested under the current plan provisions.

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The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

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,

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

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cc: Paul Wilkinson
Emily Urbaniak