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

Re: Pension Analysis for District Attorney Investigators Proposed Benefit Changes

Dear Mark:

You requested that Buck provide an analysis on the actuarial impact to the ERS of proposed changes to the benefit provisions and retirement eligibility for District Attorney Investigators. This letter presents the results of our analysis.

Background Summary

You have requested from Buck the cost impact of proposed changes to the benefit provisions and retirement eligibility for the DA Investigators. For this request there will be two separate analyses for two different proposed changes. The cost impact of each will be shown separately.

Current Provisions

- Any DA Investigator hired on or before December 31, 2009 may retire under the following conditions:
  - Age 60 or
  - Age 55 with 30 years of service
- Any DA Investigator hired after December 31, 2009 may retire under the following conditions:
  - Age 64 or
  - Age 55 with 30 years of service

Proposal #1

- The proposed provisions would allow all current and future DA Investigators to retire under the following conditions
  - Age 57 or
  - Age 55 with 15 years of service

Proposal #2

- The proposed provisions would also allow some DA Investigators and firefighters to retire using the rule of 75, under the following conditions:
  - On September 29, 2011, the employee was either a deputy sheriff who was covered by a collective bargaining agreement with the Milwaukee Deputy Sheriffs Association, or was a firefighter who was covered by a collective bargaining agreement with the Firefighter's Association; and
  - At the time of retirement, the former deputy is not represented by the Milwaukee Deputy Sheriffs Association, or the former firefighter is not represented by the Firefighter's Association; and

- The former deputy sheriff's membership date in ERS was prior to January 1, 1994 or the former firefighter's membership date in ERS was prior to December 2, 1996.

Actuarial Analysis

Each of the proposed changes to retirement eligibility is likely to increase the amount of benefits paid from the ERS and would be expected to result in both increased liabilities and contribution amounts to the ERS. Because the analysis is only for a small group of participants, we will only show cost impact for the group rather than the entire plan.

Analysis of Proposal #1: Impact to the System of proposed changes:

Amounts as of January 1, 2015	Actuarial Accrued Liability	Normal Cost	Amortization	Contribution Impact
(1) Results based on Proposal #1	3,089,215	119,129	N/A	N/A
(2) Baseline DA Investigator Results	2,910,360	103,802	N/A	N/A
(3) Increase due to Proposal #1 (1-2)	178,855	15,327	15,655	30,982
(4) Percent Increase	6.1%	14.8%	N/A	N/A

Data for Individuals Affected by Proposal #1:

Count	Average Pay	Average Service	Average Age
13	$ 70,591.29	14.2	50.3

Currently, this only affects 18 participants as you provided. Please note, that 5 of the 18 participants are hired after January 1, 2015 and will have no impact on the results presented in this analysis as they are not included in the January 1, 2015 actuarial valuation

The current policy for the amortization is for any increase in the Actuarial Accrued Liability to be amortized over 21 years as a level percent of pay. The payment of $15,655 to amortize this is expected to increase by 1.75% per year over the 21 year payment period until the entire increase in liability of $178,855 has been fully amortized. The normal cost amount of $15,327 is a permanent increase in costs and is anticipated to fluctuate with payroll in the future (e.g. increase as payroll increases due to higher wages, more employees covered, etc. and decline should the covered payroll decline. The contributions shown are gross contributions. Members contribute a portion of the amounts above. As of 2016, the contribution rate is 8.0% for sheriffs and 6.5% for all other members. These amounts are updated annually.

Analysis of Proposal #2: Impact to the System of proposed changes:

Amounts as of January 1, 2015	Actuarial Accrued Liability	Normal Cost	Amortization	Contribution Impact
(1) Results based on Proposal #2	753,919	7,789	N/A	N/A
(2) Baseline DA Investigator Results	642,157	7,457	N/A	N/A
(3) Increase due to Proposal #2 (1-2)	111,762	332	9,783	10,115
(4) Percent Increase	17.4%	4.4%	N/A	N/A

Data for Individuals Affected by Proposal #2:

Count	Average Pay	Average Service	Average Age
2	$ 68,203.30	23.9	48.2

This change only affects the 2 former deputy as you provided, now DA Investigators, who would "gain" the rule of 75 under this provision, and currently there are no known former firefighters who would "gain" the rule of 75 under this provision. It is theoretically possible that in the future this could apply to a deputy or firefighter who left the union for a different position, but if it did apply to anyone, it would only preserve a benefit that they currently have as union members. They would have to have been employees in either of those two unions on September 29, 2011 and have membership dates before those respective listed dates (and therefore be currently eligible for the rule of 75), and then be in positions outside of those unions at retirement. So it is a limited number of potential employees and no new cost for any such situation in the future.

The current policy for the amortization is for any increase in the Actuarial Accrued Liability to be amortized over 21 years as a level percent of pay. The payment of $9,783 to amortize this is expected to increase by 1.75% per year over the 21 year payment period until the entire increase in liability of $111,762 has been fully amortized. The normal cost amount of $332 is a permanent increase in costs and is anticipated to fluctuate with payroll in the future (e.g. increase as payroll increases due to higher wages, more employees covered, etc. and decline should the covered payroll decline. The contributions shown are gross contributions. Members contribute a portion of the amounts above. As of 2016, the contribution rate is 8.0% for sheriffs and 6.5% for all other members. These amounts are updated annually.

Basis for the Analysis

Unless otherwise noted in this analysis, we will base 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. The rates of retirement are unchanged from the actuarial valuation, but for purposes of modelling the proposed change we reflected that the affected members would be eligible to retire under the earlier eligibility as well. It is possible that due to benefit increases and/or liberalization in the benefit adjustments at retirement that the rates of retirement might change. Only after the changes have been implemented and experience unfolds might the magnitude of any effect be determined.

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.

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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19150/C8549RET01-DA Investigators Analysis Draft 3.docx

cc: Marian Ninneman
Troy Jaros
Valerie Long