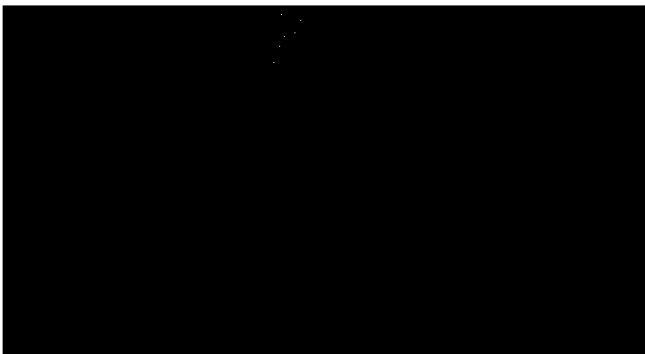


Milwaukee County - My Choice

# Postretirement Benefit Valuation Report

March 7, 2016



## Executive Summary

This report has been prepared by Willis Towers Watson for Milwaukee County for the purpose of providing the accrued actuarial liability for those employees and retirees under the My Choice program.

Milwaukee County is providing a retiree medical program for employees who meet the eligibility requirements upon retirement. Under SGAS 45 retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan.

	Allocated to My Choice	Allocated to Milwaukee County	Total
Actuarial Accrued Liability (AAL) as of 12/31/2015	\$2,057,729	\$3,846,128	\$5,903,857
Present Value of Future Benefits as of 12/31/2015	\$2,113,528	\$3,855,116	\$5,968,644

	Allocated to My Choice	Allocated to Milwaukee County	Total
Inactives	\$972,814	\$2,441,374	\$3,414,188
Actives/Deferred	\$1,084,915	\$1,404,754	\$2,489,669
Total	\$2,057,729	\$3,846,128	\$5,903,857

## Changes Since Prior Valuation

There have been no substantive plan changes since the prior valuation.

The census has been updated to reflect the only those active and retirees under the My Choice program.

The mortality assumption has been updated from RP-2014 Mortality Fully Generational using Projection Scale MP-2014 to RP-2014 Mortality Fully Generational using Projection Scale MP-2015.

Other assumptions are consistent with those used in the prior valuation done for Milwaukee County dated May 6, 2015.

# Count of Participants

Age	Count of Active Participants							Total
	Years of Service							
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0
25 - 29	1	0	0	0	0	0	0	1
30 - 34	4	0	0	0	0	0	0	4
35 - 39	5	0	1	0	0	0	0	6
40 - 44	2	0	2	1	1	0	0	6
45 - 49	3	6	1	1	1	1	0	13
50 - 54	5	0	2	1	0	3	0	11
55 - 59	0	0	1	3	0	1	1	6
60 - 64	1	0	0	1	1	1	1	5
65 - 69	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0
<b>Total</b>	<b>21</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>52</b>

Age	Count of Inactive Participants			
	Single	Medical Married	Total	Life
Under 50	0	0	0	0
50 - 54	1	0	1	1
55 - 59	4	2	6	4
60 - 64	7	0	7	7
65 - 69	8	1	9	7
70+	1	1	2	4
<b>Total</b>	<b>21</b>	<b>4</b>	<b>25</b>	<b>23</b>

## **Actuarial Basis**

### **A. Funding Policy**

The retiree medical plan is operated on a Pay-As-You-Go basis. There are no assets that have been segregated and restricted to provide for retiree medical benefits.

### **B. Valuation of Assets**

The plan has no segregated assets.

In order to be considered as an asset under GASB45, the resource (stock, cash etc) must be segregated and restricted in a trust or equivalent arrangement. Employer contributions to the plan must be irrevocable, dedicated to providing retiree benefits and protected from creditors

### **C. Actuarial Cost Method**

Unit Credit Actuarial Cost Method

## Assumptions

Discount Rate: 5.00%

Mortality: RP-2014 Mortality Fully Generational using Projection Scale MP-2015

Annual Termination Rates (per 100)								
Age	Select Rates by Year of Employment (General Employees)					Ultimate Rates		
	0	1	2	3	4	Deputy Sheriff*	Elected Officials**	General Employees
20	36.0	25.0	25.0	15.0	12.5	13.5	2.0	10.0
25	31.2	23.4	20.4	15.0	11.9	11.7	2.0	9.4
30	27.1	22.4	16.8	13.2	9.1	6.9	2.0	9.0
35	24.7	21.4	14.8	11.4	7.2	3.6	2.0	6.6
40	22.3	19.2	14.0	10.4	6.7	2.4	2.0	4.7
45	21.5	16.8	14.0	10.0	5.9	2.0	2.0	3.8
50	21.5	14.8	14.0	10.0	7.6	2.0	2.0	3.0
55	21.5	14.0	14.0	10.0	9.0	2.0	2.0	2.3

\* The select rates are the same as the ultimate rates

\*\* Select rates assume no turnover in the first four years

### Eligibility Requirements:

Employees hired before January 1, 1994 (certain groups have a date later than January 1, 1994) who complete 15 years of service and retire under the Employees' Retirement System of the County of Milwaukee.

Vested terminated participants are not eligible for life insurance.

New Employees: None

Annual Disability Rates (per 100)	
Age	
20	0.00
25	0.04
30	0.07
35	0.12
40	0.19
45 and over	0.22

Annual Retirement Rates (per 100)			
Age	Deputy Sheriff	Elected Officials	General Employees
45 - 49	1.0	0.0	0.0
50 - 54	10.0	0.0	7.0
55	15.0	7.0	15.0
56	15.0	7.0	15.0
57	15.0	7.0	15.0
58	15.0	7.0	15.0
59	15.0	7.0	15.0
60	75.0	20.0	20.0
61	75.0	20.0	20.0
62	80.0	45.0	20.0
63	50.0	30.0	20.0
64	50.0	30.0	25.0
65	100.0	40.0	30.0
66	100.0	30.0	30.0
67	100.0	30.0	30.0
68	100.0	30.0	30.0
69	100.0	30.0	30.0
70	100.0	100.0	100.0

Salary Increases			
Age	Deputy Sheriff	Elected Officials	General Employees
20	9.5%	3.5%	10.0%
25	9.2%	3.5%	8.2%
30	8.4%	3.5%	5.8%
35	7.4%	3.5%	5.0%
40	5.7%	3.5%	4.6%
45	4.3%	3.5%	4.0%
50	3.4%	3.5%	3.3%
55	3.0%	3.5%	3.0%
60	3.0%	3.5%	3.0%
Average	6.1%	3.5%	3.9%

Annual Medical Per-Capita Claim Cost	
Age	
55	\$8,510
60	\$9,396
65 & over	\$2,784

Future claim costs are increased by health care cost trend.

Assumed Rate of Return on Plan Assets: N/A

Health Care Cost Trend	
	Medical
2017	9.0%
2018	8.0%
2019	7.0%
2020	6.0%
2021	5.0%

Administrative Expenses: included in claim cost

**Attribution Period:**

The attribution period is the portion of a participant's service to which the expected postretirement benefit obligation is assigned. The beginning of the attribution period is the date of hire and the end of the attribution period is the earliest eligibility date.

Valuation Date: January 1, 2016

**Retiree Benefit:**

Coverage under the Choice Plus Plan for the lifetime of the retiree and spouse. The County reimburses the Medicare Part B premium for current retirees and for Nurses (if retire prior to 12/31/2012) and for Sheriffs and Firefighters.

Life insurance equal to the employee's annual salary at the time of retirement rounded to the next highest \$1,000.

Reduction schedule for life coverage: The original life benefit reduces by 8% per year beginning at age 65 to 25% at age 70 and over.

**Retiree Contributions:**

Medical: Employees hired prior to a key date, with 15 or more years of service get County-paid medical coverage. An employee hired after the key date with 15 or more years of service is eligible for medical coverage but must pay the full premium cost.

It was assumed that 2% of employees will elect retiree medical coverage and pay the full premium cost.

Life: Milwaukee County provides the first \$25,000 (\$20,000 for select bargaining units) for retirees under age 65. The retiree is responsible for the cost of additional coverage at the rate of \$0.34 per thousand. Milwaukee County pays the full premium for retirees age 65 and over.



Monthly Rates	
	Choice Plus Plan
Single Person not on Medicare	\$783.00
Family not on Medicare	\$2,271.00
One Person on Medicare	\$331.00
Two Persons on Medicare	\$695.00
One Medicare/One not Medicare	\$1,170.00
One Medicare/One not Medicare with dependents	\$1,797.00
Two Persons on Medicare with dependents	\$1,322.00
	Medicare Advantage
One Person on Medicare	\$219.00
Two Persons on Medicare	\$438.00
One Medicare/One not Medicare	\$1,041.00
One Medicare/One not Medicare with dependents	\$1,668.00
Two Persons on Medicare with dependents	\$1,064.00
Medicare Part B	\$121.80

Impact of HealthCare Reform: Increase of 0.38% in cost due to the Cadillac Plan Excise Tax

Plan Participation of Future Retirees: 100%

Percentage of Future Retirees Who are Married:  
80% of males and 50% of females

Age Difference in Spouses: Husband is 3 years older

## Certification

I have prepared the attached actuarial valuation of Milwaukee County's Postretirement Medical Benefit My Choice Program in accordance with Statement of Governmental Accounting Standards No. 45.

We have based the valuation on financial and census data which were provided to us by Milwaukee County. We have not audited the data beyond a check for reasonableness.

All costs, liabilities, and other factors associated with the valuation of this plan have been determined in accordance with generally accepted actuarial principles and procedures, and are consistent with the provisions of SGAS 45, including the Actuarial Standard of Practice No. 6 for Measuring Retiree Group Benefit Obligations (American Academy of Actuaries).

The actuarial computations under Statements of Governmental Accounting Standards contained in this report are for the sole purpose of fulfilling employer accounting requirements. The use of the results of this report for other purposes may lead to inappropriate conclusions.



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