

December 6, 2011

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
901 N. 9th St.
Milwaukee, WI 53233

Re: Actuary's Review of Proposed Amendment regarding State Employees Remaining in the Milwaukee County Employees' Retirement System

Dear Supervisor Cesarz:

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System (ERS) of State employees remaining in the ERS under the attached resolution. The resolution modifies the definition of an employee to allow for the inclusion of state employees as members when required by state statute and when the State provides reimbursement of the employer's share of the actuarial costs for those employees.

Actuarial Analysis

Because the impact differs from group to group, we have split this analysis into three groups: future affected employees, current MiLES employees and current MECA employees.

Future affected employees: The actuarial impact for future affected employees is pretty straight forward. The State will pay the actuarial costs for State employees remaining in ERS that might be covered by state legislation in the future. Thus, there will be no actuarial effect on Milwaukee County with respect to contribution costs for any such future employees.

Current MECA employees: Current MECA employees who have opted to remain members of ERS will see no change in the benefit they receive from ERS. What does change is that the State will now pay the employer's share of the actuarial costs of these employees. We previously developed the actuarial cost for a select group of MiLES State supervisory employees. We understand that the State reimburses the County for this cost. The legislation will now affect MECA employees similarly, but our methodology will not change.

Current MiLES employees: Unlike MECA and Future affected employees, current MiLES Employees will see a change in the benefits they are to receive under ERS. Under 49.825(4)(e) of the Wisconsin Statutes, when these members become vested they will stop participating in the ERS and will be transferred to the Wisconsin Retirement System. The impact on the ERS is that the liabilities held by ERS will be reduced. This is because we currently assume that most employees covered under ERS will work long beyond vesting and accrue much more than a vested benefit. Similar to all other affected employees, the state will pay the employer's share of the actuarial costs for State employees remaining in ERS.

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, ASA, EA, MAAA
Principal, Consulting Actuary

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cc: Mark Grady