

October 2, 2014

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RE: Ordinance Amendments to Eliminate Buy-In Buy-Back

Dear Mark:

You requested that Buck provide a report on the actuarial effect of amendments that eliminates pre-1971 buy-backs and optional membership buy-ins. The Pension Board is recommending to the County Board that such ordinance amendments be passed that permanently eliminates buy-ins and buy-backs. This letter presents the results of our analysis.

Actuarial Analysis

The first amendment being proposed would eliminate the "buy-back" option for employees who made contributions prior to 1971, left employment and withdrew their contributions, and then returned to employment and wanted to re-deposit their contributions to restore the credit. Practically speaking, this ordinance is no longer relevant due to the passage of time. There would be few and most likely no members left that made contributions prior to 1971, as any of them would be at least in their sixties and past retirement age.

The second amendment being proposed would eliminate the Pension Board's authority to make membership in ERS optional for some employees, which has existed since 1937. This authority is what allowed the Pension Board to grant an option to seasonal employees to become members of ERS for periods of prior service when those employees were not automatically members of ERS, by purchasing (or buying-in) that prior service as ERS service. The Pension Board adopted a rule to eliminate such buy-ins effective January 1, 2007. By eliminating the Pension Board authority that is in the ordinance, the amendment would prevent any future Pension Board from reversing that decision by re-amending its rule and start allowing such purchases.

Because the buy-back option is no longer relevant and the buy-in option has not been effective since 2007, there really is no actuarial effect on ERS or on the actuarial valuation of ERS. The ordinance amendments do not make any practical change from the existing benefits as reviewed in the valuation report. If there were to be such buy-in or buy-back provisions in the future, we would have to evaluate any actuarial effect at that time.

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, 2014 actuarial valuation. For purpose of this analysis, current provisions include the provisions included for the January 1, 2014 actuarial valuation.

Mark Grady
October 2, 2014



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.

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/C8326RET01-Ordinance Amendments Eliminating BIBB.docx

cc: Troy Jaros