

CITY OF MILWAUKEE
RETIREE HEALTHCARE AND LIFE INSURANCE PROGRAMS
ACTUARIAL VALUATION AS OF JANUARY 1, 2013

April 8, 2014

Mr. Glenn P. Steinbrecher, C.P.A.
Director of Accounts
City of Milwaukee
City Hall
200 East Wells Street
Room 404
Milwaukee, WI 53202

Dear Mr. Steinbrecher:

We have performed an actuarial valuation as of January 1, 2013, of the Retiree Healthcare and Life Insurance Programs sponsored by the City of Milwaukee. The actuarial valuation was performed in order to:

- Measure the actuarial liability as of January 1, 2013; and
- Develop retiree healthcare accounting expense information for fiscal years 2013 and 2014 as defined under the GASB Statement Nos. 43 and 45.

The valuation was based on the following:

- Census data as of January 1, 2013, as provided by the City of Milwaukee Staff.
- Premium rating reports for calendar years 2013 and 2014 as prepared by the healthcare consultant and provided by the City of Milwaukee.
- Actual employer contributions for fiscal year 2013, as provided by the City of Milwaukee Staff.
- Plan provisions and funding policy in effect as of January 1, 2013, as provided by the City of Milwaukee as summarized in Section C.
- Our understanding of the substantive plan in effect as currently being administered.
- Actuarial assumptions and methods as shown in Section D as used in the City of Milwaukee Employees' Retirement System (ERS) valuation as of January 1, 2013.
- Actuarial assumptions specific to the retiree healthcare valuation, including discount rate, healthcare trend and participation in the program, as approved by the City of Milwaukee.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the City of Milwaukee Retiree Healthcare and Life Insurance Programs as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with our understanding of GASB Statements Nos. 43 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*) and 45 (*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*).

Mr. Glenn P. Steinbrecher, C.P.A.
City of Milwaukee
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The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

The valuation was based upon information furnished by the City of Milwaukee, concerning benefits provided by the City of Milwaukee Retiree Healthcare and Life Insurance Programs, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the City of Milwaukee.

We will be pleased to review this report with you at your convenience.

Respectfully submitted,
Gabriel, Roeder, Smith & Company


Alex Rivera, F.S.A., E.A., M.A.A.A, F.C.A.
Senior Consultant


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Consultant

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Enclosures

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report presents the results of our actuarial valuation as of January 1, 2013, for the Retiree Healthcare and Life Insurance Programs sponsored by the City of Milwaukee. The valuation was performed to satisfy the reporting requirements of GASB Statement Nos. 43 and 45. Our valuation was based on a discount rate assumption of 4.5 percent and an ultimate healthcare trend assumption of 4.5 percent¹, as approved by the City of Milwaukee. The discount rate reflects the employer's pay-as-you-go funding policy. The key valuation results using the Projected Unit Credit cost method are summarized below:

Retiree Healthcare and Life Insurance Programs				
4.5% Discount Rate and 4.50%¹ Ultimate Trend				
\$ in Thousands				
	General	Police	Fire	Total
Actuarial Liability as of January 1, 2013	\$293,537	\$379,556	\$215,890	\$888,983
Normal Cost for FY 2013	\$10,148	\$16,556	\$7,458	\$34,162
Annual Required Contribution FY 2013 (% of Payroll)	\$22,120 11.1%	\$32,037 24.9%	\$16,264 29.9%	\$70,422 18.4%
GASB No. 45 FY 2013 Expense (% of Payroll)	\$22,305 11.2%	\$32,672 25.4%	\$16,512 30.4%	\$71,489 18.7%
FY 2013 Employer Pay-go Contribution (% of Payroll)	\$16,427 8.2%	\$11,723 9.1%	\$7,253 13.3%	\$35,402 9.2%
Payroll	\$199,852	\$128,547	\$54,396	\$382,795
Number of Active Members	4,226	1,878	795	6,899
Number of Retirees and Surviving Spouses	2,001	1,180	734	3,915

Numbers may not add due to rounding.

The details of the preceding valuation results by employee group are included in Section B of the report. The valuation was performed for City of Milwaukee employees eligible for retiree healthcare and life insurance benefits, which generally includes participants in the City of Milwaukee Employees' Retirement System except for Milwaukee Public Schools employees. The valuation excludes Redevelopment Authority of the City of Milwaukee (RACM) and Housing Authority of the City of Milwaukee (HACM) employees, as they are reported separately.

Our calculations are based on adoption of the GASB statements at January 1, 2007, and an opening transition liability of zero at that date. The Net OPEB Obligation or balance sheet liability represents the cumulative differences between Annual OPEB Costs and actual employer contributions.

¹ First effective in 2018, excess trend rates of 0.30% for the PPO Plan and 0.35% for the EPO Plan are applied to the trend rates for pre-Medicare claims costs to account for the Excise Tax under the Health Care Reform Act.

EXECUTIVE SUMMARY

Plan Experience

The actuarial liabilities decreased from \$916.4 million as of January 1, 2011, to \$889.0 million as of January 1, 2013. If the plan's assumptions had been exactly realized during the year, the actuarial liabilities would have increased to \$990.5 million as of January 1, 2013.

The key factors contributing to the change in actuarial liabilities include:

- Favorable healthcare claims experience;
- Favorable demographic experience;
- Changes in plan provisions, including increasing the portion of premium paid by certain retirees; and
- Changes in assumptions.

The following table shows a reconciliation of the gain/loss since the prior valuation:

\$ in Millions	
Actuarial Liability as of January 1, 2011	\$916.4
Expected Liability as of January 1, 2013	\$990.5
Increase/(Decrease) Due To:	
Healthcare Plan Changes, Assumptions Changes and Claims Experience	-\$76.5
Demographic Experience and Other	-\$25.0
Actuarial Liability as of January 1, 2013	\$889.0

SECTION B

VALUATION RESULTS AT 4.5% DISCOUNT

VALUATION RESULTS AT 4.5% DISCOUNT

The following tables show the results of our valuation assuming a discount rate of 4.5 percent, salary increases comprised of a wage inflation component of 3.0 percent and a seniority and merit component, and an ultimate healthcare trend rate of 4.5 percent¹. We believe these assumptions are consistent with the requirements of GASB Statement Nos. 43 and 45. According to paragraph 34(c) of GASB Statement No. 43 and paragraph 13(c) of GASB Statement No. 45, plans should use a discount rate consistent with the return on assets backing retiree healthcare benefits, which for pay-as-you-go plans will usually be the return earned by the employer's general assets.

The following tables are included in this section:

- GASB Valuation as of January 1, 2013, by Employee Group
- Projected GASB expense for fiscal year end 2014 by Employee Group
- GASB accounting information for fiscal year end 2013

Actual employer contributions for fiscal year 2013 were provided by the City. Fiscal year expense for 2014 is based on actual employer contributions for fiscal year 2013 and an updated Net OPEB Obligation at January 1, 2014. Actual employer contributions are equal to actual retiree claims less retiree premiums for retirees covered under the United Healthcare Choice Plus Plan (PPO Plan) and the United Healthcare Choice Plan (EPO Plan).

¹ First effective in 2018, excess trend rates of 0.30% for the PPO Plan and 0.35% for the EPO Plan are applied to the trend rates for pre-Medicare claims costs to account for the Excise Tax under the Health Care Reform Act.

**City of Milwaukee
Retiree Healthcare and Life Insurance Programs
GASB 45 Actuarial Valuation as of January 1, 2013
Projected Unit Credit Cost Method**

Discount Rate 4.50%
Salary Scale ¹ 3.00%
Ultimate Trend ² 4.50%
Wage Inflation 3.00%
Amortization: 30-year open, level
percentage of payroll

	General	Police	Fire	Total
Retiree Healthcare Program				
D) Actuarial Liability				
A) Health Insurance				
i) Active Employees ³	\$ 145,364,500	\$ 221,240,800	\$ 108,462,200	\$ 475,067,500
ii) Retired and Disabled Participants ⁴	106,592,700	129,672,900	90,612,400	326,878,000
iii) Total	\$ 251,957,200	\$ 350,913,700	\$ 199,074,600	\$ 801,945,500
B) Life Insurance				
i) Active Employees	\$ 8,628,000	\$ 4,813,100	\$ 2,681,200	\$ 16,122,300
ii) Retired and Disabled Participants	32,952,000	23,829,200	14,133,700	70,914,900
iii) Total	\$ 41,580,000	\$ 28,642,300	\$ 16,814,900	\$ 87,037,200
C) Total Liabilities	\$ 293,537,200	\$ 379,556,000	\$ 215,889,500	\$ 888,982,700
II) Assets	-	-	-	-
III) Unfunded Actuarial Liability (UAL)	293,537,200	379,556,000	215,889,500	888,982,700
IV) Net OPEB Obligation (boy) ⁵	43,896,400	150,714,200	58,912,400	253,523,000
V) Normal Cost				
A) Health Insurance	\$ 9,492,300	\$ 16,235,600	\$ 7,313,700	\$ 33,041,600
B) Life Insurance	655,300	320,500	144,500	1,120,300
C) Total	\$ 10,147,600	\$ 16,556,100	\$ 7,458,200	\$ 34,161,900
VI) Annual Required Contribution (ARC)				
A) Normal Cost	\$ 10,147,600	\$ 16,556,100	\$ 7,458,200	\$ 34,161,900
B) Amortization of UAL	11,972,700	15,481,200	8,805,700	36,259,600
C) Total	\$ 22,120,300	\$ 32,037,300	\$ 16,263,900	\$ 70,421,500
VII) Annual OPEB Cost				
A) ARC	\$ 22,120,300	\$ 32,037,300	\$ 16,263,900	\$ 70,421,500
B) Interest on Net OPEB Obligation	1,975,300	6,782,100	2,651,100	11,408,500
C) Adjustment to ARC	(1,790,400)	(6,147,300)	(2,402,900)	(10,340,600)
D) Total	\$ 22,305,200	\$ 32,672,100	\$ 16,512,100	\$ 71,489,400
E) Percentage of Payroll	11.2%	25.4%	30.4%	18.7%
VIII) Actual Employer Contributions ⁶				
A) Total	\$ 16,426,800	\$ 11,722,600	\$ 7,252,800	\$ 35,402,200
B) Percentage of Payroll	8.2%	9.1%	13.3%	9.2%
IX) Payroll	\$ 199,851,900	\$ 128,546,800	\$ 54,396,200	\$ 382,794,900
X) Covered Member Counts				
A) Active Employees	4,226	1,878	795	6,899
B) Retired and Disabled Participants ⁴	2,001	1,180	734	3,915
C) Total	6,227	3,058	1,529	10,814

¹ Base increase plus seniority and merit components

² First effective in 2018, excess trend rates of 0.30% for the PPO Plan and 0.35% for the EPO Plan are applied to the trend rates for pre-Medicare claims costs to account for the Excise Tax under the Health Care Reform Act.

³ Active employees eligible for future retiree healthcare.

⁴ Includes Surviving Spouses.

⁵ Allocated among groups in proportion to the expected Net OPEB Obligation from the previous valuation as of January 1, 2011.

⁶ Actual Employer Contributions as provided by the City allocated among groups in proportion to Expected Employer Contributions from this valuation.

**City of Milwaukee
Retiree Healthcare and Life Insurance Programs
GASB 45 Actuarial Valuation as of January 1, 2013
Projected Unit Credit Cost Method**

Discount Rate 4.50%
Salary Scale ¹ 3.00%
Ultimate Trend ² 4.50%
Wage Inflation 3.00%

Projected Results as of January 1, 2014

Amortization: 30-year open, level percentage of payroll

	General	Police	Fire	Total
Retiree Healthcare Program				
I) Actuarial Liability				
A) Health Insurance				
i) Active Employees ³	\$ 149,880,300	\$ 240,781,597	\$ 111,401,247	\$ 502,063,100
ii) Retired and Disabled Participants ⁴	108,779,000	132,096,603	97,592,453	338,468,100
iii) Total	\$ 258,659,300	\$ 372,878,200	\$ 208,993,700	\$ 840,531,200
B) Life Insurance				
i) Active Employees	\$ 6,700,500	\$ 4,535,000	\$ 2,291,700	\$ 13,527,200
ii) Retired and Disabled Participants	35,198,400	24,540,500	14,698,700	74,437,600
iii) Total	\$ 41,898,900	\$ 29,075,500	\$ 16,990,400	\$ 87,964,800
C) Total Liabilities	\$ 300,558,200	\$ 401,953,700	\$ 225,984,100	\$ 928,496,000
II) Assets	-	-	-	-
III) Unfunded Actuarial Liability (UAL)	300,558,200	401,953,700	225,984,100	928,496,000
IV) Net OPEB Obligation (boy)	49,774,800	171,663,700	68,171,700	289,610,200
V) Normal Cost				
A) Health Insurance	\$ 9,919,500	\$ 16,966,200	\$ 7,642,800	\$ 34,528,500
B) Life Insurance	684,800	334,900	151,000	1,170,700
C) Total	\$ 10,604,300	\$ 17,301,100	\$ 7,793,800	\$ 35,699,200
VI) Annual Required Contribution (ARC)				
A) Normal Cost	\$ 10,604,300	\$ 17,301,100	\$ 7,793,800	\$ 35,699,200
B) Amortization of UAL	12,259,100	16,394,800	9,217,400	37,871,300
C) Total	\$ 22,863,400	\$ 33,695,900	\$ 17,011,200	\$ 73,570,500
VII) Annual OPEB Cost				
A) ARC	\$ 22,863,400	\$ 33,695,900	\$ 17,011,200	\$ 73,570,500
B) Interest on Net OPEB Obligation	2,239,900	7,724,900	3,067,700	13,032,500
C) Adjustment to ARC	(2,030,200)	(7,001,800)	(2,780,600)	(11,812,600)
D) Total	\$ 23,073,100	\$ 34,419,000	\$ 17,298,300	\$ 74,790,400
E) Percentage of Payroll	11.2%	26.0%	30.9%	19.0%
VIII) Expected Employer Contributions ⁵				
A) Total	\$ 18,413,200	\$ 13,489,300	\$ 8,867,700	\$ 40,770,200
B) Percentage of Payroll	8.9%	10.2%	15.8%	10.3%
IX) Payroll	\$ 205,847,400	\$ 132,403,200	\$ 56,028,100	\$ 394,278,700
X) Covered Member Counts				
A) Active Employees	4,226	1,878	795	6,899
B) Retired and Disabled Participants ⁴	2,089	1,201	759	4,049
C) Total	6,315	3,079	1,554	10,948

¹ Base increase plus seniority and merit components

² First effective in 2018, excess trend rates of 0.30% for the PPO Plan and 0.35% for the EPO Plan are applied to the trend rates for pre-Medicare claims costs to account for the Excise Tax under the Health Care Reform Act.

³ Active employees eligible for future retiree healthcare.

⁴ Includes Surviving Spouses.

⁵ Expected employer contributions to finance current retiree healthcare and life insurance claims assuming pay-as-you-go funding.

City of Milwaukee
Retiree Healthcare and Life Insurance Programs
Actuarial Valuation as of January 1, 2013
GASB 45 Accounting

OPEB Cost Summary

Year Ended	Annual OPEB Cost (AOC)	Employer Contributions	% of AOC Contributed	Net OPEB Obligation	Required Contribution (ARC)	% of ARC Contributed
December 31, 2007 ¹	\$ 67,600,000	\$ 29,400,000	43.5%	\$ 38,200,000	\$ 67,600,000	43.5%
December 31, 2008 ¹	73,100,000	32,900,000	45.0%	78,400,000	72,900,000	45.1%
December 31, 2009 ¹	77,389,000	28,715,000	37.1%	127,074,000	76,855,000	37.4%
December 31, 2010 ¹	81,311,000	34,025,000	41.8%	174,360,000	80,498,000	42.3%
December 31, 2011 ¹	73,071,000	34,545,000	47.3%	212,886,000	71,883,000	48.1%
December 31, 2012 ¹	76,156,000	35,519,000	46.6%	253,523,000	74,706,000	47.5%
December 31, 2013 ²	71,489,000	35,402,000	49.5%	289,610,000	70,422,000	50.3%

Schedule of Funding Progress

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b-a)/c]
July 1, 2007	\$ -	\$ 806,300,000	\$ 806,300,000	0.0%	\$ 412,731,900	195.4%
January 1, 2009	-	959,562,000	959,562,000	0.0%	419,811,000	228.6%
January 1, 2011 ¹	-	916,383,400	916,383,400	0.0%	407,839,700	224.7%
January 1, 2013	-	888,982,700	888,982,700	0.0%	382,794,900	232.2%

¹ Values consistent with figures shown in the City's Notes to Financial Statements.

² Employer Contribution for fiscal year end December 31, 2013, was provided by the City.

**City of Milwaukee
 Retiree Healthcare and Life Insurance Programs
 Actuarial Valuation as of January 1, 2013
 GASB 45 Accounting**

The GASB 45 financial disclosure information for the fiscal year end 2011 was based on the following assumptions and methods.

Valuation Date	January 1, 2013
Actuarial Cost Method	Projected Unit Credit
Actuarial Value of Assets	No assets since benefits are funded on a pay-as-you-go basis
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Investment Rate of Return	4.50% per year
Wage Inflation	3.00% per year
Healthcare Trend	Increases at January 1, 2014, based on actual premium increases. 8.0% per year graded down to 4.5% per year ultimate trend in 0.5% increments thereafter. ^{a,b}

^a First effective in 2018, excess trend rates of 0.30% for the PPO Plan and 0.35% for the EPO Plan are applied to the trend rates shown above for pre-Medicare claims costs to account for the Excise Tax under the Health Care Reform Act.

^b Trend rates for pre-Medicare/post-Medicare coverage of 11.8%/7.0% for the United Healthcare Choice Plus Plan (PPO Plan) and the United Healthcare Choice Plan (EPO Plan) were applied in the first year (2014) based on actual premium increases.

SECTION C

PLAN PROVISIONS

PLAN PROVISIONS

PLAN MEMBERS

City of Milwaukee (hereinafter referred to as the City) employees and their dependents qualify for retiree healthcare benefits if they satisfy the eligibility requirements. Certain members participating in the City of Milwaukee Employees' Retirement System (ERS) and employed by the Milwaukee Public Schools are covered by a separate retiree healthcare plan, and therefore are not eligible to participate under the City's retiree healthcare plan.

Members of Boards and Commissions are not eligible for retiree healthcare benefits.

ELIGIBLE SERVICE

Eligible Service includes creditable service used for purposes of determining pension benefits payable from the Employees' Retirement System (ERS) of the City of Milwaukee. Creditable service includes service as an active employee. Creditable service may also be granted under certain conditions for periods of absence due to military leave.

HEALTHCARE SERVICE REQUIREMENT

In addition to meeting the pension requirements under ERS, employees must have 15 years of service with the City in order to participate in the City health plans.

NORMAL RETIREMENT ELIGIBILITY

General City employees: At least age 55 and at least 30 years of creditable service or at least age 60 and at least 4 years of creditable service.

New General City employees hired after 1/1/14: At least 60 years of age and 30 years of creditable service or at least 65 years of age and 15 years of creditable service.

Police Officers: At least age 57 and at least 4 years of creditable service or at any age with at least 25 years of creditable service.

Firefighters: At least age 49 with at least 22 years of creditable service or at least age 57 and at least 4 years of creditable service.

EARLY RETIREMENT ELIGIBILITY

General City employees: At least age 55 and at least 15 years of creditable service.

DUTY DISABILITY RETIREMENT

Disabled in the line of duty. There are no additional age or service requirements.

ORDINARY DISABILITY RETIREMENT

Disabled during active employment, but not in the line of duty. There are no additional age or service requirements.

PLAN PROVISIONS (CONTINUED)

SURVIVING SPOUSE COVERAGE

DEATH OF EMPLOYEE IN ACTIVE SERVICE

If a Police Officer or Firefighter dies while in active service in the line of duty, the surviving spouse that receives a duty death pension from ERS is eligible to continue in a City health plan.

If a City employee with at least four years of creditable service dies while in active service, but not in the line of duty, the surviving spouse of an active member is eligible to continue in a City health plan for a period equal to the deceased member's service credit. Surviving spouses of active members with less than four years of creditable service are eligible for up to three years of COBRA coverage only.

DEATH OF EMPLOYEE AFTER RETIREMENT

If a City employee dies after retirement, the surviving spouse is eligible to continue in a City health plan for a period of time equal to the length of service the employee completed with the City.

MEDICARE

Benefits for members eligible for Medicare modified as follows:

The amount payable under the City's health plan will be reduced by the amount payable under Medicare for those expenses that are covered by both. Retirees eligible for Medicare as a result of disability and who are under 65 are required to enroll in Medicare Parts A and B. Prescription drug benefits for Medicare-eligible retirees and dependents reflect drug cost savings due to enrollment in a Medicare Part D prescription drug plan (PDP), with a "wrap" feature.

FUNDING POLICY

Retiree healthcare benefits are funded on a pay-as-you-go basis. Medical benefits provided through the EPO and PPO plans have been self-insured since 1/1/2012.

CHANGES EFFECTIVE JANUARY 1, 2014

Effective January 1, 2012, the City Basic Plan is now the United Healthcare Choice Plus Plan (PPO Plan) and the City HMO Plan is now the United Healthcare Choice Plan (EPO Plan). For employees who retired between 1/1/2012 and 12/31/2013 the City pays 88% of the cost of either plan. For employees who retire after 1/1/2014 the City pays 88% of the cost of the UHC Choice Plan, and uses the same dollar amount for the UHC Choice Plus Plan. The City has used four premium tiers since 2012: single, employee and spouse, employee and child/ren and employee, spouse and child/ren. The premium tier factors are: 1.0 for single, 2.0 for employee and spouse, 1.5 for employee and child/ren, and 3.0 for employee, spouse and child/ren. An additional premium tier for two adults without Medicare was added in 2012. The Medicare Advantage plan sponsored by the City was no longer available effective January 1, 2012. Two Medicare Advantage plans sponsored by the Milwaukee Retiree Association are available to City of Milwaukee Medicare retirees. Currently, over 1,000 City Medicare retirees are using one of these Medicare Advantage plans.

PREMIUM COST SHARING

RETIREES

There are different premium cost sharing arrangements depending on employee type, age and date of retirement. The premium cost sharing for future retirees is as follows:

PLAN PROVISIONS (CONTINUED)

General City Retirees Under Age 65

General City retirees under age 65: (retired after 1/1/14):

The City pays 88% of the cost of the UHC Choice plan based on the tier they are in for either the PPO or EPO plan.

General City retirees under age 65: (retired between 1/1/12 and 12/31/13):

The retiree pays 12% of the cost of either plan based on the tier they are in.

General City retirees (retired on or after 1/1/05 and prior to 1/1/12):

Under age 65: The City contributes 100% of the single or family premium for the lowest cost plan. Retirees must contribute the excess premium amount if enrolled in the higher cost HMO plan.

Retirees enrolled in the Basic plan contribute \$30 per month for single coverage and \$60 per month for family coverage. If the Basic plan is the lowest cost plan offered by the City, the stated premiums will be waived.

General City retirees (retired prior to 1/1/05):

Under age 65: The City contributes up to 100% of the single or family rate under the Basic plan for all plans. Retirees must contribute the excess premium amount if enrolled in a higher cost HMO plan.

General City Management retirees (retired after 1/1/2014):

Under Age 65: May enroll in UHC Choice or UHC Choice Plus, the same plans as active employees. The City will pay 88% of the UHC Choice plan cost for either plan, and the retiree will pay the balance.

General City Management retirees (retired after 1/1/2004 and prior to 1/1/2014):

Under age 65: May enroll in UHC Choice or UHC Choice Plus, the same plans as active employees. The retiree will pay 12% of the cost of either plan, and the City will pay 88% of either plan.

General City Management retirees (retired prior to 1/1/04):

Under age 65: The City contributes up to 100% of the single or family rate under the Basic plan for all plans. Retirees must contribute the excess premium amount if enrolled in a higher cost HMO plan.

General City Retirees Age 65 and Older

Age 65 and older: The City contributes 25% of the premium for retirees enrolled in either the UHC Choice or UHC Choice Plus plan and the retiree contributes the remaining 75%.

Police Officers/Firefighters:

Under age 60: Under age 60: The City contributes between 65% and 100% of the single, retiree with spouse only, retiree with child/ren only, or family rate (retiree with spouse and child/ren) for the PPO plan based on the “percentage formula” as defined in the labor agreements. The percentage formula is based on the amount of unused sick leave at the time of retirement. Retirees must contribute the excess premium amount if enrolled in an EPO plan.

PLAN PROVISIONS (CONTINUED)

Between age 60 and 65: The City contributes up to 100% of the single rate under the PPO plan for retirees electing single coverage. The City contributes the greatest of 100% of the single rate under the PPO plan and the amount determined by the percentage formula for family coverage under the PPO plan. Retirees must contribute the excess premium amount for family coverage or if enrolled in a higher cost EPO plan.

Age 65 and older: The City contributes 25% of the single or family premium for retirees enrolled in an EPO or PPO plan and the retirees contribute the remaining 75%. Retirees over 65 with a spouse under 65 pay 75% of the “one with Medicare, one without Medicare” rate; the City pays the 25% balance.

DISABLED RETIREES (DUTY)

General City /Police Officers/Firefighters:

Under age 65 (until conversion to service retirement): The City contributes 100% of the single or family premium for the lowest cost EPO plan. Retirees must contribute the excess premium amount if enrolled in the higher cost PPO plan. Retirees pay the same rates as Active employees.

Between conversion to service retirement and age 65: The City will contribute in accordance with normal retirement provisions as defined under the applicable labor agreement. Police Officers and Firefighters will have their unused sick leave time at the time of duty disability pension commencement used in determining the City-paid health insurance benefits.

DISABLED RETIREES (ORDINARY)

The City contributes 25% of the single or family premium for retirees enrolled in an EPO or PPO plan and the retirees contribute the remaining 75%.

SURVIVING SPOUSES

Duty Death

Firefighters:

The City contributes 100% of the single or family premium for the EPO plan on behalf of surviving spouses of an active Firefighter that died in service. Surviving spouses wishing to enroll in the PPO Plan contribute \$75 per month for single coverage and \$150 per month for family coverage, with the City paying the excess. Upon attainment of age 65, surviving spouses pay in accordance with the applicable retiree premium schedule.

Police Officers:

The City contributes up to 100% of the single or family premium rate of the EPO Plan for the plan elected on behalf of surviving spouses of an active Police Officer that died in service. Surviving spouses pay the excess premium for the PPO Plan. Upon attainment of age 65, surviving spouses pay in accordance with the applicable retiree premium schedule.

Ordinary Death

While eligible for coverage, the City contributes 25% of the single or family premium for surviving spouses enrolled in an EPO plan and the surviving spouses contribute the remaining 75%. The City

PLAN PROVISIONS (CONTINUED)

contributes 25% of the single or family premium for surviving spouses enrolled in the PPO plan. Surviving spouses contribute the remaining 75%.

Death After Retirement

Surviving spouses of retirees pay premiums in accordance with the applicable retiree premium schedule.

PREMIUM RATES AS OF JANUARY 1, 2013

<u>Retiree Rates</u>	United Healthcare Choice Plus PPO	United Healthcare Choice EPO
Single without Medicare	\$ 915.49	\$ 845.36
Two Adults without Medicare	1,830.97	1,690.73
Family without Medicare	2,746.46	2,536.09
One with Medicare	305.79	357.84
Two with Medicare	578.80	715.64
One with Medicare & One without Medicare	1,325.50	1,146.80
One with Medicare & One without Medicare & Dependent Children	1,553.56	1,541.28
Two with Medicare & Dependent Children	810.08	1,110.15
One without Medicare & Dependent Children	1,373.23	1,268.05
One with Medicare & Dependent Children	750.95	752.31

PREMIUM RATES AS OF JANUARY 1, 2014

<u>Retiree Rates</u>	United Healthcare Choice Plus PPO	United Healthcare Choice EPO
Single without Medicare	\$ 1,023.55	\$ 945.15
Two Adults without Medicare	2,047.09	1,890.29
Family without Medicare	3,070.64	2,835.44
One with Medicare	327.26	382.96
Two with Medicare	619.44	765.89
One with Medicare & One without Medicare	1,418.57	1,227.32
One with Medicare & One without Medicare & Dependent Children	1,662.64	1,649.51
Two with Medicare & Dependent Children	866.96	1,188.10
One without Medicare & Dependent Children	1,535.32	1,417.72
One with Medicare & Dependent Children	803.68	805.14

PLAN PROVISIONS (CONTINUED)

LIFE INSURANCE BENEFIT

Eligibility conditions

General employees retiring at age 55 or older with at least 20 years of creditable service or age 60, and Police Officers and Firefighters retiring at age 52 or older with at least 20 years of creditable service or age 57, are eligible to continue life insurance coverage after retirement.

Benefit amount

For members retired prior to January 1, 2014:

General City employees

Employees under age 65 are eligible for base life insurance coverage equal to base salary to the next higher thousand dollars. Employees may elect additional supplemental coverage of up to the greater of 1.5 times annual base salary rounded to the next higher thousand dollars and \$100,000.

The life insurance coverage amount will be reduced by 33 1/3% of the base amount on the member's 65th birthday and reduced by an additional 16 1/3% on the member's 70th birthday if the original coverage amount was equal to 100% of annual base salary. The life insurance coverage amount will be reduced by 33 1/3% of the base amount on the member's 65th birthday, reduced by an additional 16 1/3% on the member's 70th birthday, and reduced by an additional 16 1/3% on the member's 75th birthday if the original coverage amount was greater than 100% of annual base salary. The life insurance coverage amount will not be reduced to less than 50% of the annual base salary.

Police Officers/Firefighters:

Retirees are eligible for life insurance coverage equal to base salary to the next higher thousand dollars.

The life insurance coverage amount will be reduced by 50% of the base amount on the member's 65th birthday.

Monthly retiree life insurance premium rates are \$0.525 per 1,000 of coverage until 12/31/2013.

For members retired on or after January 1, 2014:

General City employees can continue coverage upon retirement if they were enrolled with a minimum of 50% of their salary at time of retirement voluntary coverage at the time of retirement as an active employee. Retirees can carry in voluntary coverage no more than what they had in coverage at the time of retirement. They pay for coverage at the same age banded rates as active employees. Upon attaining age 65, if they had continued to carry at least 50% of their salary at the time of retirement in voluntary coverage, \$10,000 of the coverage is paid for by the City (at \$1.49 per \$1,000 of coverage). The retirees may elect to continue their voluntary coverage after age 65 but will pay for it at the age banded rates.

Fire and Police employees, upon retirement can elect to carry 100% of their salary at the time of retirement in voluntary coverage. They pay for this coverage at the age banded rates. Upon attaining age 65 coverage is paid for by the City. Coverage amounts are reduced according to a reduction schedule that is part of the labor contracts.

PLAN PROVISIONS (CONTINUED)

For all members:

Effective January 1, 2014, the following age banded rates apply to all General City employees.

<u>Age</u>	<25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+
Rate per \$1,000 of Coverage	0.05	0.06	0.08	0.09	0.10	0.15	0.23	0.43	0.66	1.27	2.06	2.43	2.80	5.29	8.00

Additionally, the City pays \$0.097 per \$1,000 of coverage for active employees (Basic coverage) and pays \$1.49 per \$1,000 of coverage for retirees after age 65.

Premium cost sharing

Retirees must pay the full cost of coverage until age 65. The City pays the full cost of coverage upon the retiree's attainment of age 65. For General Employees retired on or after January 1, 2014, the City pays for \$10,000 in coverage when the retirees attain age 65.

DENTAL BENEFITS

Retirees and dependents are not eligible for dental coverage; however, retirees are eligible for COBRA coverage for up to 18 months.

PLAN PROVISIONS (CONTINUED)
MEDICARE ELIGIBLE RETIREES

UNITED HEALTHCARE CHOICE EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network
Annual Deductible	\$500 per person	N/A
Co-Insurance	10% up to \$500	
Annual Out-of-Pocket Maximum	\$1,000 per year	
<u>Covered Services</u>		
-Physicians Visits	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
-Emergency Care	90% after deductible met \$150 copay after out-of-pocket maximum met	N/A
-Inpatient/ Outpatient Services	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
Prescription Drug Copays	<u>Retail</u>	<u>Mail Order</u>
	Generic \$5	\$10
	Brand Formulary \$25	\$50
	Brand Non- formulary \$50	\$100
Maximum Lifetime Benefit	No Lifetime Maximum	N/A

PLAN PROVISIONS (CONTINUED)
MEDICARE ELIGIBLE RETIREES

UNITED HEALTHCARE CHOICE PLUS EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network
Annual Deductible	\$750 per person	\$1,500 per person
Co-Insurance	10% up to \$750	30% up to \$1,500
Annual Out-of-Pocket Maximum	\$1,500 per year	\$3,000 per year
<u>Covered Services</u>		
-Physicians Visits	90% after deductible met 100% after Out-of-Pocket Maximum met	70% after deductible met 100% after Out-of-Pocket Maximum met
-Emergency Care	90% after deductible met 100% after Out-of-Pocket Maximum met	0% after deductible met \$150 copay after out-of- pocket maximum met
-Inpatient/Outpatient Services	90% after deductible met 100% after Out-of-Pocket Maximum met	70% after deductible met 100% after Out-of-Pocket Maximum met
Prescription Drug Co-pays		<u>Retail</u> <u>Mail Order</u>
	Generic	\$5 \$10
	Brand Formulary	\$25 \$50
	Brand Non-formulary	\$50 \$100
N/A		
Maximum Lifetime Benefit	No Lifetime Maximum	No Lifetime Maximum

PLAN PROVISIONS (CONTINUED)
NON-MEDICARE UNDER 65 RETIREES

UNITED HEALTHCARE CHOICE EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network
Annual Deductible	\$500 per person \$1,000 per family	N/A
Co-Insurance	10% up to \$500	
Annual Out-of-Pocket Maximum	\$1,000 per person \$2,000 per family	
<u>Covered Services</u>		
-Physicians Visits	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
-Emergency Care	90% after deductible met \$150 copay after out-of-pocket maximum met	N/A
-Inpatient/ Outpatient Services	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
Prescription Drug Copays	<u>Retail</u>	<u>Mail Order</u>
	Generic \$5	\$10
	Brand Formulary \$25	\$50
	Brand Non- formulary \$50	\$100
Maximum Lifetime Benefit	No Lifetime Maximum	N/A

PLAN PROVISIONS (CONTINUED)
NON-MEDICARE UNDER 65 RETIREES

UNITED HEALTHCARE CHOICE PLUS EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network												
Annual Deductible	\$750 per person \$1,500 per family	\$1,500 per person \$3,000 per family												
Co-Insurance	10% up to \$750	10% up to \$1,500												
Annual Out-of-Pocket Maximum	\$1,500 per person \$3,000 per family	\$3,000 per person \$6,000 per family												
<u>Covered Services</u>														
-Physicians Visits	90% after deductible met 100% after Out-of-Pocket Maximum met	70% after deductible met 100% after Out-of-Pocket Maximum met												
-Emergency Care	90% after deductible met \$150 copay after out-of-pocket maximum met	0% after deductible met \$150 copay after out-of-pocket maximum met												
-Inpatient/Outpatient Services	90% after deductible met 100% after Out-of-Pocket Maximum met	70% after deductible met 100% after Out-of-Pocket Maximum met												
Prescription Drug Co-pays	<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Retail</u></th> <th style="text-align: center;"><u>Mail Order</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Generic</td> <td style="text-align: center;">\$5</td> <td style="text-align: center;">\$10</td> </tr> <tr> <td style="text-align: center;">Brand Formulary</td> <td style="text-align: center;">\$25</td> <td style="text-align: center;">\$50</td> </tr> <tr> <td style="text-align: center;">Brand Non-formulary</td> <td style="text-align: center;">\$50</td> <td style="text-align: center;">\$100</td> </tr> </tbody> </table>		<u>Retail</u>	<u>Mail Order</u>	Generic	\$5	\$10	Brand Formulary	\$25	\$50	Brand Non-formulary	\$50	\$100	N/A
	<u>Retail</u>	<u>Mail Order</u>												
Generic	\$5	\$10												
Brand Formulary	\$25	\$50												
Brand Non-formulary	\$50	\$100												
Maximum Lifetime Benefit	No Lifetime Maximum	No Lifetime Maximum												

SECTION D

ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL METHODS AND ASSUMPTIONS

Development of Per Capita Claim Costs

The development of per capita claim costs is based on premium rates effective January 1, 2013, for the United Healthcare Choice Plan (EPO) and the United Healthcare Choice Plus Plan (PPO). Costs were developed separately for pre-Medicare and Medicare eligible coverage under the United Healthcare Choice Plan and United Healthcare Choice Plus Plan. Standard morbidity tables were used to develop expected claims costs at each respective postretirement age.

Cost Method and Expense Calculations for Retiree Healthcare Benefits

The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method is the second most widely used method in the public sector. It produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

Under GASB Statement Nos. 43 and 45, the projected unit credit method is an acceptable cost method. The Annual Required Contribution (ARC) equals the normal cost plus the amortization of the unfunded actuarial accrued liability. The amortization cannot exceed 30 years. Our calculations assume a level-percentage-of-pay 30-year open amortization period. The Annual Expense or Annual OPEB Cost equals the ARC plus interest on the Net OPEB Obligation less an adjustment to the ARC.

The Net OPEB Obligation or balance sheet liability is equal to the cumulative difference between the Annual OPEB Costs and employer contributions. The OPEB liability at the transition date, January 1, 2007, was set to zero.

Actuarial Assumptions

The actuarial assumptions used in our valuation are outlined on the following pages.

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Measurement Date	January 1, 2013
Discount Rate	4.50%
Inflation¹	3.00%
Wage Inflation²	3.00%
OPEB Assumptions	

<u>Calendar Year</u>	<u>Healthcare Trend³</u>
2014	Actual Premium Increases*
2015	8.00%
2016	7.50%
2017	7.00%
2018	6.50%
2019	6.00%
2020	5.50%
2021	5.00%
2022+	4.50%

¹ Inflation assumption used to estimate the impact of the Excise Tax under the Health Care Reform Act.

² Wage inflation used to project payroll.

³ First effective in 2018, excess trend rates of 0.30% for the PPO Plan and 0.35% for the EPO Plan are applied to the trend rates shown above for pre-Medicare claims costs to account for the Excise Tax under the Health Care Reform Act.

*Trend rates for pre-Medicare/post-Medicare coverage of 11.8%/7.0% for the United Healthcare Choice Plus Plan (PPO Plan) and the United Healthcare Choice Plan (EPO Plan) were applied in the first year (2014) based on actual premium increases.

Annual Per Capita Claim Costs for Calendar Year End 2013

<u>Age</u>	<u>United Healthcare Choice Plus</u>		<u>United Healthcare Choice</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	\$9,581	\$9,848	\$9,272	\$9,531
60	12,036	11,570	11,648	11,196
64	14,010	12,986	13,558	12,567
65	2,935	2,703	3,813	3,511
70	3,385	3,044	4,398	3,954
75	3,758	3,335	4,882	4,333
80	4,030	3,552	5,235	4,614

The per capita claim costs used in the valuation are blended based on 25%/75% and 75%/25% of the United Healthcare Choice Plus Plan (PPO) costs and the United Healthcare Choice Plan (EPO) costs, respectively for pre-65 and post-65 future retirees.

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Beginning in 2007, post-Medicare retirees participating in the Basic Plan receive prescription benefits through a Medicare Part D Prescription Drug Plan (PDP), through Dean Rx and a Wrap Plan resulting in direct savings of approximately \$100 per member per month. The post-Medicare per capita claim costs were reduced for the direct savings, in accordance with GASB Technical Bulletin 2006-1, because the employer has transferred the insurance risk to a third party and will not be receiving a direct subsidy from the federal government.

A 14% load is applied to the active pre-Medicare dependent per capita claim cost to account for covered children that are not directly valued.

Participation

95% of future Police and Fire retirees and 85% of future General Employee retirees who meet eligibility conditions for retiree healthcare benefits are assumed to participate at retirement.

Of these future retirees assumed to participate at retirement, 70% are assumed to continue their coverage beyond the point at which they become Medicare eligible.

Election

Future retirees are assumed to elect United Healthcare Choice Plus Plan coverage (PPO) and United Healthcare Choice Plan coverage (EPO) as follows:

Coverage Type	PPO	EPO
Pre-65	25%	75%
Post-65	75%	25%

City-Paid Coverage of Future Police and Fire Retirees Based on Sick Leave

Future police and fire retirees are assumed to retire with sufficient sick leave in order to receive City contributions in the amount of 87% of the Basic Plan premiums until attainment of age 60.

Spouse Coverage

Future retirees that elect coverage at retirement are assumed to enroll as follows:

Election	Single	Family
General	50%	50%
Police/Fire	40%	60%

50% of spouses are expected to continue coverage after the death of the retiree.

Females are assumed to be 3 years younger than their spouses in cases where no spouse date of birth is supplied.

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Pension-related assumptions

The pension-related assumptions disclosed in the City of Milwaukee Employees' Retirement System actuarial valuation report as of January 1, 2013, and provided by the actuary with certain adjustments are assumed.

GRS applied certain adjustments to the rates used in the City of Milwaukee Employees' Retirement System actuarial valuation as of January 1, 2013, for purposes of the GASB 45 valuation in order to comply with GRS guidelines for decrement rates. For termination rates with at least five years of service, if the rate provided at a certain age was higher than at the previous age, then the modified rate at the previous age was used. (GRS guidelines for termination rates are that rates should decrease as age increases.) For disability rates, if the rate provided at a certain age was lower than at the previous age, then the modified rate at the previous age was used. (GRS guidelines for disability rates are that rates should increase as age increases.) For disabled mortality, the healthy rates with a 3-year set forward were used.

Rates are applied consistently with the pension valuations (with modifications as described), using the GASB 45 census data, as provided by the City. Retirement rates are applied at first eligibility for pension benefits, although retiree healthcare benefits may not be payable.

<u>Salary Increase</u>		
Age	General Employees	Fire and Police
25	6.900%	10.500%
30	5.800%	6.700%
35	4.800%	4.800%
40	3.900%	3.700%
45	3.300%	3.300%
50	3.000%	3.100%
55 +	3.000%	3.000%

Demographic Assumptions

Mortality

For regular retirees and for survivors, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2013 for males and females.

For death in active service, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2013 for males and females, then a 6-year setback for males and females.

For purposes of the retiree healthcare valuation, the mortality assumption for regular retirees and survivors with a 3-year set forward to the mortality rates for disabled retirees.

Include full generational projection using mortality improvement scale AA.

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Sample Disability Rates			
% Separating Within Next Year			
General			
	Employees	Police	Fire
Age	Males/Females	Males/Females	Males/Females
20	0.050%	0.030%	0.064%
25	0.050%	0.030%	0.136%
30	0.060%	0.100%	0.280%
35	0.077%	0.170%	0.760%
40	0.146%	0.210%	1.200%
45	0.242%	0.210%	1.200%
50	0.284%	0.210%	1.350%
55	0.585%	0.210%	1.350%
60	0.922%	0.210%	1.350%
65	0.922%	0.210%	1.350%

20% of disabilities for General Employees, 75% of disabilities for and 90% of disabilities for Fire are considered to be duty-related.

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Sample Turnover Rates Less Than 5 Years of Service

Age	% Separating Within Next Year			
	General Employees		Police/Fire	
	Male	Female	Male	Female
20	13.550%	18.500%	8.200%	7.400%
25	12.250%	18.550%	3.100%	6.200%
30	8.700%	12.900%	2.200%	5.900%
35	8.200%	12.000%	2.700%	5.300%
40	6.750%	8.000%	4.400%	4.400%
45	7.000%	7.100%	5.400%	4.400%
50	6.400%	6.600%	8.800%	4.400%
55	5.250%	6.000%	10.000%	4.400%

Sample Turnover Rates At Least 5 Years of Service

Age	% Separating Within Next Year			
	General Employees		Police/Fire	
	Male	Female	Male	Female
20	10.000%	11.000%	1.920%	6.000%
25	9.750%	11.000%	1.920%	3.330%
30	5.321%	6.500%	1.620%	3.110%
35	3.928%	5.590%	1.400%	2.690%
40	3.468%	5.590%	1.260%	1.390%
45	2.296%	3.346%	1.120%	0.730%
50	1.825%	2.596%	1.120%	0.730%
55	1.529%	2.220%	1.120%	0.730%

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Age	Normal Retirement Rates ¹			Early Retirement Rates ²	
	% Separating Within Next Year (Age-Based)				
	General Employees		Firemen	Police	General Employees
	Male	Female			
42				10.0%	
43				10.0	
44				16.0	
45				16.0	
46				16.0	
47				16.0	
48				16.0	
49			8.0%	19.0	
50			8.0	20.0	
51			10.0	20.0	
52			15.0	25.0	
53			15.0	25.0	
54			25.0	25.0	
55	50.0%	30.0%	25.0	25.0	2.0%
56	35.0	20.0	25.0	25.0	2.0
57	32.0	18.0	25.0	25.0	2.0
58	30.0	28.0	30.0	25.0	2.0
59	22.0	23.0	35.0	25.0	2.0
60	21.0	19.0	45.0	25.0	
61	25.0	20.0	50.0	25.0	
62	30.0	25.0	50.0	50.0	
63	26.0	19.0	100.0	100.0	
64	20.0	19.0	100.0	100.0	
65	23.0	25.0	100.0	100.0	
66	23.0	23.0	100.0	100.0	
67	20.0	19.0	100.0	100.0	
68	20.0	13.0	100.0	100.0	
69	20.0	13.0	100.0	100.0	
70	100.0	100.0	100.0	100.0	

¹ Normal retirement eligibility for general employees is satisfied upon attainment of age 55 with 30 years of service or age 60 with 4 years of service.

² Early retirement eligibility for general employees is satisfied upon attainment of age 55 with 15 years of service.

SECTION E

PARTICIPANT DATA

**PARTICIPANT DATA
AS OF JANUARY 1, 2013**

Counts by Employee Group

	Actives	Retirees and Beneficiaries	Total
General	4,226	2,001	6,227
Police	1,878	1,180	3,058
Fire	<u>795</u>	<u>734</u>	<u>1,529</u>
All Plans	6,899	3,915	10,814

Retiree and Surviving Spouse Coverage Type by Employee Group

	1 Person	2 Person	Family ¹	Total
General	1,167	704	130	2,001
Police	494	508	178	1,180
Fire	<u>302</u>	<u>298</u>	<u>134</u>	<u>734</u>
All Plans	1,963	1,510	442	3,915

Retiree and Surviving Spouse Coverage Type by Plan

	1 Person	2 Person	Family ¹	Total
PPO	1,202	795	103	2,100
EPO	<u>761</u>	<u>715</u>	<u>339</u>	<u>1,815</u>
All Plans	1,963	1,510	442	3,915

¹ Includes contracts with one adult and dependent children.

**City of Milwaukee
 Retiree Healthcare and Life Insurance Programs
 Actuarial Valuation as of January 1, 2013
 Age Service Distribution for Total Active Population**

Attained Age	<u>Years of Service at Valuation Date</u>									Total	Valuation Payroll
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35		
Under 20	32	4								36	\$ 680,965
20-24	58	112	21							191	\$ 6,165,561
25-29	110	174	189	20						493	\$ 23,617,692
30-34	74	169	251	158	25					677	\$ 37,317,163
35-39	32	130	221	249	113	9				754	\$ 43,624,168
40-44	47	105	167	289	391	133	9			1,141	\$ 68,645,304
45-49	29	70	118	180	289	337	95	10		1,128	\$ 67,510,673
50-54	24	76	90	125	170	248	204	157	8	1,102	\$ 63,052,303
55-59	19	55	63	79	101	155	204	97	25	798	\$ 44,634,536
60-64	10	53	57	47	48	53	52	30	28	378	\$ 19,155,746
65-69	4	14	24	17	15	10	13	4	12	113	\$ 5,410,503
Over 70	6	9	28	18	12	5	3	2	5	88	\$ 2,980,265
Total	445	971	1,229	1,182	1,164	950	580	300	78	6,899	\$ 382,794,879

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 44.8 years
 Service: 13.5 years
 Average Pay: \$55,486

SECTION F

GLOSSARY

GLOSSARY

Accrued Service. The service credited under the plan, which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability (AAL). The difference between (i) the actuarial present value of future plan benefits; and (ii) the actuarial present value of future normal cost, which is sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Actuarial Value of Assets. The value of cash, investments, and other property belonging to a pension or OPEB plan, as used by the actuary for the purpose of an actuarial valuation.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Annual OPEB Cost (AOC). An accrual-basis measure of the periodic cost of an employer's participation in a defined OPEB plan.

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

Discount Rate. The rate used to adjust a series of future payments to reflect the time value of money.

GLOSSARY

Expected Net Employer Contributions. The difference between the age-adjusted premium or expected retiree healthcare claims and retired member's share of the premium. This amount is used to offset the Annual OPEB Cost during the fiscal year.

Explicit Rate Subsidy. The portion of the premium paid by the employer. The premium may be based on the experience of active and retired members or retired members only.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Implicit Rate Subsidy. The de facto subsidy of retirees by permitting them to pay lower than age-adjusted premiums through the use of a single common or blended premium for both retirees and active employees.

Medical Trend Rate (Health Inflation). The increase in the plan's cost over time. Trend includes all elements that may influence a plan's cost, assuming those enrollments and the plan benefits do not change. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology and cost shifting.

Net OPEB Obligation (NOO). An accounting liability when an employer doesn't fully fund the ARC.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Postemployment Benefits (OPEB). OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other healthcare benefits.

Pay-as-you-go funding. A method of financing benefits by making required payments only as they come due.

Plan member. A plan's membership includes active service employees, terminated employees who are eligible to receive benefits but are not receiving them, and retired employees and beneficiaries currently receiving benefits.

Pre-funding. A method of financing benefits by placing resources in trust as employees earn benefits so that the resources thus accumulated, along with related earnings, can be used to make benefit payments as they become due.

Present Value of all Projected Benefits. The present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

GLOSSARY

Projected Unit Credit Cost Method. A method under which the normal cost and actuarial accrued liability are directly proportional to the employee's service. The normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement.

Qualified Plan. A qualified plan is an employer-sponsored retirement plan that qualifies for special tax treatment under Section 401(a) of the Internal Revenue Code.

Reserve Account. An account used to indicate that funds have been set-aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability (UAAL). The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.