Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF MILWAUKEE

RETIREE HEALTHCARE AND LIFE INSURANCE PROGRAMS
ACTUARIAL VALUATION AS OF JANUARY 1, 2015

GRS Gabriel Roeder Smith & Company
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April 8, 2016

Ms. Aycha Sirvanci, CPA, CIA
Accounts Director
Special Deputy Comptroller
City of Milwaukee
City Hall
200 East Wells Street, Room 404
Milwaukee, WI 53202

Dear Ms. Sirvanci:

We have performed an actuarial valuation as of January 1, 2015, 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, 2015; and
- Develop retiree healthcare accounting expense information for fiscal years 2015 and 2016 as defined under GASB Statement Nos. 43 and 45.

This report was prepared at the request of the City and is intended for use by the City and those designated or approved by the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

The valuation was based on the following:

- Census data as of January 1, 2015, as provided by the City of Milwaukee Staff.
- Premium rating reports for calendar years 2015 and 2016 as prepared by the healthcare consultant and provided by the City of Milwaukee.
- Actual employer contributions for fiscal year 2015, as provided by the City of Milwaukee Staff.
- Plan provisions and funding policy in effect as of January 1, 2015, as provided by the City of Milwaukee and 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 and used in the City of Milwaukee Employees' Retirement System ("ERS") actuarial valuation as of January 1, 2015.
- Actuarial assumptions specific to the retiree healthcare actuarial 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*).

Alex Rivera and Amy Williams 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. Alex Rivera meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates used in this valuation.

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 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

Alex Rivera, F.S.A., E.A., M.A.A.A, F.C.A.
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Amy Williams

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Consultant

Enclosures

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report presents the results of our actuarial valuation as of January 1, 2015, of the Retiree Healthcare and Life Insurance Programs sponsored by the City of Milwaukee. The actuarial valuation was performed to satisfy the reporting requirements of GASB Statement Nos. 43 and 45. Our actuarial valuation was based on a discount rate assumption of 4.5 percent and an ultimate healthcare trend assumption of 4.5 percent[1], as approved by the City of Milwaukee. The discount rate reflects the employer's pay-as-you-go funding policy. The key actuarial 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, 2015	$331,490	$414,079	$230,127	$975,696
Normal Cost for FY 2015	$11,110	$17,510	$7,778	$36,398
Annual Required Contribution FY 2015	$24,631	$34,399	$17,165	$76,195
(% of Payroll)	13.5%	26.4%	31.4%	20.8%
GASB No. 45 FY 2015 Expense	$24,861	$35,215	$17,489	$77,566
(% of Payroll)	13.7%	27.1%	32.0%	21.1%
FY 2015 Employer Pay-go Contribution	$12,965	$9,580	$6,461	$29,006
(% of Payroll)	7.1%	7.4%	11.8%	7.9%
Payroll	$181,989	$130,070	$54,727	$366,785
Number of Active Members	3,625	1,918	804	6,347
Number of Retirees and Surviving Spouses	1,785	1,115	703	3,603

[1] *First effective in 2020, excess trend rates of 0.42% for the PPO Plan and 0.47% 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.*

Numbers may not add due to rounding.

The details of the preceding actuarial valuation results by employee group are included in Section B of the report. The actuarial 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 actuarial valuation excludes Redevelopment Authority of the City of Milwaukee ("RACM"), Housing Authority of the City of Milwaukee ("HACM") and Wisconsin Center District 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.

Plan Experience

The actuarial liabilities increased from $889.0 million as of January 1, 2013, to $975.7 million as of January 1, 2015. If the plan's assumptions had been exactly realized during the year, the actuarial liabilities would have increased to $965.9 million as of January 1, 2015.

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

- Increased trend rates due to
  - Fresh start of the assumed trend increases starting at 8.00 percent for pre-Medicare and 9.50 percent for post-Medicare beginning January 1, 2017
  - Update to the excess trend rate applied to the pre-Medicare per capita claims costs to account for the Excise Tax under the Health Care Reform Act;
- Actual healthcare claims experience; and
- Favorable demographic experience.

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

$ in Millions	
Actuarial Liability as of January 1, 2013	$889.0
Expected Liability as of January 1, 2015	$965.9
Increase/(Decrease) Due To:	
Updated Excise Tax and Fresh Start of Trend Assumptions, Healthcare Plan Experience	$21.7
Demographic Experience and Other	-$11.9
Actuarial Liability as of January 1, 2015	$975.7

SECTION B

VALUATION RESULTS AT 4.5% DISCOUNT

VALUATION RESULTS AT 4.5% DISCOUNT

The table on page 4 shows the results of the actuarial valuation as of January 1, 2015, applicable for the fiscal year ending December 31, 2015, by employee group. The table on page 5 includes a projection of the actuarial valuation results for the fiscal year ending December 31, 2016, by employee group.

The tables on pages 6 and 7 disclose the required supplementary information in accordance with GASB 45.

The valuation assumes 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 percent[1]. 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.

Actual employer contributions for fiscal year 2015 were provided by the City. 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). An updated Net OPEB Obligation at December 31, 2016, will be based on actual employer contributions for fiscal year 2016.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for fiscal years beginning after June 15, 2017, replaces GASB Statement No. 45. GASB Statement No. 75 requires governments to report a liability on the face of their financial statements for the OPEB provided. In addition, it requires governments in all types of OPEB plans to provide more extensive note disclosures and RSI about OPEB liabilities.

[1] *First effective in 2020, excess trend rates of 0.42% for the PPO Plan and 0.47% 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, 2015
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				
I) Actuarial Liability				
A) Health Insurance				
i) Active Employees [3]	$ 165,147,900	$ 245,426,000	$ 113,414,300	$ 523,988,200
ii) Retired and Disabled Participants [4]	126,096,800	139,069,300	98,853,700	364,019,800
iii) Total	$ 291,244,700	$ 384,495,300	$ 212,268,000	$ 888,008,000
B) Life Insurance				
i) Active Employees	$ 7,710,600	$ 5,195,900	$ 2,762,600	$ 15,669,100
ii) Retired and Disabled Participants	32,534,700	24,387,800	15,096,000	72,018,500
iii) Total	$ 40,245,300	$ 29,583,700	$ 17,858,600	$ 87,687,600
C) Total Liabilities	$ 331,490,000	$ 414,079,000	$ 230,126,600	$ 975,695,600
II) Assets	-	-	-	-
III) Unfunded Actuarial Liability (UAL)	331,490,000	414,079,000	230,126,600	975,695,600
IV) Net OPEB Obligation (boy) [5]	54,749,700	193,707,800	77,045,500	325,503,000
V) Normal Cost				
A) Health Insurance	$ 10,589,300	$ 17,186,800	$ 7,629,700	$ 35,405,800
B) Life Insurance	520,700	322,900	148,700	992,300
C) Total	$ 11,110,000	$ 17,509,700	$ 7,778,400	$ 36,398,100
VI) Annual Required Contribution (ARC)				
A) Normal Cost	$ 11,110,000	$ 17,509,700	$ 7,778,400	$ 36,398,100
B) Amortization of UAL	13,520,700	16,889,400	9,386,400	39,796,500
C) Total	$ 24,630,700	$ 34,399,100	$ 17,164,800	$ 76,194,600
VII) Annual OPEB Cost				
A) ARC	$ 24,630,700	$ 34,399,100	$ 17,164,800	$ 76,194,600
B) Interest on Net OPEB Obligation	2,463,700	8,716,900	3,467,000	14,647,600
C) Adjustment to ARC	(2,233,100)	(7,900,900)	(3,142,500)	(13,276,500)
D) Total	$ 24,861,300	$ 35,215,100	$ 17,489,300	$ 77,565,700
E) Percentage of Payroll	13.7%	27.1%	32.0%	21.1%
VIII) Actual Employer Contributions [6]				
A) Total	$ 12,965,200	$ 9,579,600	$ 6,461,100	$ 29,005,900
B) Percentage of Payroll	7.1%	7.4%	11.8%	7.9%
IX) Payroll	$ 181,988,900	$ 130,069,500	$ 54,726,500	$ 366,784,900
X) Covered Member Counts				
A) Active Employees	3,625	1,918	804	6,347
B) Retired and Disabled Participants [4]	1,785	1,115	703	3,603
C) Total	5,410	3,033	1,507	9,950

[1] *Base increase plus seniority and merit components.*

[2] *First effective in 2020, excess trend rates of 0.42% for the PPO Plan and 0.47% 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 as of December 31, 2014, from the previous valuation as of January 1, 2013.*

[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, 2015
Projected Unit Credit Cost Method

Projected Results as of January 1, 2016

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				
I) Actuarial Liability				
A) Health and Life Insurance Total Liabilities	$ 341,364,800	$ 438,706,400	$ 240,312,200	$ 1,020,383,400
II) Assets	-	-	-	-
III) Unfunded Actuarial Liability (UAL)	341,364,800	438,706,400	240,312,200	1,020,383,400
IV) Net OPEB Obligation (boy)	66,645,800	219,343,300	88,073,700	374,062,800
V) Normal Cost				
A) Health Insurance	$ 11,065,800	$ 17,960,200	$ 7,973,100	$ 36,999,100
B) Life Insurance	544,100	337,400	155,300	1,036,800
C) Total	$ 11,609,900	$ 18,297,600	$ 8,128,400	$ 38,035,900
VI) Annual Required Contribution (ARC)				
A) Normal Cost	$ 11,609,900	$ 18,297,600	$ 8,128,400	$ 38,035,900
B) Amortization of UAL	13,923,500	17,893,900	9,801,800	41,619,200
C) Total	$ 25,533,400	$ 36,191,500	$ 17,930,200	$ 79,655,100
VII) Annual OPEB Cost				
A) ARC	$ 25,533,400	$ 36,191,500	$ 17,930,200	$ 79,655,100
B) Interest on Net OPEB Obligation	2,999,100	9,870,400	3,963,300	16,832,800
C) Adjustment to ARC	(2,718,300)	(8,946,500)	(3,592,300)	(15,257,100)
D) Total	$ 25,814,200	$ 37,115,400	$ 18,301,200	$ 81,230,800
E) Percentage of Payroll	13.8%	27.7%	32.5%	21.5%
VIII) Expected Employer Contributions [5]				
A) Total	$ 16,452,800	$ 12,831,400	$ 9,110,600	$ 38,394,800
B) Percentage of Payroll	8.8%	9.6%	16.2%	10.2%
IX) Payroll	$ 187,448,600	$ 133,971,600	$ 56,368,300	$ 377,788,500
X) Covered Member Counts				
A) Active Employees	3,625	1,918	804	6,347
B) Retired and Disabled Participants [4]	1,900	1,153	735	3,787
C) Total	5,525	3,071	1,539	10,134

[1] *Base increase plus seniority and merit components.*

[2] *First effective in 2020, excess trend rates of 0.42% for the PPO Plan and 0.47% 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, 2015
GASB 45 Accounting

OPEB Cost Summary

Year Ended	Annual OPEB Cost (AOC)	Employer Contributions	% of AOC Contributed	Net OPEB Obligation	Annual Required Contribution (ARC)	% of ARC Contributed
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 [1]	71,489,000	37,552,000	52.5%	287,460,000	70,422,000	53.3%
December 31, 2014 [1]	74,790,000	36,747,000	49.1%	325,503,000	73,571,000	49.9%
December 31, 2015 [2]	77,566,000	29,006,000	37.4%	374,063,000	76,195,000	38.1%

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 [1]	-	888,982,700	888,982,700	0.0%	382,794,900	232.2%
January 1, 2015	-	975,695,600	975,695,600	0.0%	366,784,900	266.0%

[1] *Values consistent with figures shown in the City's Notes to Financial Statements. All values rounded to nearest thousand for fiscal year 2014.*

[2] *Employer Contribution for fiscal year end December 31, 2015, was provided by the City.*

This information is presented in draft form for review by the City's auditor. Please let us know if there are any changes so that we may maintain consistency with the City's financial statements.

City of Milwaukee
Retiree Healthcare and Life Insurance Programs
Actuarial Valuation as of January 1, 2015
GASB 45 Accounting

The GASB 45 financial disclosure information for the fiscal year end 2015 was based on the following assumptions and methods.

Valuation Date	January 1, 2015
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, 2016, based on actual premium increases. 8.0% per year graded down to 4.5% per year ultimate trend in 0.5% increments thereafter for pre-Medicare, 9.5% per year graded down to 4.5% per year ultimate trend in 0.5% increments thereafter for post-Medicare [a,b]

[a] *First effective in 2020, excess trend rates of 0.42% for the PPO Plan and 0.47% 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 of approximately 5.6%/6.7% for pre-Medicare/post-Medicare per capita claims costs and 6.7%/19.4% pre-Medicare/post-Medicare premium rates were applied in the first year (2016) based on rating information provided to GRS.*

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 credible 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 (15 years of creditable service is required to receive healthcare benefits).

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 4 years of creditable service (15 years of creditable service is required to receive healthcare benefits).

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.

New police officers hired after 1/1/16: At least age 50 and at least 25 years of creditable service (not any age).

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.

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.

All Medicare retirees over 65 pay 75% of the cost of their Medicare based on their plan code and health plan selection Rate Chart 1.

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. 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.

PLAN PROVISIONS (CONTINUED)

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:

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 retiree 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 retiree 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 retiree 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 retiree 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: The City contributes between 65% and 100% of the single, retiree with spouse only, retiree with child/ren only, or family retiree 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.

Between age 60 and 65: The City contributes up to 100% of the single rate under the PPO retiree 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 retiree 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 retiree 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 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, 2015

Retiree Rates	United Healthcare Choice Plus PPO	United Healthcare Choice EPO
Single without Medicare	$ 958.00	$ 885.00
Two Adults without Medicare	1,916.00	1,769.00
Family without Medicare	2,874.00	2,654.00
One with Medicare	324.00	379.00
Two with Medicare	614.00	759.00
One with Medicare & One without Medicare	1,405.00	1,216.00
One with Medicare & One without Medicare & Dependent Children	1,647.00	1,634.00
Two with Medicare & Dependent Children	859.00	1,177.00
One without Medicare & Dependent Children	1,437.00	1,327.00
One with Medicare & Dependent Children	796.00	798.00

Plan Provisions (Continued)

Premium Rates as of January 1, 2016

Retiree Rates	United Healthcare Choice Plus PPO	United Healthcare Choice EPO
Single without Medicare	$ 1,022.00	$ 945.00
Two Adults without Medicare	2,045.00	1,888.00
Family without Medicare	3,067.00	2,833.00
One with Medicare	387.00	453.00
Two with Medicare	733.00	907.00
One with Medicare & One without Medicare	1,678.00	1,453.00
One with Medicare & One without Medicare & Dependent Children	1,967.00	1,952.00
Two with Medicare & Dependent Children	1,026.00	1,406.00
One without Medicare & Dependent Children	1,534.00	1,416.00
One with Medicare & Dependent Children	951.00	953.00

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.

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 voluntary coverage up to 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.

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

Age	<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.

UNITED HEALTHCARE CHOICE EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network
Annual Deductible Co-Insurance Annual Out-of-Pocket Maximum	$750 per person 10% - 30% $1,500 per year	N/A
Covered Services		
-Physicians Visits	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
-Emergency Care	90% after deductible met $200 copay not part of deductible or co-insurance	N/A
-Inpatient/ Outpatient Services	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
Prescription Drug Co-insurance	Co-insurance of 20% for all generic and brand with minimum of $4 and maximum of $75	N/A
Maximum Lifetime Benefit	No Lifetime Maximum	N/A

UNITED HEALTHCARE CHOICE PLUS EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network
Annual Deductible	$1,500 per person	$3,000 per person
Co-Insurance	10-30% up to $1,500	30% up to $3,000
Annual Out-of-Pocket Maximum	$3,000 per year	$3,000 per year
Covered Services		
-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-insurance	Co-insurance of 20% for all generic and brand with minimum of $4 and maximum of $75	N/A
Maximum Lifetime Benefit	No Lifetime Maximum	No Lifetime Maximum

UNITED HEALTHCARE CHOICE EFFECTIVE 1/1/2013

Plan Feature	In Network	Out of Network
Annual Deductible	\$750 per person \$1,500 per family	N/A
Co-Insurance	10-30% up to \$750	
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 \$200 co-pay not part of deductible or co-insurance	N/A
-Inpatient/ Outpatient Services	90% after deductible met 100% after Out-of-Pocket Maximum met	N/A
Prescription Drug Copays	Co-insurance of 20% for all generic and brand with minimum of \$4 and maximum of \$75	N/A
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	$1,500 per person $3,000 per family	$3,000 per person $6,000 per family
Co-Insurance	10-30% up to $1,500	10-30% up to $3,000
Annual Out-of-Pocket Maximum	$3,000 per person $6,000 per family	$6,000 per person $12,000 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	$200 co-pay not part of deductible or co-insurance	$200 co-pay not part of deductible or co-insurance
-Inpatient/Outpatient Services	70-90% 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	Co-insurance of 20% for all generic and brand with minimum of $4 and maximum of $75	N/A
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

Per capita claim costs were developed separately for pre-Medicare (early retirees) and Medicare eligible coverage under the United Healthcare Choice Plan (EPO) and United Healthcare Choice Plus Plan (PPO) and were based on 2016 per retiree per month average costs amounts provided in the rating reports and converted to a per person per month average costs basis using the number of average members during the rating period. Standard morbidity tables were used to develop expected claims costs at each respective post retirement 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.

Measurement Date	January 1, 2015
Discount Rate	4.50%
Inflation[1]	3.00%
Wage Inflation[2]	3.00%

OPEB Assumptions

Calendar Year	Pre-Medicare Healthcare Trend [3]	Post-Medicare Healthcare Trend
2016	Actual Premium Increases*	Actual Premium Increases*
2017	8.00%	9.50%
2018	7.50%	9.00%
2019	7.00%	8.50%
2020	6.50% [3]	8.00%
2021	6.00% [3]	7.50%
2022	5.50% [3]	7.00%
2021	5.00% [3]	6.50%
2022	4.50% [3]	6.00%
2023	4.50% [3]	5.50%
2024	4.50% [3]	5.00%
2025+	4.50% [3]	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 2020, excess trend rates of 0.42% for the PPO Plan and 0.47% 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 of approximately 5.6%/6.7% for pre-Medicare/post-Medicare per capita claims costs and 6.7%/19.4% pre-Medicare/post-Medicare premium rates were applied in the first year (2016) based on rating information provided to GRS.*

Annual Per Capita Claim Costs for Calendar Year End 2015

	Blended Cost United Healthcare Choice Plus/ United Healthcare Choice	
Age	Male	Female
55	$9,283	$9,542
60	11,662	11,210
64	13,574	12,582
65	4,629	4,263
70	5,340	4,801
75	5,928	5,261
80	6,356	5,602

The per capita claim costs used in the valuation are blended based on 17%/83% and 70%/30% 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.

An 8% load is applied for future General Employee retirees and a 16% load is applied for future Police and Fire retirees to the pre-Medicare retiree 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:

	PPO	EPO
Coverage Type		
Pre-65	17%	83%
Post-65	70%	30%

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:

	Single	Family
Election		
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 three years younger than their spouses in cases where no spouse date of birth is supplied.

Pension-related assumptions
The pension-related assumptions disclosed in the City of Milwaukee Employees' Retirement System actuarial valuation report as of January 1, 2015, and provided by the actuary with certain adjustments are assumed. There were no changes in assumption from those used in the GASB 45 valuation as of January 1, 2013.

GRS applied certain adjustments to the rates used in the City of Milwaukee Employees' Retirement System actuarial valuation as of January 1, 2015, 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.

Salary Increase

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 from rates as of January 1, 2014, using mortality improvement scale AA.

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.

Sample Turnover Rates Less Than 5 Years of Service

	% Separating Within Next Year			
	General Employees		Police/Fire	
Age	**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

	% Separating Within Next Year			
	General Employees		Police/Fire	
Age	**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%

	Representative Normal Retirement Rates [1] % Separating Within Next Year (Age-Based)				Early Retirement Rates [2]
Age	General Employees Male	General Employees Female	Firemen	Police	General Employees
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 for members hired before January 1, 2014 (Tier 1), and age 60 with 30 years of service or age 65 with 4 years of service for members hired after January 1, 2014 (Tier 2).

[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, 2015

Counts by Employee Group

	Actives	Retirees and Beneficiaries	Total
General	3,625	1,785	5,410
Police	1,918	1,115	3,033
Fire	804	703	1,507
All Plans	6,347	3,603	9,950

Retiree and Surviving Spouse Coverage Type by Employee Group

	1 Person	2 Person	Family [1]	Total
General	1,053	627	105	1,785
Police	489	452	174	1,115
Fire	272	292	139	703
All Plans	1,814	1,371	418	3,603

Retiree and Surviving Spouse Coverage Type by Plan

	1 Person	2 Person	Family [1]	Total
PPO	1,059	629	71	1,759
EPO	755	742	347	1,844
All Plans	1,814	1,371	418	3,603

[1] *Includes contracts with one adult and dependent children.*

City of Milwaukee
Retiree Healthcare and Life Insurance Programs
Actuarial Valuation as of January 1, 2015
Age Service Distribution for Total Active Population

Attained Age	Years of Service at Valuation Date 0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35	Total	Valuation Payroll
Under 20										**0**	**$ -**
20-24	48	35	10							**93**	**$ 3,856,482**
25-29	98	162	102	19						**381**	**$ 18,726,081**
30-34	96	207	229	131	19					**682**	**$ 37,144,405**
35-39	45	137	227	212	107	8				**736**	**$ 42,730,235**
40-44	37	103	147	261	300	114	3			**965**	**$ 58,568,345**
45-49	25	89	126	184	290	380	51	4		**1,149**	**$ 69,629,116**
50-54	27	65	85	126	151	286	203	109	14	**1,066**	**$ 63,018,637**
55-59	20	51	69	75	87	158	177	109	46	**792**	**$ 45,670,631**
60-64	7	33	32	53	45	55	85	45	27	**382**	**$ 21,477,197**
65-69	1	3	15	17	11	11	9	4	14	**85**	**$ 4,988,717**
Over 70				7	1	2	1		5	**16**	**$ 975,161**
Total	**404**	**885**	**1,042**	**1,085**	**1,011**	**1,014**	**529**	**271**	**106**	**6,347**	**$ 366,785,007**

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

Age:	45.2	years
Service:	14.3	years
Average Pay:	$57,789	

SECTION F

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.

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.

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.