Contents

July 2005

OBRA 1990 Retirement System of the County of Milwaukee

Actuarial Valuation Report as of January 1, 2005 for the Plan Year and Fiscal Year Ending December 31, 2005

MERCER

Human Resource Consulting

Contents

Highlights

This report has been prepared by Mercer Human Resource Consulting on behalf of plan participants of the County of Milwaukee (the "Plan Sponsor") to:

- Determine the funding calculation under the OBRA 1990 Retirement System of the County of Milwaukee (the "Plan") for the plan and fiscal year ending December 31, 2005;
- Present the results of a valuation of the Plan as of January 1, 2005; and
- Review experience under the Plan for the year ended December 31, 2004.

The following table summarizes important contribution information.

	Plan Year Ending	
Contributions	**December 31, 2005**	**December 31, 2004**
Funding Calculation	$ 386,222	$ 337,669
Percentage of Payroll	4.60%	4.02%

This amount will pay the normal cost for the year and amortize the unfunded actuarial accrued liability as a level percentage of pay over the next 30 years.

Following Year's Budget Contribution

The 2006 budget contribution is $462,000.

Summary of Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods, or plan provisions between the two valuations are described after the summary.

	Actuarial Valuation as of	
	January 1, 2005	**January 1, 2004**
Funding Valuation		
Market Value of Assets	$ 943,973	$ 789,690
Actuarial Value of Assets	943,973	789,690
Actuarial Accrued Liability	2,871,834	2,535,291
Funded Ratio	32.87%	31.15%
Unfunded Actuarial Accrued Liability	1,927,861	1,745,601
Normal Cost	$ 123,416	$ 114,174
Percentage of Compensation	1.47%	1.33%
Participant Data		
Number of Participants in Valuation		
Active Participants	1,459	1,586
Participants with Deferred Benefits	7,631	7,098
Participants Receiving Benefits	1	1
Total	9,091	8,685
Total Compensation*	$ 8,405,836	$ 8,397,870

The liability measures shown above are developed throughout the report.

* *Prior-year earnings projected with one-year salary scale for those under the mandatory retirement age.*

Assumption Changes

There were no changes for the January 1, 2005 plan year.

For 2006 budget purposes, the following assumption change was recognized:

- The investment return assumption was lowered from 8.5% to 8.0%.

Certification

We have prepared an actuarial valuation of the OBRA 1990 Retirement System for the County of Milwaukee as of January 1, 2005 for the plan year ending December 31, 2005. The results of the valuation are set forth in this report, which reflects the provisions of the Plan effective January 1, 1992, and incorporating subsequent amendments.

The valuation is based on employee and financial data which were provided by the County of Milwaukee and which are summarized in this report.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions selected by the Pension Board are reasonable estimates of the anticipated experience under the Plan. This report fully and fairly discloses the actuarial position of the Plan on an ongoing basis.

This report has been prepared for the County of Milwaukee to determine a contribution amount for the OBRA 1990 Retirement System of the County of Milwaukee and to provide the plan's accountants with the funded status of the plan. Mercer Human Resource Consulting is not responsible for any consequences arising from the use of this report for any other purpose.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained within this report.

Dennis A. Skelly — Date: 7/6/2005
Dennis A. Skelly
Associate, Society of Actuaries
Enrolled Actuary No. 05-3209

Glenn W. Soderstrom — Date: 7/6/2005
Glenn W. Soderstrom
Fellow, Society of Actuaries
Enrolled Actuary No. 05-2873

Mercer Human Resource Consulting
411 E. Wisconsin Ave., Suite 1500
Milwaukee, WI 53202-4417
(414) 223-4200

Section 1: Funding Results

Section 1.1	The unfunded actuarial accrued liability as of the valuation date.
Section 1.2	A development of the actuarial gain or loss during the year.
Section 1.3	The normal cost as of the valuation date.
Section 1.4	The determination of the contribution recommendations, including the actual and budgeted contributions.

Section 1.1

Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected plan benefits allocated to past service by the actuarial funding method being used.

	January 1, 2005	January 1, 2004
1. Actuarial Accrued Liability		
a. Active Participants	$ 934,679	$ 929,664
b. Participants with Deferred Benefits	1,926,673	1,594,847
c. Participants Receiving Benefits	10,482	10,780
d. Actuarial Accrued Liability *(a. + b. + c.)*	2,871,834	2,535,291
2. Actuarial Value of Assets	943,973	789,690
3. Unfunded Actuarial Accrued Liability *(1.d. – 2., not less than $0)*	$ 1,927,861	$ 1,745,601

Actuarial Gain/(Loss)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of January 1, 2005.

1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at January 1, 2004	$ 2,535,291
b. Normal Cost at January 1, 2004	114,174
c. Interest on *a.* + *b.* to End of Year	225,205
d. Benefit Payments for Plan Year Ending December 31, 2004, with Interest to End of Year	44,274
e. Expected Actuarial Accrued Liability Before Change *(a. + b. + c. – d.)*	2,830,396
f. Change in Actuarial Accrued Liability at January 1, 2005 Due to Change in Plan Provisions and Actuarial Assumptions	0
g. Expected Actuarial Liability at January 1, 2005 *(e. + f.)*	2,830,396
2. Actuarial Accrued Liability at January 1, 2005	2,871,834
3. Liability Gain/(Loss) *(1.g. – 2.)*	(41,438)
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at January 1, 2004	789,690
b. Interest on *a.* to End of Year	67,124
c. Contributions Made for Plan Year Ending December 31, 2004	348,000
d. Interest on *c.* to End of Year	0
e. Benefit Payments for Plan Year Ending December 31, 2004, with Interest to End of Year	44,274
f. Reimbursable Expenses Paid by Plan During 2004	238,648
g. Expected Actuarial Value of Assets January 1, 2005 *(a. + b. + c. + d. – e. – f.)*	921,892
5. Actuarial Value of Assets as of January 1, 2005	943,973
6. Actuarial Asset Gain/(Loss) *(5. – 4.g.)*	22,081
7. Actuarial Gain/(Loss) *(3. + 6.)*	**$** (19,357)

Section 1.3

Normal Cost

The components of normal cost under the Plan's funding method are:

	January 1, 2005	January 1, 2004
1. Retirement Benefits	$ 91,931	$ 83,629
2. Withdrawal Benefits	31,485	30,545
3. Total Normal Cost *(1. + 2.)*	**$** 123,416	**$** 114,174

Contributions

The County of Milwaukee has adopted the policy developed below for funding purposes and abides the requirements of GASB Nos. 25 and 27 for pension expenses. The County's policy and the amounts required for the plan year ending December 31, 2005 are shown below.

A. Actual 2005 Funding Calculation

The actual funding calculation consists of the amortization of the unfunded actuarial liability plus the normal cost.

1. Net Annual Amortizations *(Section 1.4C)*	$ 252,316
2. a. Normal Cost	123,416
b. Interest	10,490
c. Normal Cost with Interest	133,906
3. Net Pension Obligation, End-of-Year Basis *(1. + 2.c.)*	$ 386,222

B. Funding Budget Policy

	Plan Year Ending	
	December 31, 2006	December 31, 2005
1. Net Annual Amortizations	$ 301,000	$ 230,000
2. Normal Cost with Interest	161,000	135,000
3. Total Funding Budget Policy, End-of-Year Basis *(1. + 2.)*	$ 462,000	$ 365,000

Section 1.4

C. Amortization Schedule for Funding Calculation

Annual amortization payments of the reestablished unfunded actuarial accrued liability and changes to the unfunded actuarial accrued liability arising from plan changes and actuarial gains/losses are amortized as a level percentage of payroll, assuming payroll growth of 5% per year over a period of 30 years (previously 20 years). The outstanding balances at previous bases that were amortized over 20 years are reamortized over 30 years from January 1, 2005. Expenses paid by the Trust and reimbursed by the County are amortized over 10 years. The variance between the actual amount contributed for the year and the contribution for the year to maintain the funding schedule is amortized over five years.

	Amortization Period			Balances		
Charges	**Date Created**	**Initial Years**	**Last Payment**	**Initial**	**Outstanding**	**End-of-Year Payment**
1993-1996 Expenses	1/1/1997	10	2006	$ 243,729	$ 66,060	$ 37,299
Expenses	1/1/1998	10	2007	96,137	37,571	14,711
Expenses	1/1/1999	10	2008	81,673	40,928	12,495
Expenses	1/1/2000	10	2009	85,685	51,652	13,108
Expenses	1/1/2001	10	2010	100,656	70,104	15,395
Variance	1/1/2002	5	2006	1,612	728	411
Expenses	1/1/2002	10	2011	109,857	85,996	16,801
Expenses	1/1/2003	10	2012	141,818	122,094	21,651
Variance	1/1/2004	5	2008	8,760	7,282	2,223
Expenses	1/1/2004	10	2013	178,462	166,432	27,199
Reestablished Unfunded	1/1/2004	30	2033	1,009,474	1,038,846	59,255
Expenses	1/1/2005	10	2014	238,648	238,649	36,372
Actuarial Loss	1/1/2005	10	2014	19,357	19,357	1,082
Total					**$ 1,945,699**	**$ 258,002**

	Amortization Period			Balances		
Credits	**Date Created**	**Initial Years**	**Last Payment**	**Initial**	**Outstanding**	**End-of-Year Payment**
Variance	1/1/2001	5	2005	771	181	196
Variance	1/1/2003	5	2007	11,281	7,326	2,868
Variance	1/1/2005	5	2009	10,331	10,331	2,622
Total					**$ 17,838**	**$ 5,686**
Net Amount					**$ 1,927,861**	**$ 252,316**

Section 1.4

D. Reconciliation

The following year budgeted contribution calculation changed from this year's calendar as follows:

1. 2005 Funding Budget	$	365,000
a. Assets and Liability Loss (Gain)		(1,000)
b. Higher than anticipated expenses during 2004		22,000
2. 2005 Actual Funding Calculation	$	386,000
a. Expected increase in normal cost and amortization payment		15,000
b. 2005 Contribution Variance		5,000
c. Amortization of 2005 Expeded Expenses		31,000
d. Assumption change		25,000
3. 2006 Funding Budget	$	462,000

GASB Nos. 25 and 27 Disclosure

A. Equivalent Single Amortization Period

Shown below is the derivation of the equivalent single amortization period of the unfunded calculation in accordance with GASB statement Nos. 25 and 27. The maximum allowable amortization period is 40 years (30 years effective January 1, 2007).

		January 1, 2005		January 1, 2004
1. Covered Payroll*	$	8,405,836	$	8,397,870
2. Unfunded Amount		1,927,861		1,745,601
3. Amortization Payment		252,316		213,790
4. Payment as a Level Percentage of Payroll *(3 ÷ 1)*		3.00%		2.55%
5. Weighted Average Amortization Factor *(2 ÷ 3)*		7.64		8.17
6. Equivalent Single Amortization Period (Nearest Whole Year)		9		10

**Prior-year earnings increased by the salary assumption for those under the mandatory retirement age.*

B. Net Pension Obligation

The Net Pension Obligation is derived as detailed in Section 1.4A.

		January 1, 2005		January 1, 2004
1. Net Pension Obligation at End-of-Year	$	386,222	$	337,669

Section 2: Plan Assets

This section presents information regarding plan assets as reported by the plan administrator. The plan assets represent the portion of total plan liabilities which have been funded as of the valuation date.

Section 2.1 Summary of Assets.

Section 2.2 Reconciliation of Assets.

Section 2.3 Actuarial Value of Assets.

Section 2.4 Contributions for Prior Plan Year.

Section 2.1

Summary of Assets

Asset Category	Market Value as of December 31, 2004
1. Cash and Equivalents	$ 32,871
2. Assets Held by ERS Pension Plan	563,102
3. Contributions Receivable	348,000
4. Net Assets Available for Benefits *(1. + 2. + 3.)*	$ 943,973

Section 2.2

Reconciliation of Assets

Transactions	December 31, 2003 to December 31, 2004
Income	
1. Contributions Received or Receivable	$ 348,000
2. Investment Income	87,400
3. Total Income *(1. + 2.)*	**$ 435,400**
Disbursements	
4. Benefit Payments	$ 42,469
5. Investment and Administrative Expenses	238,648
6. Total Disbursements *(4. + 5.)*	281,117
7. Net Income *(3. – 6.)*	154,283
8. Net Assets at Beginning of Year	789,690
9. Net Assets at End of Year *(7. + 8.)*	**$ 943,973**

Section 2.3

Actuarial Value of Assets

The actuarial asset value is set equal to the market value of assets plus any receivable contributions.

	January 1, 2005	January 1, 2004
Actuarial Asset Value	$ 943,973	$ 789,690

Section 2.4

Contributions for Prior Plan Year

	Amount			
	Employer	Employee	Interest	Total
3/1/2004	$ 348,000	$ 0	$ 0	$ 348,000
Total	$ 348,000	$ 0	$ 0	$ 348,000

Section 3: Basis of Valuation

This section presents and describes the basis of the valuation. The census of participants, actuarial basis and provisions of the Plan are the foundation of the valuation, since these are the present facts on which the projection of benefit payments will depend. The valuation is based on the premise that the Plan will continue in existence.

Section 3.1 The participant data used for the actuarial valuation.

Section 3.2 The actuarial funding method, procedures and actuarial assumptions.

Section 3.3 The plan provisions valued in the actuarial valuation.

Section 3.1

Plan Participants

A. Participant Data Reconciliation

	Active Participants	Inactive Participants	Total
Total at January 1, 2004	**1,586**	**7,099***	**8,685**
Did Not Accrue Benefit in 2004	(598)	598	0
Lump-Sum Payouts	0	(1)	(1)
Deaths	(5)	(20)	(25)
New Participants	421	7	428
Inactives – Began Accruing Benefit in 2004	52	(52)	0
Data Correction Reported by County	3	1	4
Total at January 1, 2005	**1,459**	**7,632***	**9,091**

* *One of these is currently in payment status.*

Section 3.1

B. Distribution of Active Participants at January 1, 2005

	Years of Service									
Age	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30 - 34**	**35 - 39**	**40+**	**Total**
Under 20	472									**472**
	2,623									**2,623**
20 - 24	577	8								**585**
	5,609	*								**5,723**
25 - 29	130	1								**131**
	9,984	*								**10,043**
30 - 34	31	2	2							**35**
	9,669	*	*							**11,099**
35 - 39	23	3								**26**
	8,564	*								**8,719**
40 - 44	32	5	1							**38**
	8,696	*	*							**10,139**
45 - 49	28	2	1							**31**
	6,667	*	*							**7,371**
50 - 54	32	2								**34**
	8,898	*								**8,698**
55 - 59	29	5	2							**36**
	8,751	*	*							**9,738**
60 - 64	25	2								**27**
	8,810	*								**8,468**
65 - 69	13									**13**
	*									*****
70 - 74	13		2							**15**
	*		*							*****
75+	13	1	2							**16**
	*	*	*							*****
Total	**1,418**	**31**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**1,459**

Earnings represent prior-year actual salaries.

**For cells with less than 20 members, salary has been supressed.*

C. Participant Statistics

Inactive Participants as of January 1, 2004	Number	Amount of Monthly Benefit
Participants Receiving Benefits	1	$ 114
Participants with Deferred Benefits	7,631	119,056

Statistics for Active Participants	Number	Average Age	Average Service	Average Compensation*
As of January 1, 2004				
Total	1,586	26.1	1.0	$ 5,504
As of January 1, 2005				
Total	1,459	26.3	1.0	$ 5,695

* *Prior-year earnings increased by the salary assumption.*

Section 3.2

Actuarial Basis

A. Unit Credit Method

Liabilities and contributions shown in this report are computed using the unit credit method of funding.

The objective under this method is to fund each participant's benefit under the plan as they accrue. Thus, the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date. To the extent that this liability is not covered by assets of the plan, there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- The **normal cost** is the present value of those benefits, which are expected to be credited with respect to service during the year beginning on the valuation.
- The **accrued liability** is calculated at the valuation date as the present value of benefits credited with respect to service to that date.
- The **unfunded accrued liability** is the excess of the accrued liability over the assets of the Plan at the valuation date. The level annual payment to be made over a stipulated number of years to amortize the unfunded liability is the past service cost.

Under this method, differences between the actual experience and the assumed in the determination of costs and liabilities will emerge as adjustments in the unfunded liability, subject to amortization.

B. Valuation of Assets

The actuarial asset value is the market value of assets plus any receivable contributions.

C. Valuation Procedures

- Financial and Census Data: We used financial data and participant data as submitted by the Plan Sponsor without further audit. This information would customarily not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.
- No benefits are projected to be greater than the limitation currently imposed by Section 415(b)(1) of the Internal Revenue Code as applied to governmental plans.

Section 3.2

D. Actuarial Assumptions

Economic	
Investment Return	8.5% per year compounded annually. Investment return is assumed to be net of investment management expense.
Salary Increases	5% per year compounded annually.
Mortality	The sex-distinct RP-2000 Combined Healthy Table. See table below for sample values.
Withdrawal	Graduated rates. See table below for sample values.
Retirement Age	Age 65.

Sample Annual Decrement Rates per 100 Participants

Employment	Mortality		Withdrawal					
			Select Rates					
Age	Male	Female	0	1	2	3	4	Ultimate
20	0.03	0.02	33.75	31.50	28.50	24.00	19.05	15.00
25	0.04	0.02	31.35	29.46	26.88	22.86	18.54	14.25
30	0.04	0.03	27.30	25.47	22.92	18.99	15.36	12.00
35	0.08	0.05	22.35	20.64	18.03	14.01	10.17	6.00
40	0.11	0.07	17.85	16.26	13.80	10.26	7.23	3.90
45	0.15	0.11	17.25	14.85	11.94	8.43	5.37	2.52
50	0.21	0.17	16.50	13.38	10.98	7.89	4.47	1.07
55	0.36	0.27	14.85	12.45	9.78	6.93	3.63	0.23
60	0.67	0.51	0.00	0.00	0.00	0.00	0.00	0.00
65	1.27	0.97	0.00	0.00	0.00	0.00	0.00	0.00

Section 3.3

Summary of Plan Provisions

Plan Name	OBRA 1990 Retirement System of the County of Milwaukee.
Effective Date	January 1, 1992.
Type of Plan	Municipal retirement system administered by the Pension Board.
Employer	County of Milwaukee.
Employees Included	Any person employed by the County for whom the County is not obligated to collect and withhold FICA taxes. However, such persons shall exclude an employee: ▪ hired to relieve him from unemployment ▪ of a hospital, home, or institution where he is an inmate ▪ who is a temporary employee to handle fire, storm, snow, earthquake or similar emergencies ▪ paid on a fee basis as self-employed, or ▪ who is a member of the collective bargaining unit covered by an agreement which does not provide for his inclusion.
Service Considered	One year shall be credited on and after January 1, 1992 for each Plan Year during which the employee is employed at any time. However, the employee shall not receive credit for any Plan Year in which the County is obligated to collect and withhold FICA taxes. If, during such Plan Year, FICA taxes are withheld for only a portion of the year, the employee shall receive a pro rata credit for the portion of year worked when no FICA taxes were withheld.
Earnings Considered	Total wages shall include the compensation earned during the period for which no FICA tax was withheld, exclusive of any amounts reimbursed for moving expenses. However, such wages shall be limited to the Social Security taxable wage base for the Plan Year.
Average Compensation	The average of the total Earnings accumulated during the Plan Years of employment with the County, except that years prior to January 1, 1992 shall be disregarded.
Normal Retirement Pension	Payable upon request of any member who has attained age 65. Such pension shall equal one-twelfth of 2% of the member's Average Compensation multiplied by years of service (not in excess of 30).

Section 3.3

Summary of Plan Provisions *(continued)*

Deferred Vested Pension	Upon termination of employment, a member shall be eligible for a deferred vested pension commencing at age 65. Such benefit shall be calculated as for normal retirement, considering Average Compensation and Service at termination.