



15800 Bluemound Road
Suite 100
Brookfield, WI 53005-6043
USA

Tel +1 262 784 2250
Fax +1 262 923 3687

www.milliman.com

August 10, 2016

Mr. Michael Bosanac
Administrator/Chief Financial Officer
County of Monroe
125 East Second Street
Monroe, Michigan 48161

Re: 2017 Contribution Budgeting for Retiree Medical Plan

Dear Mike:

As you requested, we have calculated the 2017 contribution budget for the retiree medical plan. Please note that the 2017 contribution budget uses the same data, assumptions, methods, and plan provisions as the December 31, 2015 GASB 45 valuation except as noted herein. The attachment to this letter provides the key valuation results from the December 31, 2015 GASB 45 valuation report dated August 10, 2016 and from the 2017 contribution budgeting calculations.

The key difference between these two calculations is the discount rate. In the GASB 45 report, the discount rate is 5.5%, and in the 2017 contribution budgeting calculations, the discount rate is 6.5%. Please see our assumptions memo dated August 10, 2016 for further details on the process that was followed to select the discount rate for the GASB 45 valuation. The 2017 contribution budgeting calculations are based on the long-term expected rate of return on plan assets using the target asset allocation in the Investment Policy Statement and Milliman's Capital Market Assumptions.

The results of the December 31, 2015 actuarial valuation are used to determine the 2017 contribution budget which is shown for each division in the table below. The 2016 Contribution Budgeting is shown for comparative purposes.

Division	Contribution Budgeting	
	2017	2016
General County – Billable	\$ 913,792	\$ 1,103,995
General County – Non-Billable	3,257,683	3,297,474
Sheriff's Office – Billable	704,137	774,997
Sheriff's Office – Non-Billable	3,128,276	2,885,203
Dispatchers	<u>166,433</u>	<u>260,663</u>
County Sub-Total	8,170,321	\$8,322,332
County Agency	<u>522,794</u>	<u>581,849</u>
All Combined	\$8,693,115	\$8,904,181

Please note these are the total contributions before adjustment for member contributions. The member contributions need to be subtracted to obtain the net employer contribution. Based on information provided by the County, the expected member contributions will be \$431,736 for the fiscal year beginning January 1, 2017.

Important Notices

In preparing these calculations, we have relied without audit on the plan provisions and participant data provided by your office and summarized in our December 31, 2015 GASB 45 valuation report dated August 10, 2016. We have reviewed this data for reasonableness and for consistency with previously supplied data. If any of this information is inaccurate or incomplete, the results of our calculations may be materially affected and this letter may need to be revised.

We have prepared these estimates using the same data, plan provisions, actuarial assumptions and methods used to prepare the December 31, 2015 GASB 45 Valuation Report, with the exceptions listed in this letter. The emerging costs of the plan will vary from those presented in this letter to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial cost methods for Contribution Budgeting are prescribed by Monroe County. The County is responsible for selecting the plan's funding policy, actuarial valuation methods, and asset valuation methods. The policies and methods used in the Contribution Budgeting valuation are those that have been so prescribed and are described in the Actuarial Basis of the December 31, 2015 GASB 45 valuation report. The County is solely responsible for communicating to Milliman any changes required thereto.

Milliman's work is prepared solely for the use and benefit of the County and the Plan's Trustees. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to following exception(s):

- (a) The County may provide a copy of Milliman's work, in its entirety, to the County's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the County.
- (b) The County may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

This letter and its use are subject to the terms of our Consulting Service Agreement with Monroe County dated January 22, 2014.

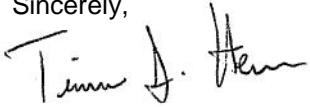
Qualification Statement

We, Timothy J. Herman and Gerald R. Bernstein, are actuaries for Milliman, Inc. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This letter uses the expertise of Milliman healthcare and retirement actuaries. Gerry is responsible for the work related to the current expected healthcare benefit costs and trend rates. Tim is responsible for projecting the current costs into future years using the valuation assumptions and methodology and then calculating the accounting costs and liabilities reported herein.

Mr. Michael Bosanac
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If you have any questions, please let us know.

Sincerely,



Timothy J. Herman, FSA, EA, MAAA
Principal and Consulting Actuary



Gerald R. Bernstein, FSA, EA, MAAA
Principal and Consulting Actuary

TJH/GRB/crl

Enclosures

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Sent electronically--no hard copy mailed

Monroe County Retiree Health Care Trust
Actuarial Valuation of OPEB Benefits as of December 31, 2015

	<u>GASB 45 Basis</u>	<u>Contribution Budgeting</u>
Discount Rate	5.5%	6.5%
1. Actuarial Present Value of Total Projected Benefits		
a. Actuarial Accrued Liability		
i. 262 Active Participants	\$ 42,840,649	\$ 34,593,611
ii. 465 Retired Participants	<u>92,304,717</u>	<u>81,707,810</u>
iii. Total Actuarial Accrued Liability [1.a.i. + 1.a.ii.]	\$135,145,366	\$116,301,421
b. Present Value of Future Normal Costs	<u>14,985,261</u>	<u>10,226,212</u>
c. Grand Total Present Value of Future Benefits [1.a.iii. + 1.b.]	\$150,130,627	\$126,527,633
2. Assets and Future Contributions		
a. Valuation Assets	\$ 45,238,831	\$ 45,238,831
b. Unfunded Actuarial Accrued Liability	89,906,535	71,062,590
c. Present Value of Future Normal Costs	<u>14,985,261</u>	<u>10,226,212</u>
d. Grand Total	\$150,130,627	\$126,527,633
3. Funded Status		
a. Actuarial Accrued Liability	\$135,145,366	\$116,301,421
b. Valuation Assets	45,238,831	45,238,831
c. Unfunded Actuarial Accrued Liability	89,906,535	71,062,590
d. Funded Ratio: [3.b. / 3.a.]	33.5%	38.9%
4. Cost Calculations		
a. Normal Cost – Beginning of Year	\$1,528,842	\$1,116,324
b. Assumed Interest to the End of the Year on 4.a.	<u>84,086</u>	<u>72,561</u>
c. Current Year Normal Cost: [4.a. + 4.b.]	\$1,612,928	\$1,188,885
d. Amortization of Unfunded Actuarial Accrued Liability	8,363,476	7,046,225
e. Assumed Interest to End of Year on 4.d.	<u>459,991</u>	<u>458,005</u>
f. Amortization Amount at End of Year: [4.d. + 4.e.]	\$8,823,467	\$7,504,230
g. Total Cost: [4.c. + 4.f.]	\$10,436,395	\$8,693,115