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August 13, 2015

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

Re: 2016 Contribution Budgeting for Retiree Medical Plan

Dear Mike:

As you requested, we have calculated the 2016 contribution budget for the retiree medical plan. Please note that the 2016 contribution budget uses the same data, assumptions, methods, and plan provisions as the December 31, 2014 GASB 45 valuation except as noted herein. The attachment to this letter provides the key valuation results from the December 31, 2014 GASB 45 valuation report dated August 13, 2015 and from the 2016 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 2016 contribution budgeting calculations, the discount rate is 6.5%. Please see our assumptions memo dated August 13, 2015 for further details on the process that was followed to select the discount rate for the GASB 45 valuation. The 2016 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, 2014 actuarial valuation are used to determine the 2016 contribution budget which is shown for each division in the table below. The 2015 Contribution Budgeting is shown for comparative purposes.

Division	Contribution Budgeting	
	2016	2015
General County – Billable	\$ 1,103,995	\$ 1,449,947
General County – Non-Billable	3,297,474	4,087,466
Sheriff's Office – Billable	774,997	1,073,465
Sheriff's Office – Non-Billable	2,885,203	3,281,450
Dispatchers	<u>260,663</u>	<u>249,946</u>
County Sub-Total	\$8,322,332	\$10,142,274
County Agency	<u>581,849</u>	<u>700,594</u>
All Combined	\$8,904,181	\$10,842,868

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 \$473,657 for the fiscal year beginning January 1, 2016.

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, 2014 GASB 45 valuation report dated August 13, 2015. 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, 2014 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, 2014 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.

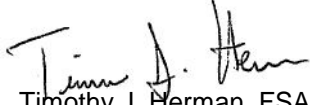
Qualification Statement

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
August 13, 2015
Page 3

If you have any questions, please let us know.

Sincerely,



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

TJH/GRB/cw



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

Enclosures

R:\CLIENT\06\MON\REPORTS\2015\GASB\ESTIMATED 2016 CONTRIBUTION BUDGETING.DOCX
Sent electronically--no hard copy mailed

Monroe County Retiree Health Care Trust
Actuarial Valuation of OPEB Benefits as of December 31, 2014

	<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. 309 Active Participants	\$ 48,528,275	\$ 38,663,614
ii. 453 Retired Participants	<u>89,558,502</u>	<u>79,304,696</u>
iii. Total Actuarial Accrued Liability [1.a.i. + 1.a.ii.]	138,086,777	117,968,310
b. Present Value of Future Normal Costs	<u>12,309,062</u>	<u>8,380,849</u>
c. Grand Total Present Value of Future Benefits [1.a.iii. + 1.b.]	150,395,839	126,349,159
2. Assets and Future Contributions		
a. Valuation Assets	40,476,574	40,476,574
b. Unfunded Actuarial Accrued Liability	97,610,203	77,491,736
c. Present Value of Future Normal Costs	<u>12,309,062</u>	<u>8,380,849</u>
d. Grand Total	150,395,839	126,349,159
3. Funded Status		
a. Actuarial Accrued Liability	138,086,777	117,968,310
b. Valuation Assets	40,476,574	40,476,574
c. Unfunded Actuarial Accrued Liability	97,610,203	77,491,736
d. Funded Ratio: [3.b. / 3.a.]	29.3%	34.3%
4. Cost Calculations		
a. Normal Cost – Beginning of Year	1,287,055	937,584
b. Assumed Interest to the End of the Year on 4.a.	<u>70,788</u>	<u>60,943</u>
c. Current Year Normal Cost: [4.a. + 4.b.]	1,357,843	998,527
d. Amortization of Unfunded Actuarial Accrued Liability	8,743,770	7,423,149
e. Assumed Interest to End of Year on 4.d.	<u>480,907</u>	<u>482,505</u>
f. Amortization Amount at End of Year: [4.d. + 4.e.]	9,224,677	7,905,654
g. Total Cost: [4.c. + 4.f.]	10,582,520	8,904,181