



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

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

www.milliman.com

August 29, 2014

Mr. Michael Bosanac
Administrator/Chief Financial Officer
Monroe County Retiree Health Care Board
125 East Second Street
Monroe, Michigan 48161

Re: 2015 Contribution Budgeting for Retiree Medical Plan

Dear Mike:

As you requested, we have calculated the 2015 contribution budget for the retiree medical plan. Please note that the 2015 contribution budget uses the same data, assumptions, methods, and plan provisions as the December 31, 2013 GASB 45 valuation except as noted herein. The attachment to this letter provides the key valuation results from the December 31, 2013 GASB 45 valuation report dated August 19, 2014 and from the 2015 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 2015 contribution budgeting calculations, the discount rate is 6.5%. Please see our assumptions memo dated August 6, 2014 for further details on the process that was followed to select the discount rate for the GASB 45 valuation. The 2015 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, 2013 actuarial valuation are used to determine the 2015 contribution budget which are shown for each division in the table below:

Division	2015 Contribution Budgeting
General County – Billable	\$ 1,449,947
General County – Non-Billable	4,087,466
Sheriff's Office – Billable	1,073,465
Sheriff's Office – Non-Billable	3,281,450
Dispatchers	<u>249,946</u>
County Sub-Total	\$10,142,274
County Agency	<u>700,594</u>
All Combined	\$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 \$531,376 for the fiscal year beginning January 1, 2015.

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, 2013 GASB 45 valuation report dated August 19, 2014. 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, 2013 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, 2013 GASB 45 valuation report. The County is solely responsible for communicating to Milliman any changes required thereto.

This letter is intended for the sole use of the addressee and is intended only to supply information for Monroe County to budget for 2015 contributions and may not be appropriate for other business purposes. Reliance on information contained in this letter by anyone for other than the intended purpose puts the relying entity at risk of being misled. Accordingly, no person or entity, including the addressee, should base any representations or warranties in any business agreement on any statements or conclusions contained in this letter without the written consent of Milliman, Inc. In addition, this letter should not be distributed to outside parties without Milliman, Inc. consent.

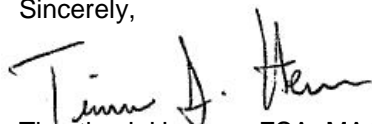
This letter and its use are subject to the terms of our Consulting Service Agreement with the Monroe County dated January 22, 2014.

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.

If you have any questions, please let us know.

Sincerely,



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



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

TJH/GRB/cw

Enclosures

Monroe County Retiree Health Care Trust
Actuarial Valuation of OPEB Benefits as of December 31, 2013

	<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. 315 Active Participants	\$ 56,807,272	\$ 44,634,441
ii. 450 Retired Participants	<u>102,172,014</u>	<u>89,582,565</u>
iii. Total Actuarial Accrued Liability [1.a.i. + 1.a.ii.]	158,979,286	134,217,006
b. Present Value of Future Normal Costs	<u>15,283,855</u>	<u>10,288,023</u>
c. Grand Total Present Value of Future Benefits [1.a.iii. + 1.b.]	174,263,141	144,505,029
2. Assets and Future Contributions		
a. Valuation Assets	36,782,374	36,782,374
b. Unfunded Actuarial Accrued Liability	122,196,912	97,434,632
c. Present Value of Future Normal Costs	<u>15,283,855</u>	<u>10,288,023</u>
d. Grand Total	174,263,141	144,505,029
3. Funded Status		
a. Actuarial Accrued Liability	158,979,286	134,217,006
b. Valuation Assets	36,782,374	36,782,374
c. Unfunded Actuarial Accrued Liability	122,196,912	97,434,632
d. Funded Ratio: [3.b. / 3.a.]	23.14%	27.41%
4. Cost Calculations		
a. Normal Cost – Beginning of Year	1,574,856	1,135,500
b. Assumed Interest to the End of the Year on 3.a.	<u>86,617</u>	<u>73,808</u>
c. Current Year Normal Cost: [3.a. + 3.b.]	1,661,473	1,209,308
d. Amortization of Unfunded Actuarial Accrued Liability	10,574,967	9,045,596
e. Assumed Interest to End of Year on 3.d.	<u>581,623</u>	<u>587,964</u>
f. Amortization Amount at End of Year: [3.d. + 3.e.]	11,156,590	9,633,560
g. Total Cost: [3.c. + 3.f.]	12,818,063	10,842,868