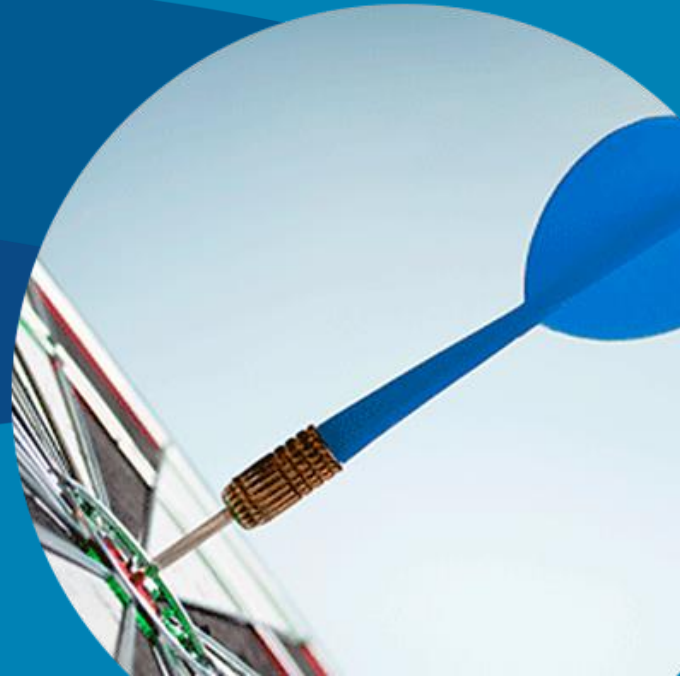




Milwaukee Public Schools Retiree Healthcare and Life Insurance Programs

Summary of July 1, 2021, Actuarial Valuation Results

Alex Rivera, FSA, EA, FCA, MAAA
December 13, 2022



Agenda

- Changes from Prior Actuarial Valuation
- July 1, 2021, Actuarial Valuation Results
 - Reflects Alternative C (55/20/70%) benefits
 - Provides target pre-funding contributions to reach 100% funding by 2037
- Projections

Changes from Prior Actuarial Valuation

- **Economic Assumptions**

- Reduce expected return on invested assets to 6.50% for the long-term account and 2.50% for the short-term account
- Update discount rate from 5.33% at June 30, 2020, to 5.75% at June 30, 2021
- Discount rate expected to increase in future valuations as funded ratio improves

- **OPEB-Related Assumptions**

- Update per capita claims costs based on recent claims experience and premium information
- Claims and premium experience were favorable, especially MAPD rates
- Update select and ultimate healthcare-trend assumptions which include an ultimate rate of 4.25%

- **Pension-Related Assumptions**

- Same assumptions used for pension valuations as of June 30, 2021

July 1, 2021, Actuarial Valuation Results

- Expected actuarial liability decreased from \$945.7 million at June 30, 2020, to \$846.2 million at July 1, 2021
 - Increase in discount rate from 5.33% to 5.75%
 - Updates to healthcare-related actuarial assumptions
- Additional pre-funding contributions of approximately \$55.8 million for PY 2021 and \$28.9 million for PY 2022 improved funded status and produced a higher discount rate
- Alternative C level-dollar expected annual contribution decreased from \$6.739 million in the 2019 valuation to \$2.880 million in the 2021 valuation
 - Favorable investment returns
 - Additional pre-funding contributions
 - Favorable claims experience

July 1, 2021, Actuarial Valuation Results

Retiree Healthcare and Life Insurance Programs Actuarial Valuation Results \$ in Millions				
Fiscal Year End June 30,	2019 ^a	2020 ^b	2021	2022 ^b
Actuarial Liability	\$888.0	\$945.7	\$846.2	\$850.9
Assets	\$145.5	\$183.5	\$281.9	\$271.0
Unfunded Actuarial Liability	\$742.5	\$762.3	\$564.4	\$579.9
Normal Cost for FY	\$3.2	\$5.3	\$6.5	\$5.9
ER PAYGO Contributions	\$44.1	\$47.1	\$47.9	\$48.7
ER PAYGO and Prefund Contributions	\$58.2	\$77.2	\$103.8	\$77.6
Payroll	\$294.4		\$279.6	
Number of Active Members	5,008	N/A	4,309	N/A
Number of Retirees and Surviving Spouses	6,768		6,666	

Discount Rate	4.93%	5.33%	5.75%	5.75%
Actual Rate of Investment Return	6.46%	5.23%	23.25%	-12.97%
Ultimate Trend	4.25%	4.25%	4.25%	4.25%

^a Valuation results at June 30, 2019 do not reflect updates for updated provisions under Alternative C.

^b Actuarial liabilities at June 30, 2020, and June 30, 2022, are projected based on prior year valuation results.

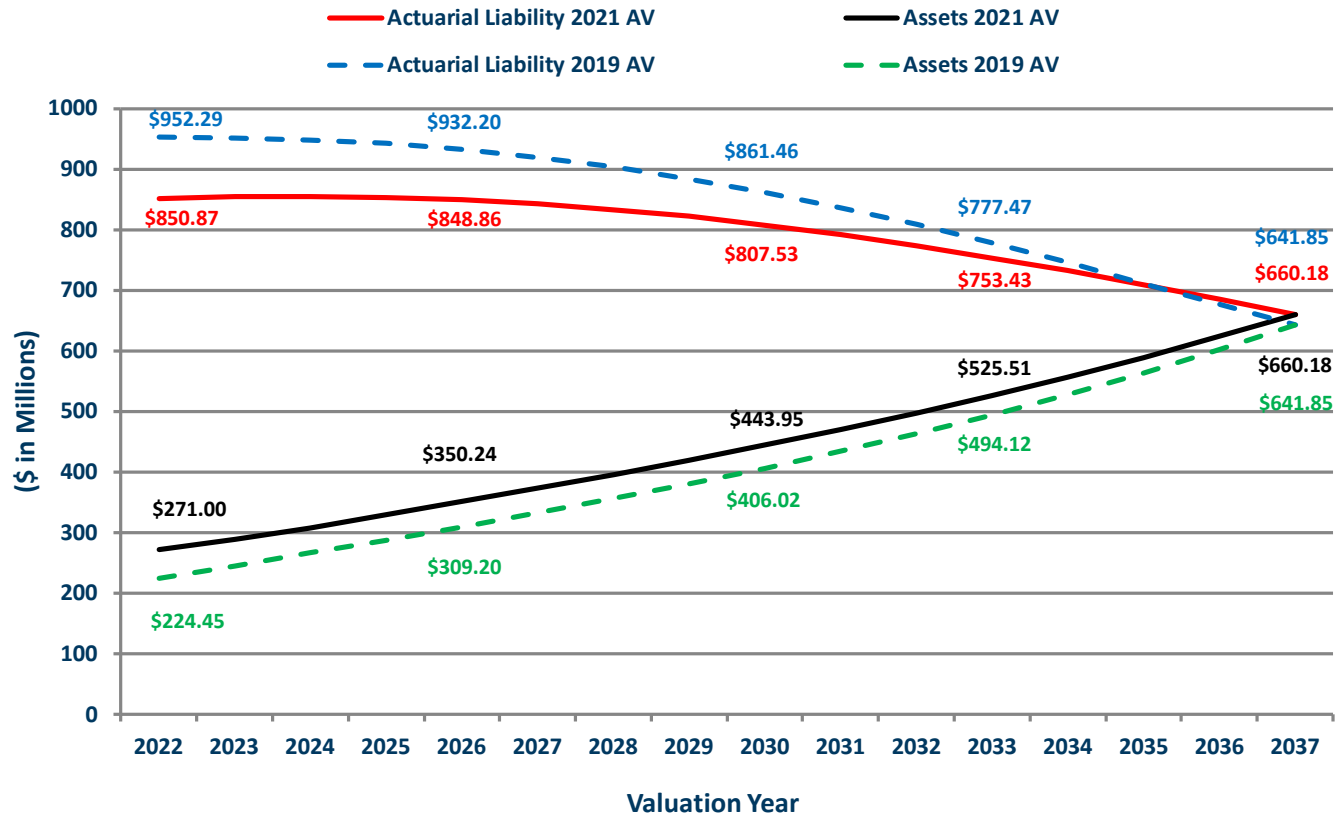


July 1, 2021, Actuarial Valuation Results

Retiree Healthcare and Life Insurance Programs Actuarial Liability Gain/Loss (\$ in Millions)		
Plan Year Beginning	July 1, 2019	July 1, 2021
Discount Rate at Beginning of Plan Year	4.93%	5.75%
Discount Rate at End of Plan Year	5.33%	5.75%
Expected Actuarial Liability at Beginning of Plan Year	\$ 881.4	\$ 945.7
Increase/(Decrease) Due To:		
Demographic Experience	\$24.1	(\$4.2)
Changes in Healthcare-Related Assumption	(\$30.0)	(\$63.1)
Changes in Pension-Related Assumptions	<u>\$12.5</u>	<u>\$0.0</u>
Total	\$6.6	(\$67.3)
Updated Actuarial Liability at Beginning of Plan Year	\$ 888.0	\$ 878.4
Increase/(Decrease) during Plan Year Due To:		
Normal Cost	\$5.3	\$6.5
Expected Benefits	(\$49.9)	(\$50.8)
Interest Costs	\$42.7	\$49.2
Plan Provisions - Alternative C (55/20/70%)	\$101.8	\$0.0
Change in Discount Rate	<u>(\$42.2)</u>	<u>(\$37.1)</u>
Total	\$57.7	(\$32.2)
Expected Actuarial Liability at End of Plan Year	\$ 945.7	\$ 846.2

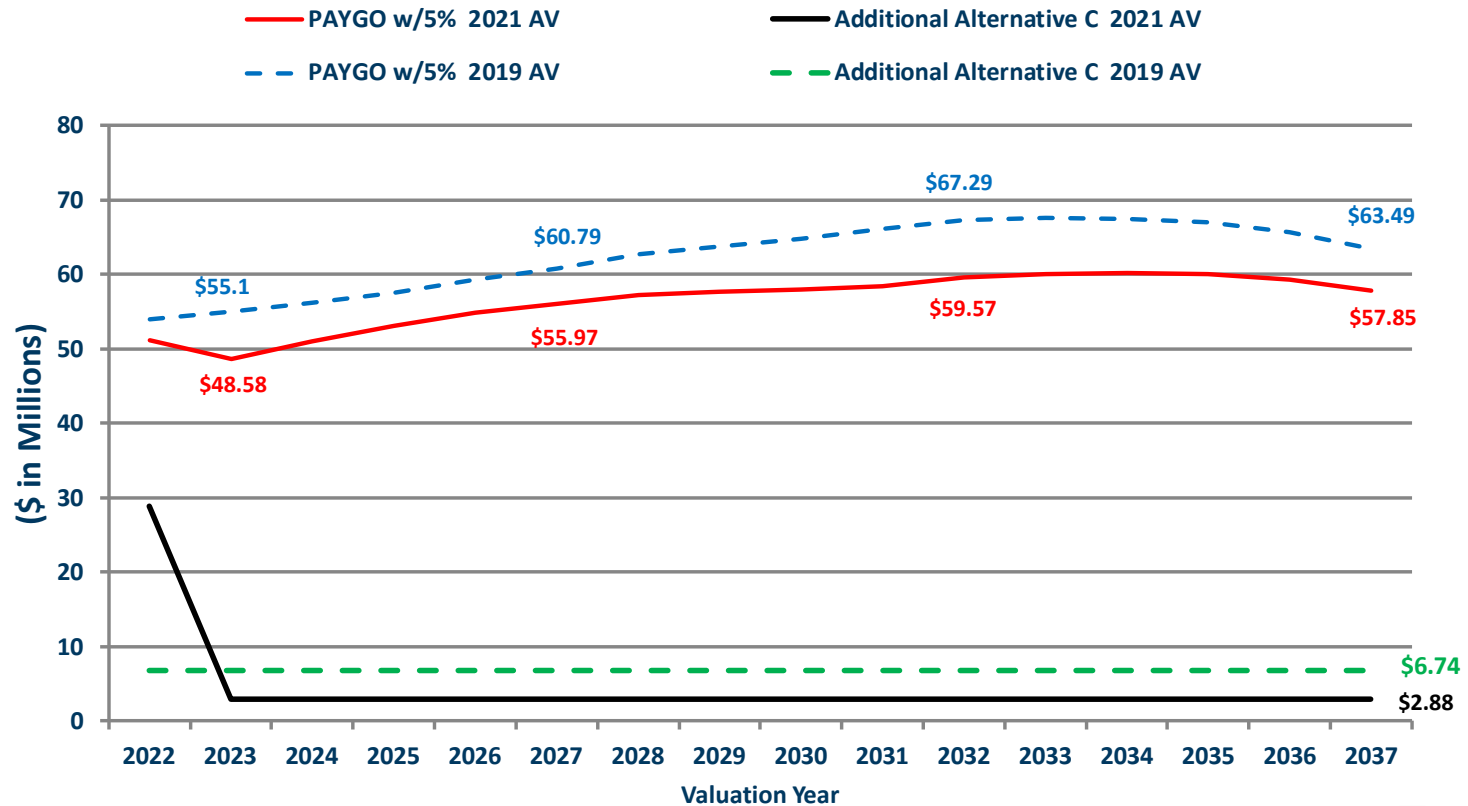
Projections

Milwaukee Public Schools - Projected OPEB Actuarial Liability and Assets



Projections

Milwaukee Public Schools - Projected OPEB Contributions PAYGO with 5% Margin and Alternative C



Disclosures

- *This presentation is intended to be used in conjunction with the actuarial valuation report issued on September 16, 2022. This presentation should not be relied on for any purpose other than the purpose described in the actuarial valuation reports.*
- *This presentation shall not be construed to provide tax advice, legal advice, or investment advice.*
- *The actuaries submitting this presentation (Alex Rivera and Abra Hill) are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.*
- *The purpose of the actuarial valuation is to measure the financial position of the Milwaukee Public Schools Retiree Healthcare and Life Insurance Programs.*
- *Future actuarial measurements may differ significantly from the current and projected measurements presented in this presentation 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.*
- *Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the respective, formal Actuarial Valuation Report as of July 1, 2021.*
- *If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete, please contact us before relying on this presentation.*