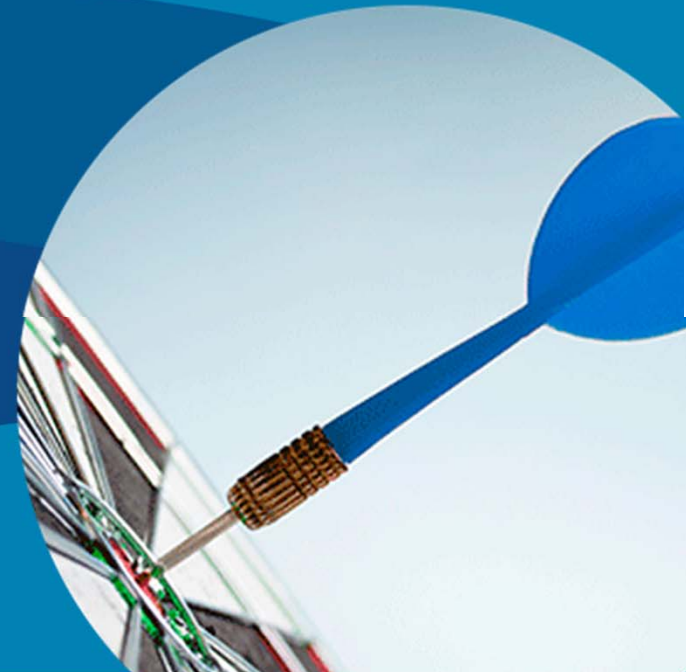




# Milwaukee Public Schools Retiree Healthcare and Life Insurance Programs

Summary of July 1, 2017, Actuarial Valuation Results

Alex Rivera, FSA, EA, FCA, MAAA  
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# Agenda

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- Background
- Historical Plan Changes
- July 1, 2017 Actuarial Valuation Results
- Questions
- Disclosures

# Background

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- MPS provides retiree healthcare and life insurance benefits to members hired before July 1, 2013.
- MPS pre-funds marginal portion of retiree healthcare benefits through an IRC section 115 trust
- New OPEB accounting standards require recognizing the unfunded liability on the District's balance sheet:
  - GASB Statement No. 74, **plan** accounting, effective for the plan year end June 30, 2017
  - GASB Statement No. 75, **plan sponsor** accounting, effective for the fiscal year end June 30, 2018

# Historical Plan Changes

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- Key changes made in 2011
  - Closed plan to new hires and rehires as of July 1, 2013
  - Grandfathered certain retirees
  - Changed vendor which improved network discounts
  - Increased member's co-pays, deductibles, coinsurance percentage and out-of-pocket limits
  - Increased retirement eligibility to age 60 with 20 years of service
  - Eliminated District paid implicit subsidy for self-pay retirees not meeting age/service/sick leave balance requirements
    - Implicit subsidy is difference between average cost of retiree only pool and active only pool
  - Reduced District paid explicit subsidy for Medicare members

# Historical Plan Changes

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- Key changes in 2014
  - Adopted a Medicare Advantage (MA) program, effective January of 2015
  - The MA programs replaced the EPO and PPO programs for Medicare eligible retirees
  - The MA programs are financed on a fully-insured basis
  - Based on 2015 data, the MA average costs were about 35% lower than the EPO and PPO average costs for Medicare eligible members

# Early Retirement Window (ERW)

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- ERW adopted March of 2017
- Applies to members retiring from July 1, 2017, through June 30, 2020
- Reduced OPEB retirement eligibility to age 55 with 20 years of service and 90% of accumulated sick leave balance
- ERW eligible members are expected to accelerate retirement
- Cost estimates were provided in March of 2017 (Scenario 3)
  - If all eligible members (about 890) select ERW, actuarial liability for retiree healthcare/life benefits increases by approximately \$70 million.
- Actual costs depends on:
  - Number of members who select ERW,
  - Date member starts ERW, and
  - Updates to actuarial valuation since 2017.
- Recommend monitoring ERW experience and updating actuarial valuation

# Changes From Prior Actuarial Valuation

## *Actuarial Assumptions and Methods*

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- Actuarial valuation basis was changed from GASB 43/45 to GASB 74/75 as of June 30, 2017
  - Expected actuarial liability at June 30, 2017, decreased from \$1,033.7 million using a discount rate of 4.55% to \$955.6 million using a discount rate of 4.89%
- A new actuarial valuation was performed as of July 1, 2017, which reflected updates to census, average claims costs and healthcare inflation
  - Due primarily to favorable healthcare experience the actuarial liability decreased from \$955.6 million to \$897.8 million
- The updated actuarial liability does not consider additional costs due to the ERW
  - Additional ERW costs will be recognized as experience emerges

# Key Valuation Results

Retiree Healthcare and Life Insurance Programs Actuarial Valuation Results \$ in Millions			
Valuation Date	July 1, 2013	July 1, 2015	July 1, 2017
Actuarial Liability	\$1,153.0	\$997.5	\$897.8
Assets	\$60.5	\$128.8	\$124.1
Unfunded Actuarial Liability	\$1,092.5	\$868.7	\$773.7
Normal Cost for FY	\$6.2	\$4.5	\$3.4
Expected ER Pay-go Contributions	\$57.1	\$49.4	\$51.8
Payroll	\$431.2	\$376.4	\$345.5
Number of Active Members	8,600	7,184	6,193
Number of Retirees and Surviving Spouses	7,222	6,978	6,718
<b>Discount Rate</b>	<b>4.55%</b>	<b>4.55%</b>	<b>4.89%</b>
<b>Ultimate Trend</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>

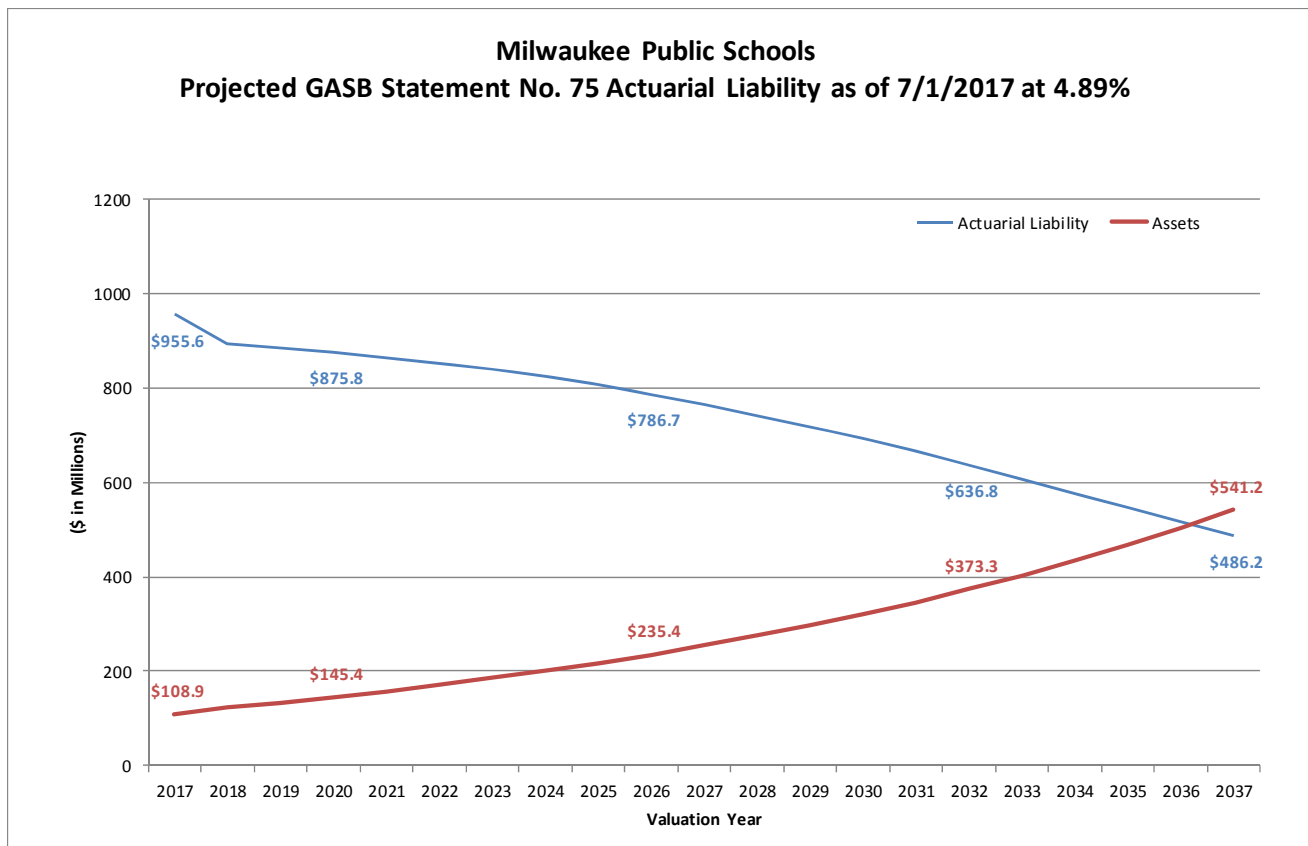


# Key Valuation Results

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<b>Retiree Healthcare and Life Insurance Programs</b>		
<b>Actuarial Liability Gain/Loss</b>		
<b>\$ in Millions</b>		
Projected Actuarial Liability as of June 30, 2017 @ 4.89%	\$	955.6
Increase/(Decrease) Due To:		
Demographic Experience		\$34.9
Changes in Healthcare-Related Assumption		(\$92.7)
Changes in Pension-Related Assumptions		\$0.0
Changes in Plan Provisions		\$0.0
Total		(\$57.8)
Actuarial Liability as of June 30, 2017 @ 4.89%	\$	897.8

# Projections



*Projection assumes sponsor makes pre-funding contributions of 5% of expected claim costs.*

# Questions?

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# Disclosures

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- This presentation is intended to be used in conjunction with the actuarial valuation report issued on November 7, 2018. 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 Lance J. Weiss) 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 purposes of the actuarial valuation are to measure the financial position of the Milwaukee Public Schools Retiree Healthcare and Life Insurance Programs.

# Disclosures

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- 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, 2017.
- 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.