CONDUENT

Five-Year Experience Review: January 1, 2012 through December 31, 2016

City of Milwaukee Employes' Retirement System

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Agenda

Experience Review Process

- Assumptions
  - Demographic
  - Economic

Funding Policy – Actuarial Cost Methods

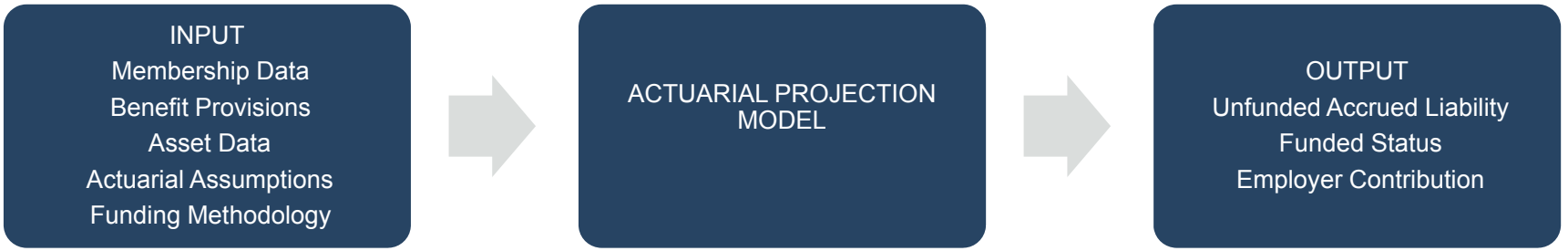
- Next Steps

Universal Retirement Funding Equation

Over the short term, contributions are determined by the actuarial valuation based upon estimated investment return, benefits and expenses using the assumption recommended by the actuary and adopted by the Board. Over the long term, contributions are adjusted to reflect actual investment return, benefits and expenses.

Contributions + Investment Income = Benefits Paid + Expenses

Actuarial Valuation Process



The actuarial assumptions and funding methodology are two of the inputs to the actuarial valuation process. They are reviewed every five years as part of an experience review. The assumptions were adopted for use with the January 1, 2013 actuarial valuation. The funding methodology was adopted for the January 1, 2009 actuarial valuation. This experience review is conducted to recommend assumptions and methods that will serve as the basis of the January 1, 2018 actuarial valuation.

Actuarial Assumptions

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Demographic

- Service retirement
- Disability retirement
- Death in active service
- Early retirement
- Withdrawal (termination)
- Death after retirement

Economic

• Rate of return	8.50% return for calendar years 2000 through 2012, 8.25% for calendar years 2013 through 2017, and 8.50% beginning with calendar year 2018	
• Inflation	3.0%	
• Salary	Career Average	ATB*
• General	3.8%	3.0%
• Police and fire	4.5%	3.0%

*Across-the-board salary increase assumptions used to project current salaries for the position a duty disabled member held before becoming disabled and to amortize unfunded actuarial accrued liability.

Assumptions are generally split into two broad categories – demographic assumptions and economic assumptions. Demographic assumptions are assumptions related to people, while economic assumptions relate to money.

Assumption Setting

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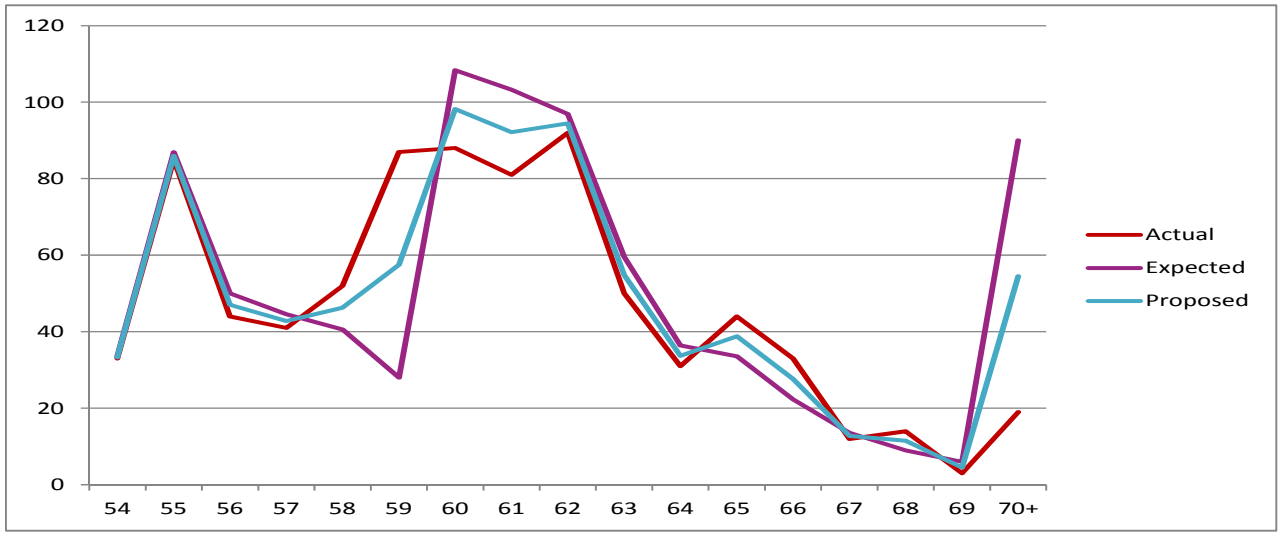
Setting Demographic Assumptions

- Based on 5-Year Experience Review
- Experience Review Completed for Period of January 1, 2012 – December 31, 2016
- Compare Past Experience (“Actual”) with Assumptions (“Expected”) Determine Trend
- Make Judgment about Future
- Implement for January 1, 2018 Actuarial Valuation

Service Retirement – Eligibility Age 60 or Age 55 with 30 Years

for those enrolled prior to 1/1/2014 ; Age 65 or Age 60 with 30 Years for those enrolled on or after 1/1/2014



General Employees - Male

Actual Retirements: 809
Expected Retirements: 862.59
Ratio of Actual to Expected: 94%
Expected Retirements under Proposed Rates: 835.79
Ratio of Actual to Proposed: 97%

Average Retirement Age: 60.3

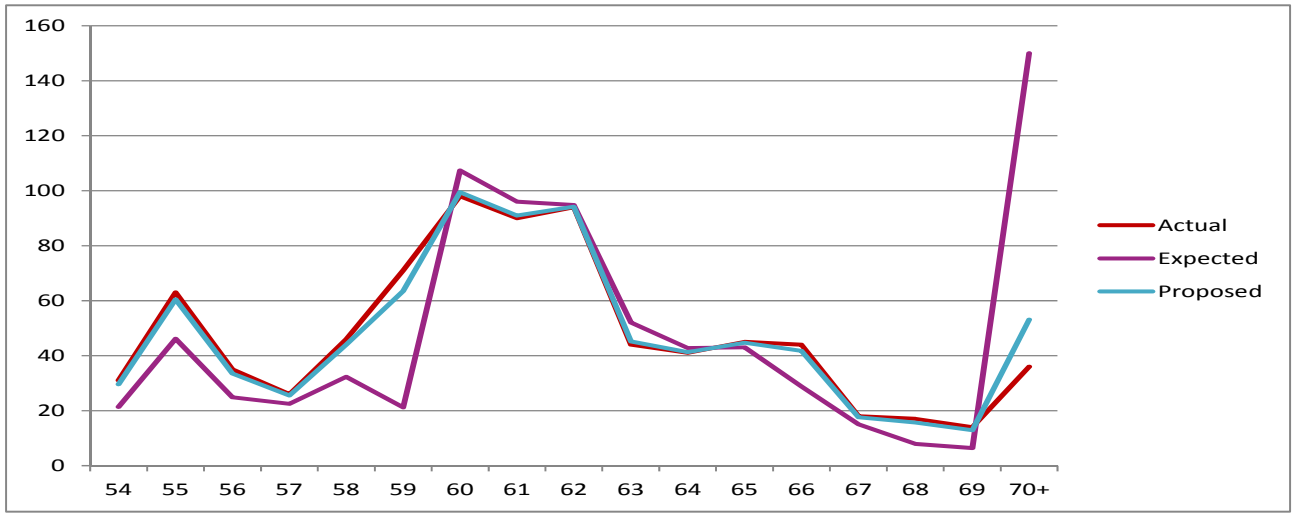
Overall experience shows lower than expected retirements

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience

Decrease in Overall Total Rates of Retirement for Male General Employees

Service Retirement – Eligibility Age 60 or Age 55 with 30 Years

for those enrolled prior to 1/1/2014 ; Age 65 or Age 60 with 30 Years for those enrolled on or after 1/1/2014



General Employees - Female

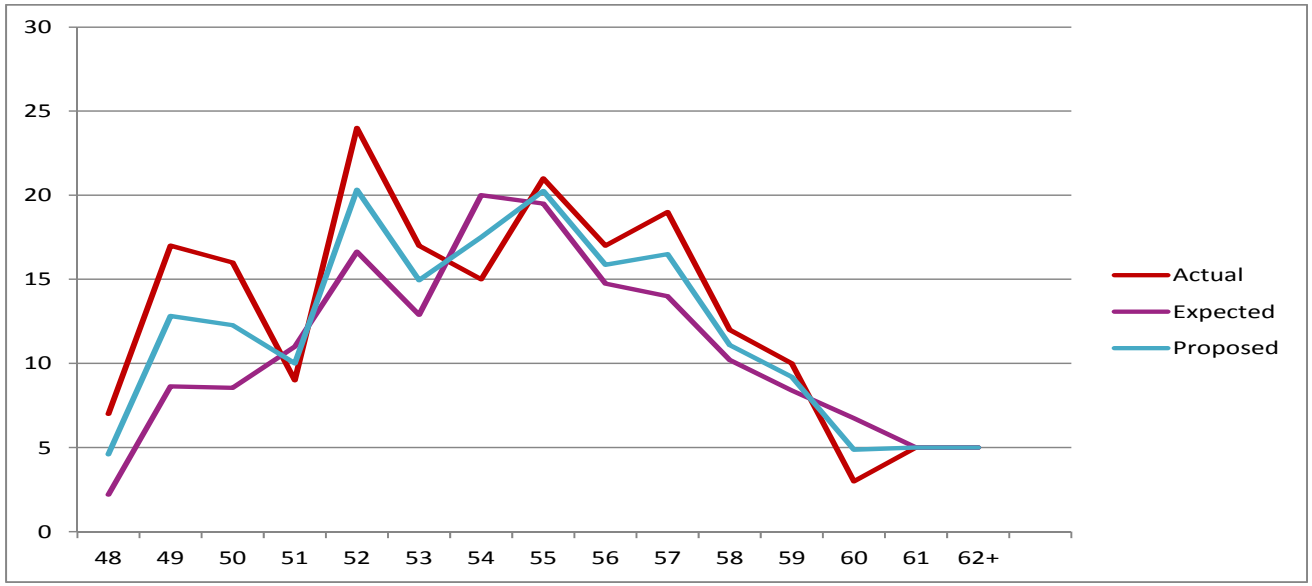
Actual Retirements: 813
Expected Retirements: 812.15
Ratio of Actual to Expected: 100%
Expected Retirements under Proposed Rates: 812.87
Ratio of Actual to Proposed: 100%

Average Retirement Age: 61.1

Overall experience shows similar counts of expected and actual retirements

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Similar Overall Total Rates of Retirement for Female General Employees

Service Retirement – Eligibility Age 57 or Age 49 with 22 Years



Firefighters

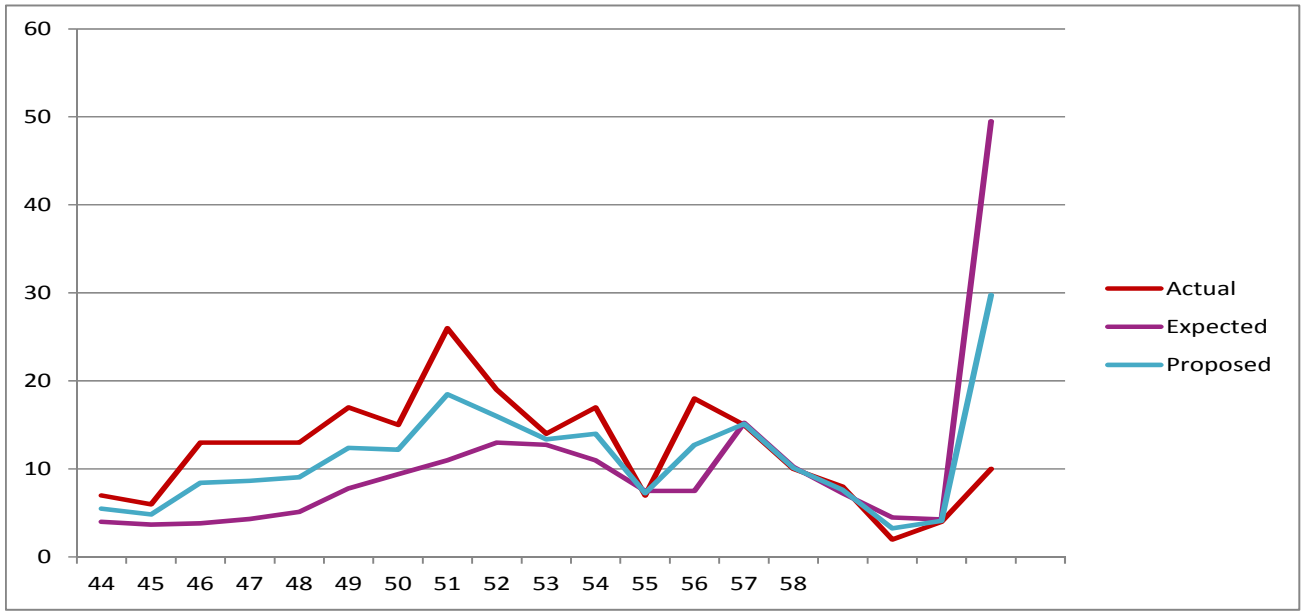
Actual Retirements: 197
Expected Retirements: 163.55
Ratio of Actual to Expected: 120%
Expected Retirements under Proposed Rates: 180.28
Ratio of Actual to Proposed: 109%

Average Retirement Age:
Male – 54.3
Female – 51.8

Overall experience shows higher than expected retirements

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Increase in Overall Total Rates of Retirement for Firefighters

Service Retirement – Eligibility Age 57 or Any Age with 25 Years



Police

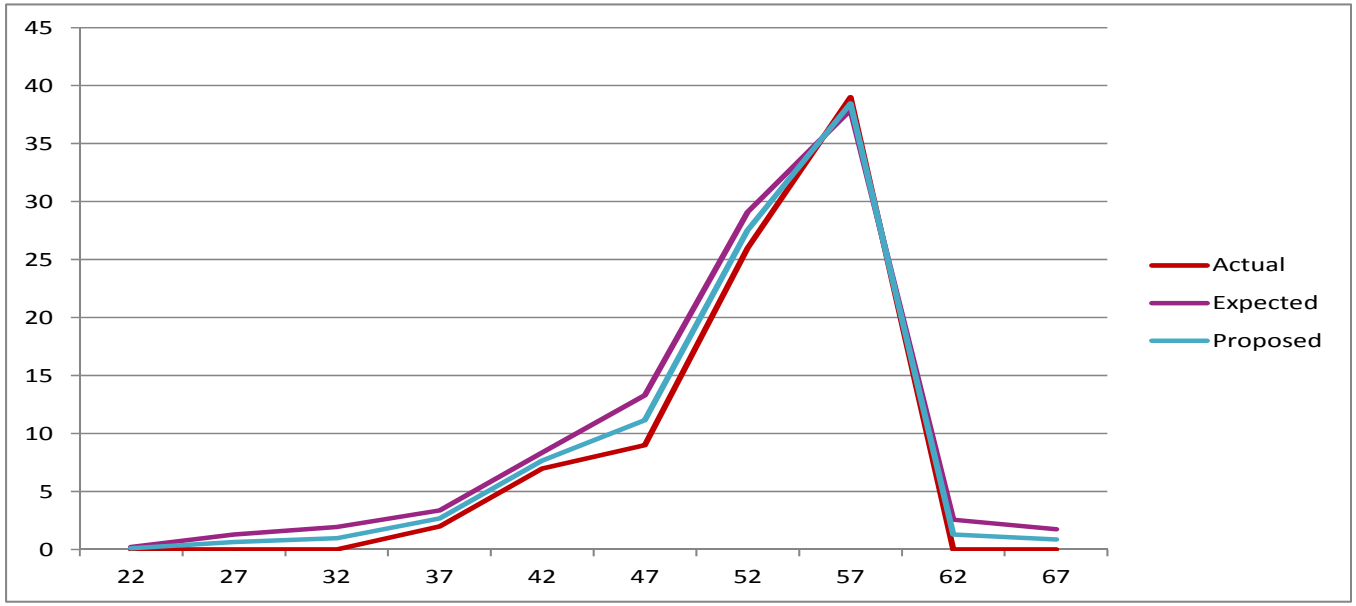
Actual Retirements: 242
Expected Retirements: 192.70
Ratio of Actual to Expected: 126%
Expected Retirements under Proposed Rates: 220.20
Ratio of Actual to Proposed: 110%

Average Retirement Age:
Male – 52.1
Female – 53.7

Overall experience shows higher than expected retirements

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Increase in Overall Total Rates of Retirement for Police

Disability



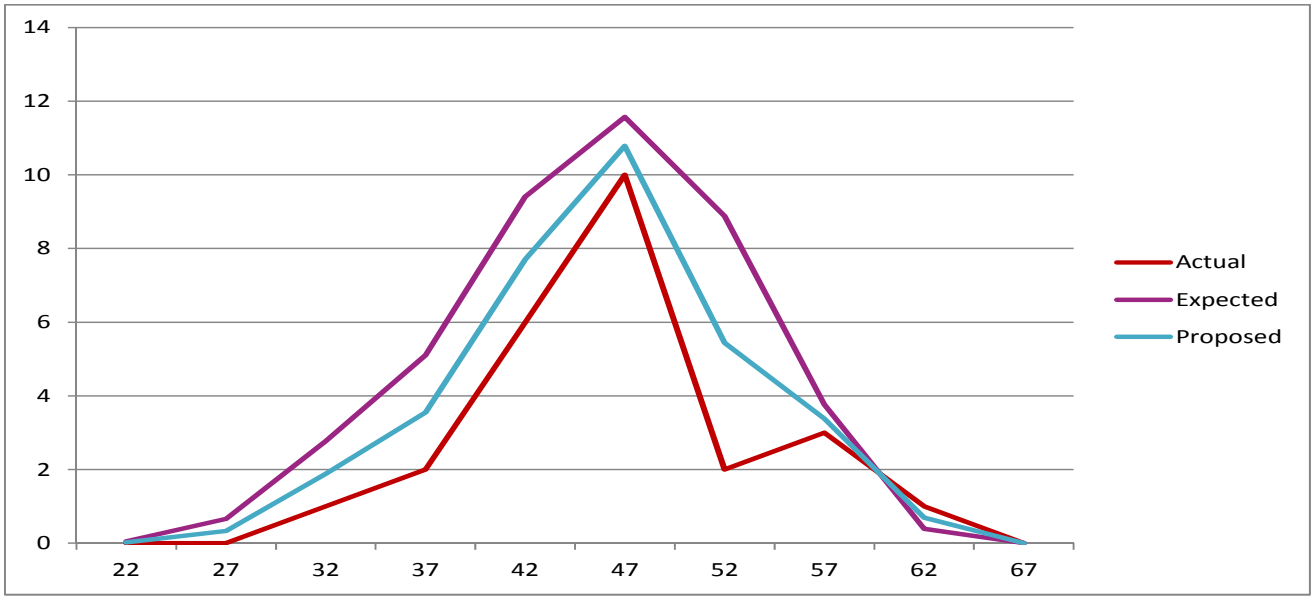
General Employees

Actual Disabilities: 83
Expected Disabilities: 99.85
Ratio of Actual to Expected: 83%
Expected Disabilities under Proposed Rates: 91.42
Ratio of Actual to Proposed: 91%

Overall experience shows lower than expected disabilities

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Decrease in Overall Total Rates of Disablement for General Employees

Disability



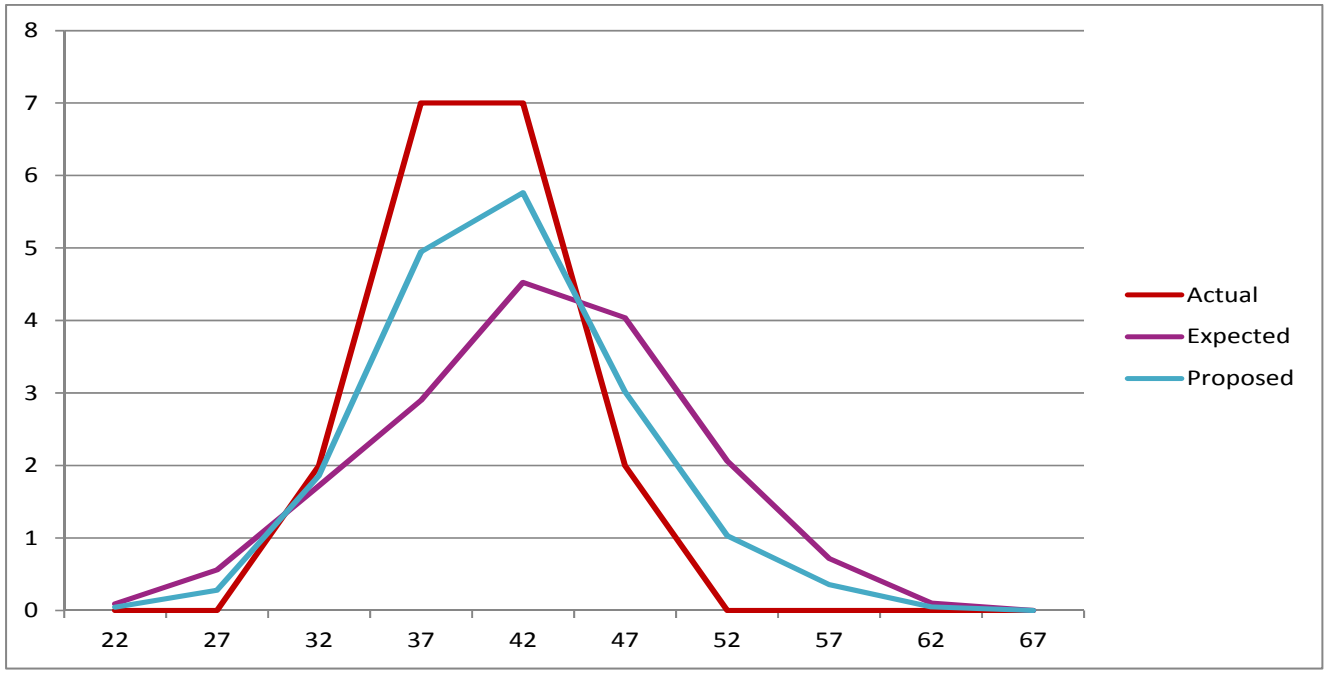
Firefighters

Actual Disabilities: 25
Expected Disabilities: 42.61
Ratio of Actual to Expected: 59%
Expected Disabilities under Proposed Rates: 33.80
Ratio of Actual to Proposed: 74%

Overall experience shows lower than expected disabilities

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Decrease in Overall Total Rates of Disablement for Firefighters

Disability



Police

Actual Disabilities: 18
Expected Disabilities: 16.73
Ratio of Actual to Expected: 108%
Expected Disabilities under Proposed Rates: 17.36
Ratio of Actual to Proposed: 104%

Overall experience shows similar counts of expected and actual disabilities

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Similar Overall Total Rates of Disablement for Police

Disability — Ordinary vs. Duty Disability

General Employees

	Ordinary	Duty
Current Assumption	80%	20%
Experience	96%	4%

1997 – 2016 Experience (trend information)

Actual Percent of Disabilities that were Ordinary

1997 – 2001	2002 – 2006	2007 – 2011	2012 – 2016
81%	81%	89%	96%

Recommendation: Change ordinary disability and duty disability assumptions to 90 and 10%, respectively.

Disability — Ordinary vs. Duty Disability

Firefighters

	Ordinary	Duty
Current Assumption	10%	90%
Experience	4%	96%
Proposed Assumption*	No change	No change

Eligible for Special 90% Benefit

Current Assumption	5%
Proposed Assumption*	No change

*A greater percentage of ordinary disabilities will be assumed for members of the MPFFA enrolled on or after 10/5/2005, because their psychologically-based duty disability applications and re-examinations will be reviewed by the Medical Council instead of the Medical Panel.

Disability — Ordinary vs. Duty Disability

Police

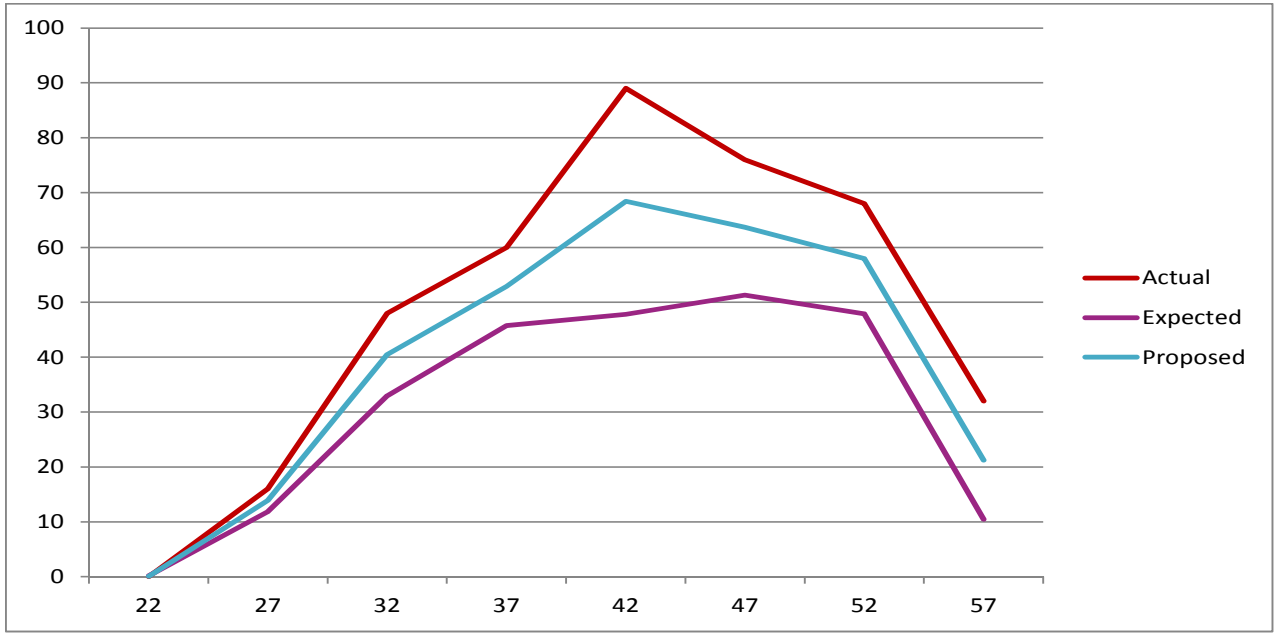
	Ordinary	Duty
Current Assumption	25%	75%
Experience	33%	67%
Proposed Assumption*	30%	70%

Eligible for Special 90% Benefit

Current Assumption	5%
Experience (in total last 15 years)	0%
Proposed Assumption*	No change

*A greater percentage of ordinary disabilities will be assumed for members of the MPA enrolled on or after 4/18/2005, because their psychologically-based duty disability applications and re-examinations will be reviewed by the Medical Council instead of the Medical Panel.

Termination from the plan with Five or More Years of Service



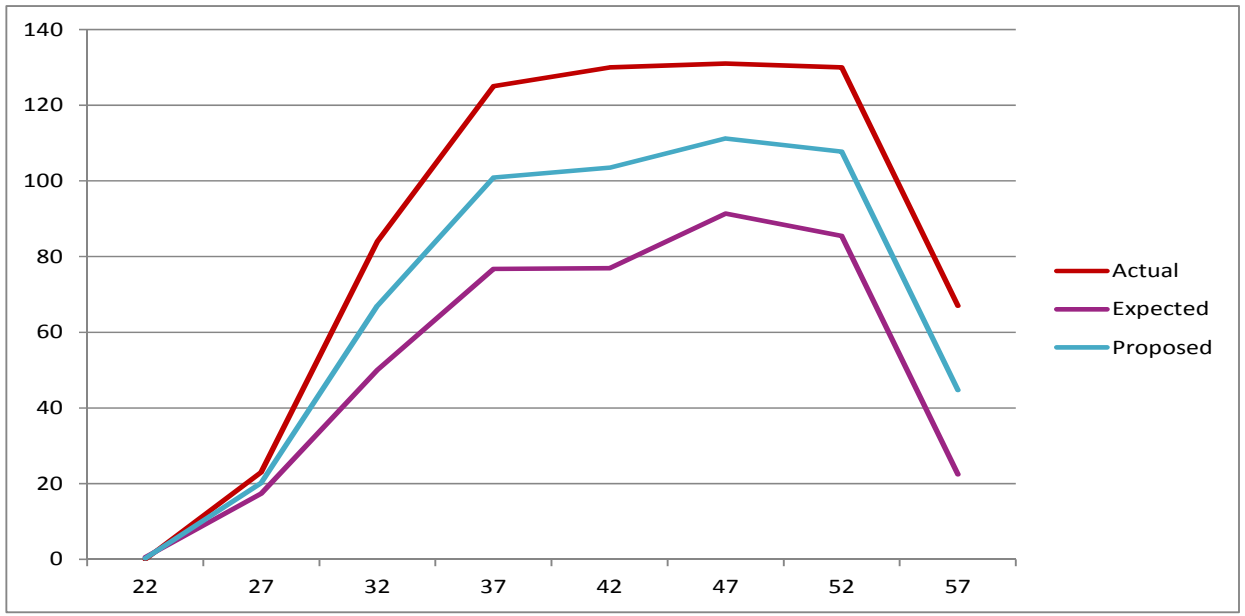
General Employees – Male

Actual Withdrawals: 389
Expected Withdrawals: 248.22
Ratio of Actual to Expected: 157%
Expected Withdrawals under Proposed Rates: 318.61
Ratio of Actual to Proposed: 122%

Overall experience shows higher than expected withdrawals

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Increase in Overall Total Rates of Withdrawal for Male General Employees

Termination from the plan with Five or More Years of Service



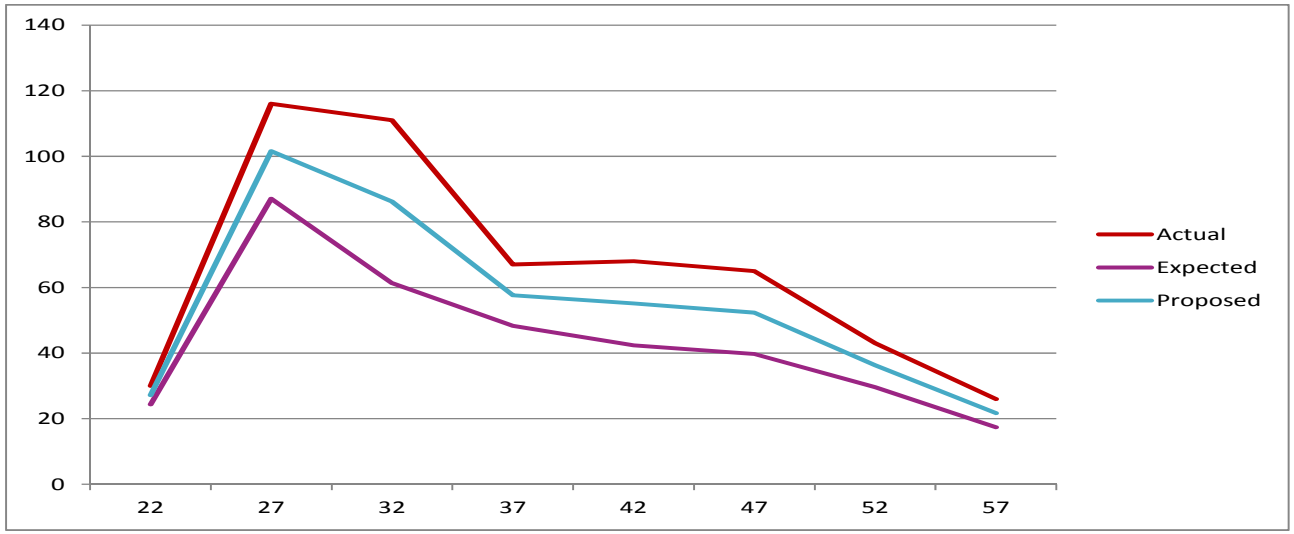
General Employees - Female

Actual Withdrawals: 690
Expected Withdrawals: 421.01
Ratio of Actual to Expected: 164%
Expected Withdrawals under Proposed Rates: 555.5
Ratio of Actual to Proposed: 124

Overall experience shows higher than expected withdrawals

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Increase in Overall Total Rates of Withdrawal for Female General Employees

Termination from the plan with Less Than Five Years of Service



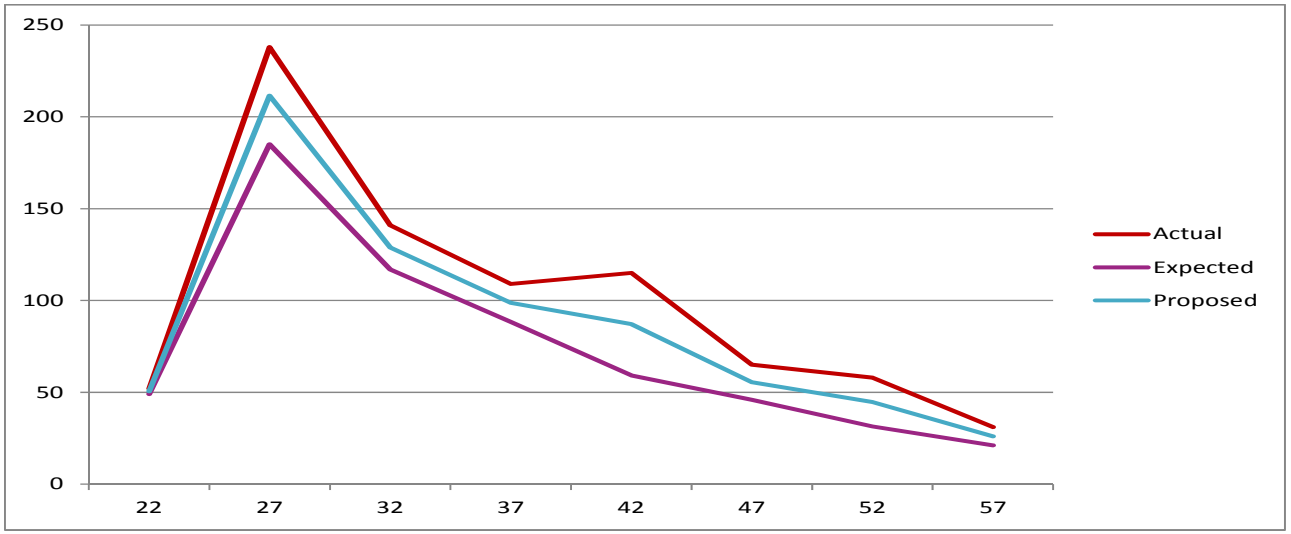
General Employees – Male

Actual Withdrawals: 528
Expected Withdrawals: 350.20
Ratio of Actual to Expected: 151%
Expected Withdrawals under Proposed Rates: 439.03
Ratio of Actual to Proposed: 120%

Overall experience shows higher than expected withdrawals

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Increase in Overall Total Rates of Withdrawal for Male General Employees

Termination from the plan with Less Than Five Years of Service



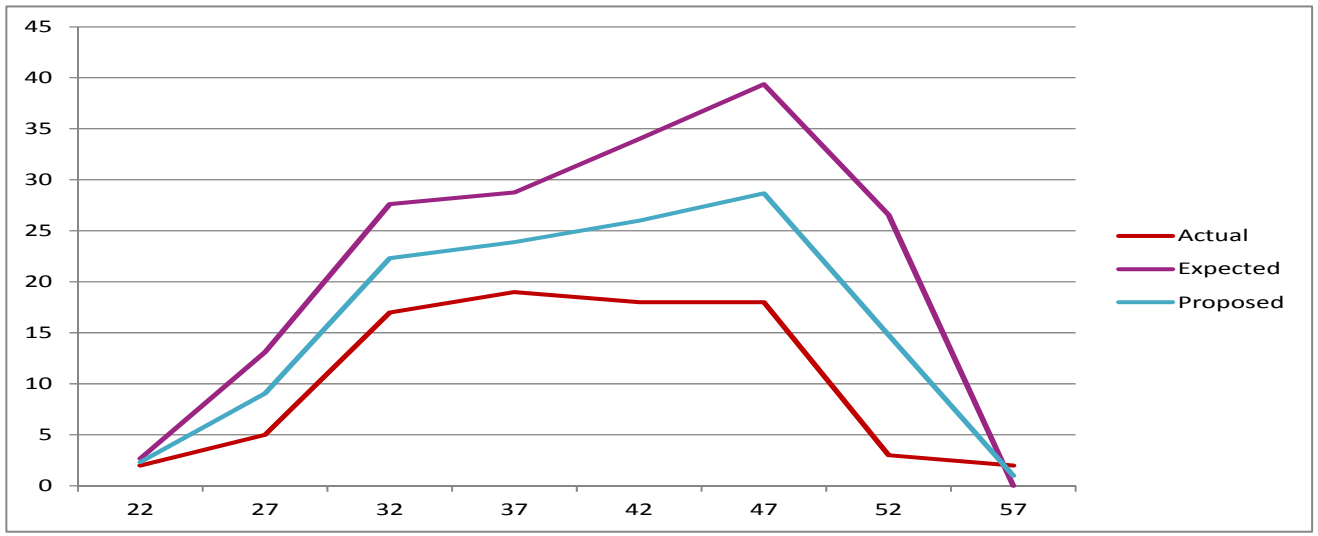
General Employees – Female

Actual Withdrawals: 813
Expected Withdrawals: 597.32
Ratio of Actual to Expected: 136%
Expected Withdrawals under Proposed Rates: 705.38
Ratio of Actual to Proposed: 115%

Overall experience shows higher than expected withdrawals

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Increase in Overall Total Rates of Withdrawal for Female General Employees

Termination from the plan with Five or More Years Service



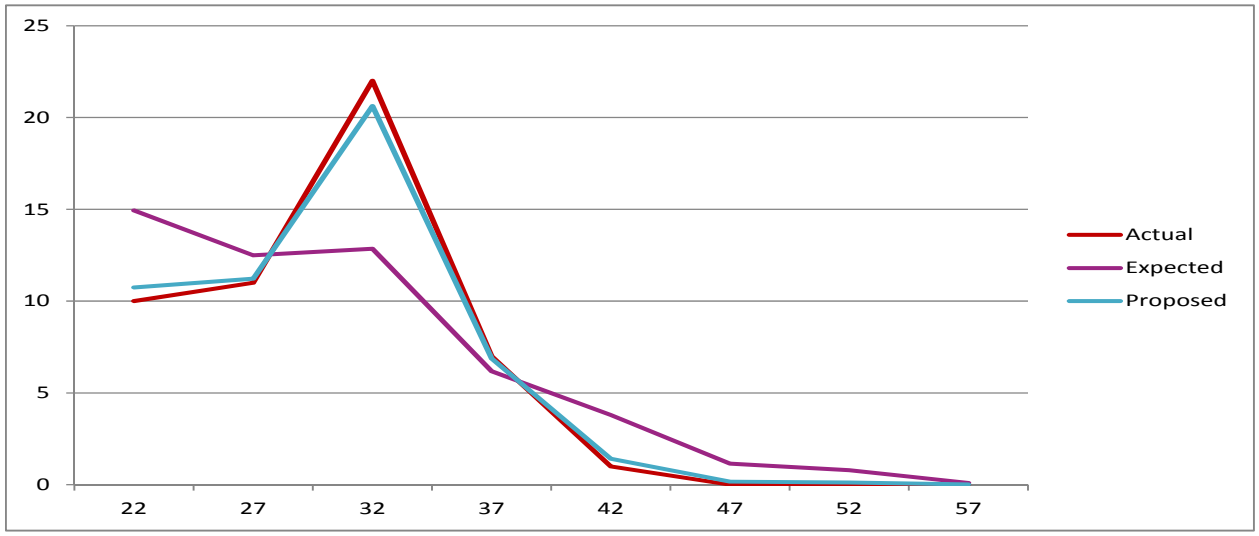
Firefighters and Police

Actual Withdrawals: 84
Expected Withdrawals: 172.09
Ratio of Actual to Expected: 49%
Expected Withdrawals under Proposed Rates: 128.04
Ratio of Actual to Proposed: 66%

Overall experience shows lower than expected withdrawals

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Decrease in Overall Total Rates of Withdrawal for Firefighters and Police

Termination from the plan with Less Than Five Years Service



Firefighters and Police

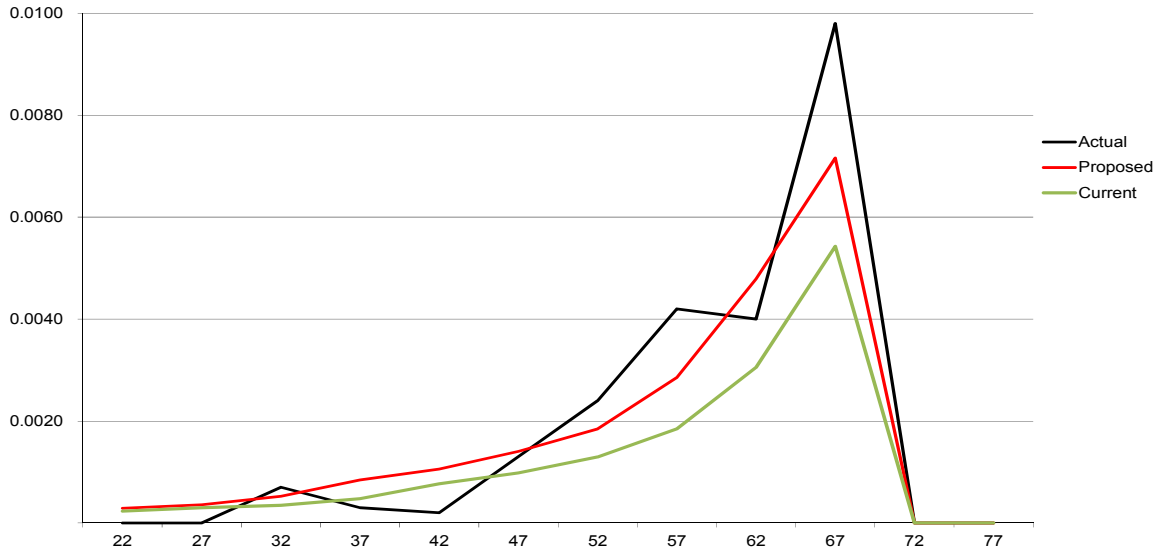
Actual Withdrawals: 52
Expected Withdrawals: 52.59

Ratio of Actual to Expected: 99%
Expected Withdrawals under Proposed Rates: 52.20
Ratio of Actual to Proposed: 99%

Overall experience shows similar counts of expected and actual withdrawals

Recommendation: Fine tuning of individual rates to reflect the recently emerging current experience
Similar Overall Total Rates of Withdrawal for Firefighters and Police

Death in Active Service-Male



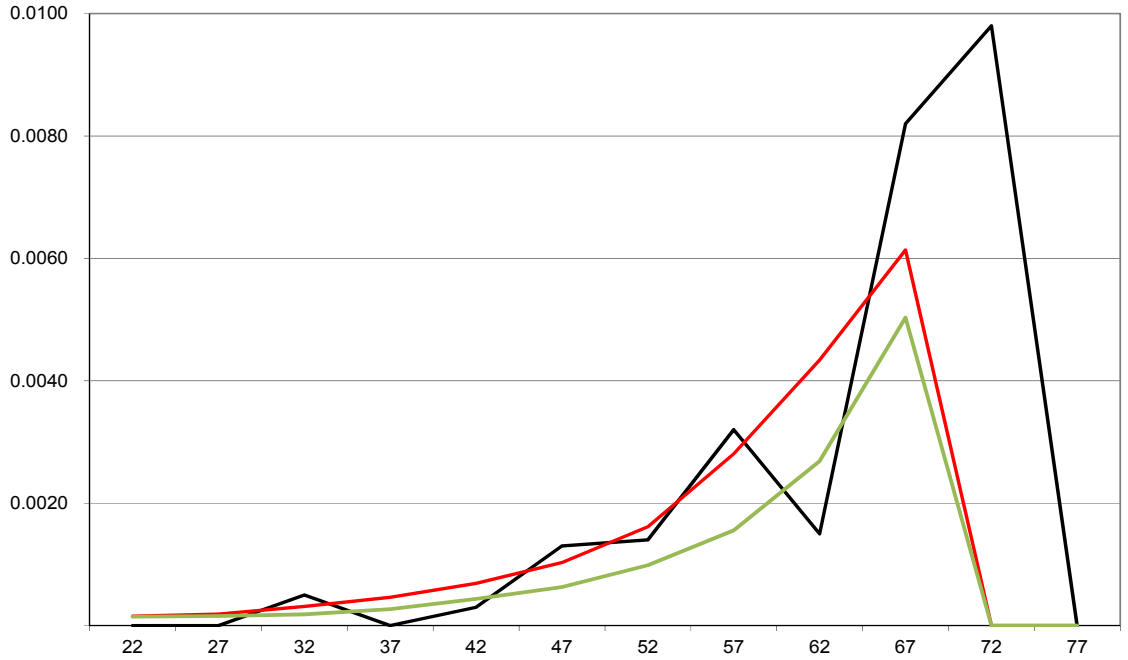
Active members – Male

Actual Deaths: 51
Expected Deaths: 33.96
Ratio of Actual to Expected: 150%
Expected Deaths under Proposed Rates: 57.20
Ratio of Actual to Proposed: 89%

Overall experience shows higher than expected deaths

Recommendation: Update to RP-2014 Employee Mortality Table. Also use mortality improvement Scale MP-2016 on a fully generational basis. Generational mortality uses automatic updates to longevity instead of updating every 5 years.

Death in Active Service-Female



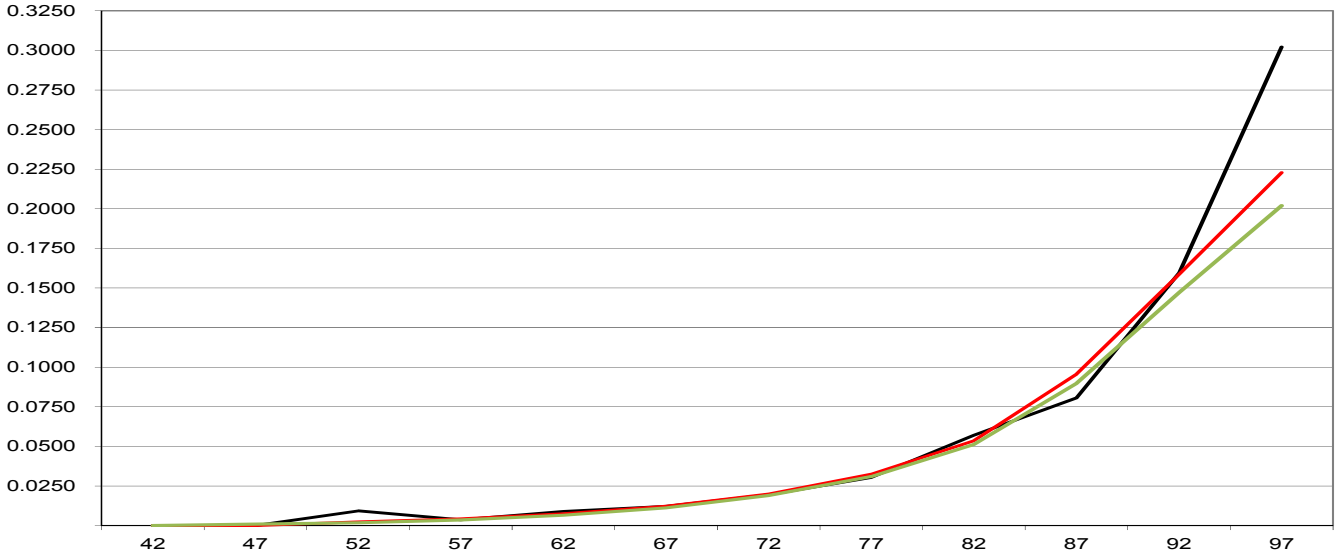
Active members – Female

Actual Deaths: 33
Expected Deaths: 22.83
Ratio of Actual to Expected: 145%
Expected Deaths under Proposed Rates: 29.82
Ratio of Actual to Proposed: 111%

Overall experience shows higher than expected deaths

Recommendation: Update to RP-2014 Employee Mortality Table. Also use mortality improvement Scale MP-2016 on a fully generational basis.

Mortality Experience for Healthy Pensioners Male



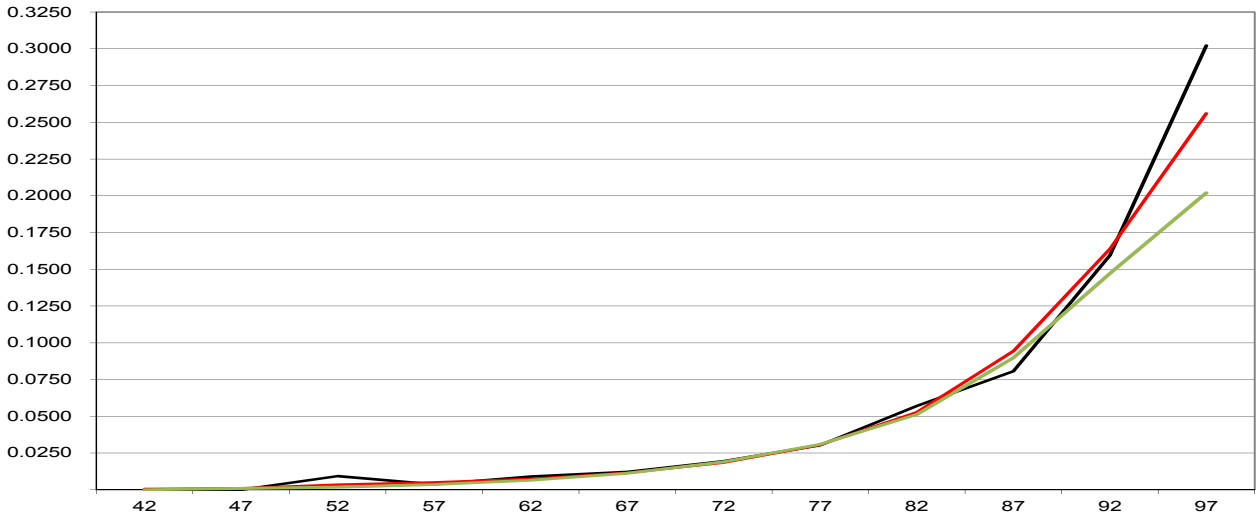
Healthy Pensioners – Male

Actual Deaths: 1,031
Expected Deaths: 1,008.54
Ratio of Actual to Expected: 102%
Expected Deaths under Proposed Rates: 1,024.91
Ratio of Actual to Proposed: 100%

In 2014, the Society of Actuaries (SOA) published the new RP-2014 Mortality Tables that replaced RP-2000 as the current standard table. Subsequent mortality improvement scales MP-2014, MP-2015, and MP-2016 replaced Scales AA and BB.

Recommendation: Update to the RP-2014 Healthy Annuitant table using 111% of the male rates. Also use mortality improvement Scale MP-2016 on a fully generational basis.

Mortality Experience for Healthy Pensioners Female



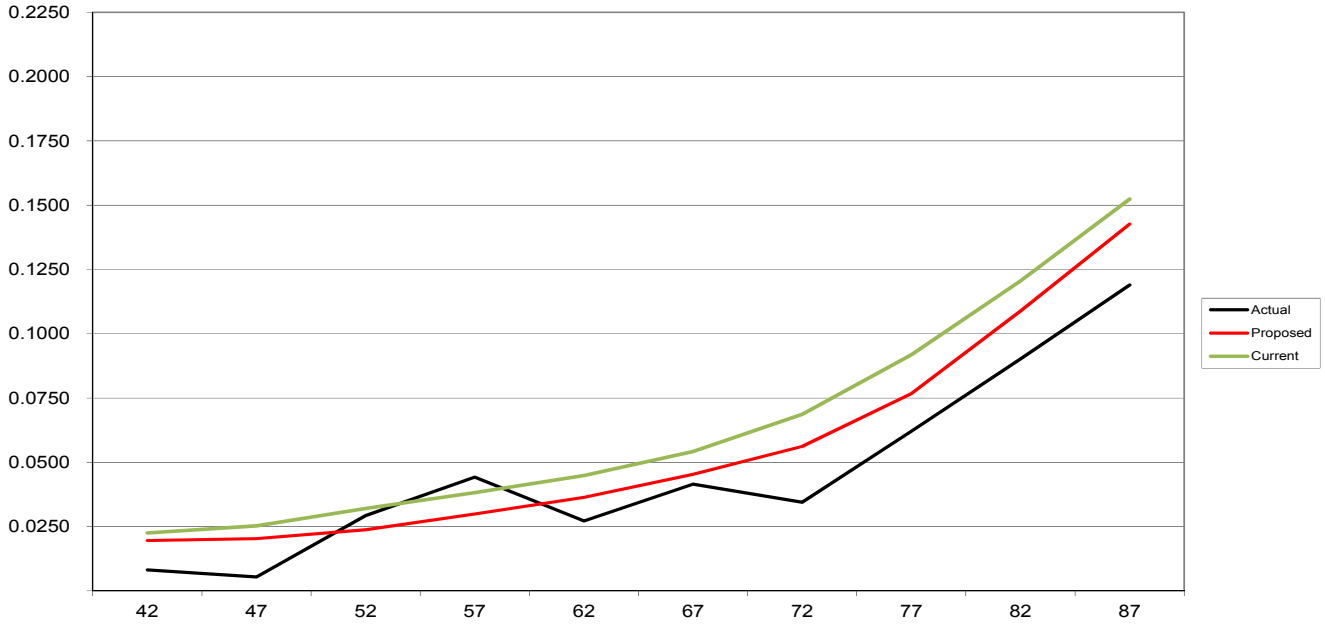
Healthy Pensioners – Female

Actual Deaths: 639
Expected Deaths: 595.54
Ratio of Actual to Expected: 107%
Expected Deaths under Proposed Rates: 622.95
Ratio of Actual to Proposed: 103%

In 2014, the Society of Actuaries (SOA) published the new RP-2014 Mortality Tables that replaced RP-2000 as the current standard table. Subsequent mortality improvement scales MP-2014, MP-2015, and MP-2016 replaced Scales AA and BB.

Recommendation 2 : Update to the RP-2014 Healthy Annuitant table using 110% of the female rates. Also use mortality improvement Scale MP-2016 on a fully generational basis.

Mortality Experience for Disability Retirements Male



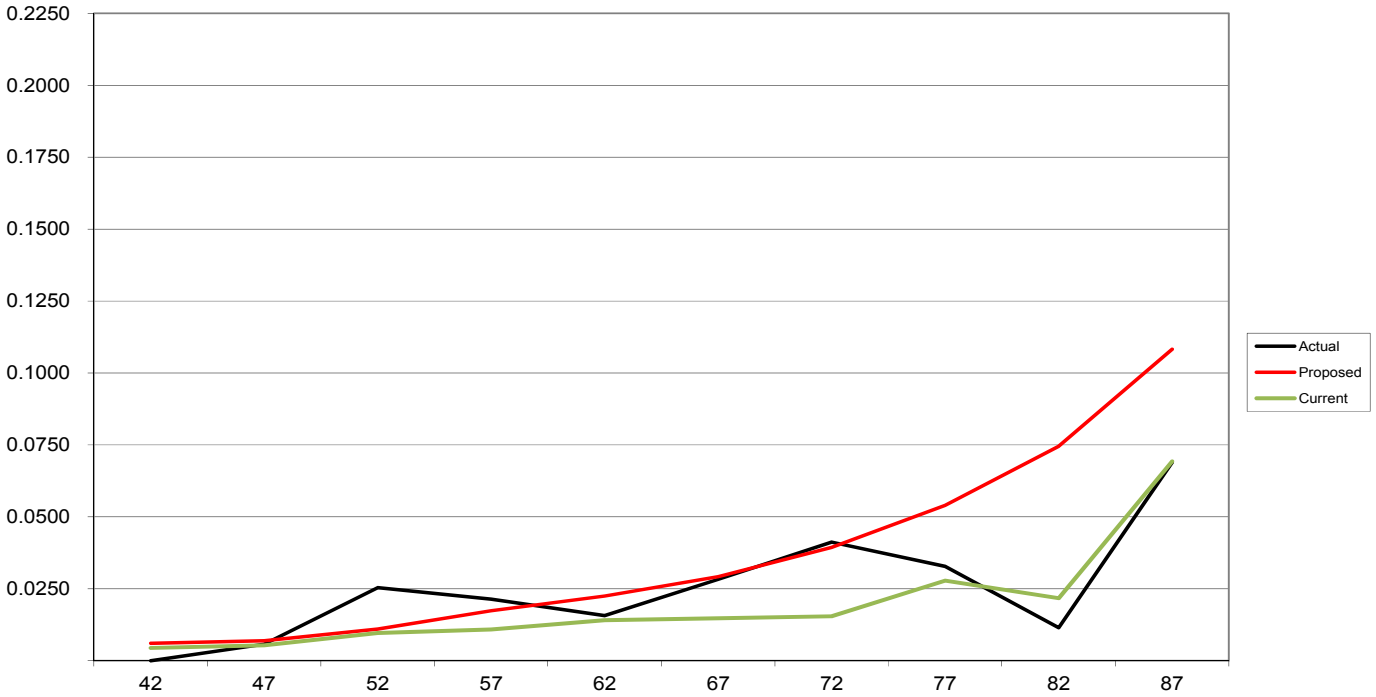
Disability Retirements –Male

Actual Deaths: 122
Expected Deaths: 163.3
Ratio of Actual to Expected: 75%
Expected Deaths under Proposed Rates: 116.6
Ratio of Actual to Proposed: 105%

Overall experience shows lower than expected deaths

Recommendation: Update to the RP-2014 Disabled Retiree Mortality Table using 102% of the male rates. Also use mortality improvement Scale MP-2016 on a fully generational basis.

Mortality Experience for Disability Retirements Female



Disability Retirements –Female

Actual Deaths: 51
Expected Deaths: 31.9
Ratio of Actual to Expected: 160%
Expected Deaths under Proposed Rates: 54.19
Ratio of Actual to Proposed: 94%

Overall experience shows higher than expected deaths

Recommendation: Update to the RP-2014 Disabled Retiree Mortality Table using 98% of the female rates. Also use mortality improvement Scale MP-2016 on a fully generational basis.

Setting Economic Assumptions

Review Past Experience

Review General Practice

Make Judgment About Future

Economic Assumptions

	Current Assumptions	
Investment Rate of Return	8.25% for calendar years 2013 through 2017, and 8.50% beginning with calendar years 2018	per annum
Inflation	3.0%	per annum
Real Rate of Return	5.25% ~5.5%	per annum
Individual Salary Increases		
• General Career Average	3.8%	
• Police & Fire Career Average	4.5%	
Payroll increases for UAAL amortization	3.0%	
Duty Disability ATB Salary Increases	3.0%	

Salary Increases

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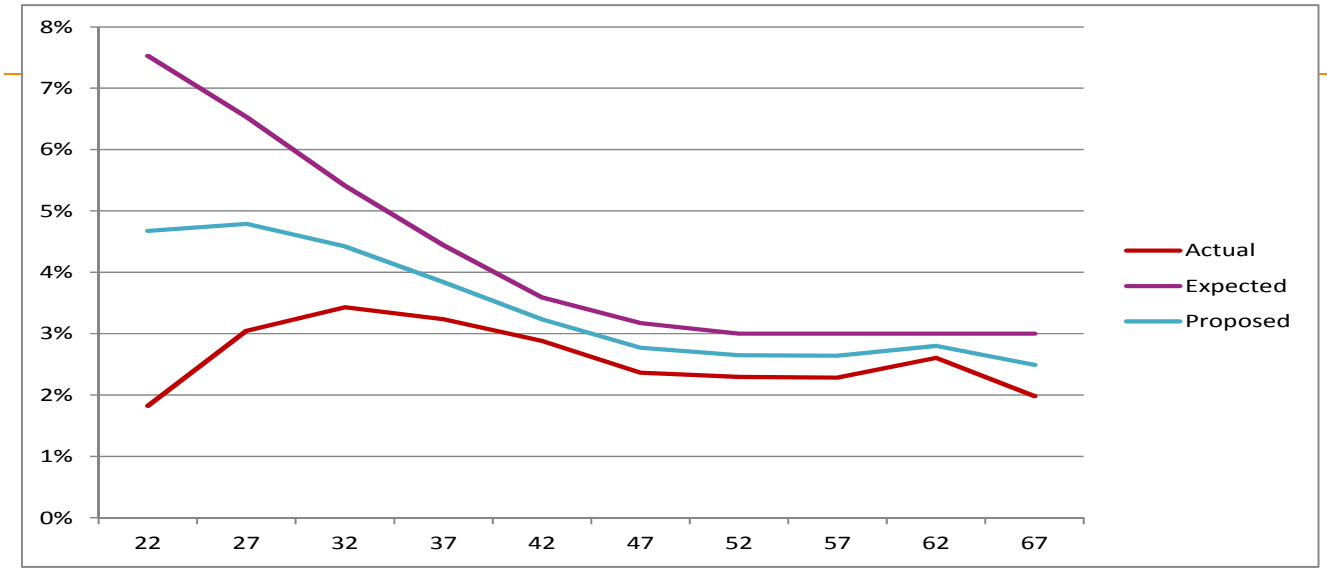

General Employees

Overall experience shows lower than expected salary increases

Recommendation: Lower salary increase rates across the board to better match experience and future expectations, but not lower than the assumed rate of inflation.

Salary Increases

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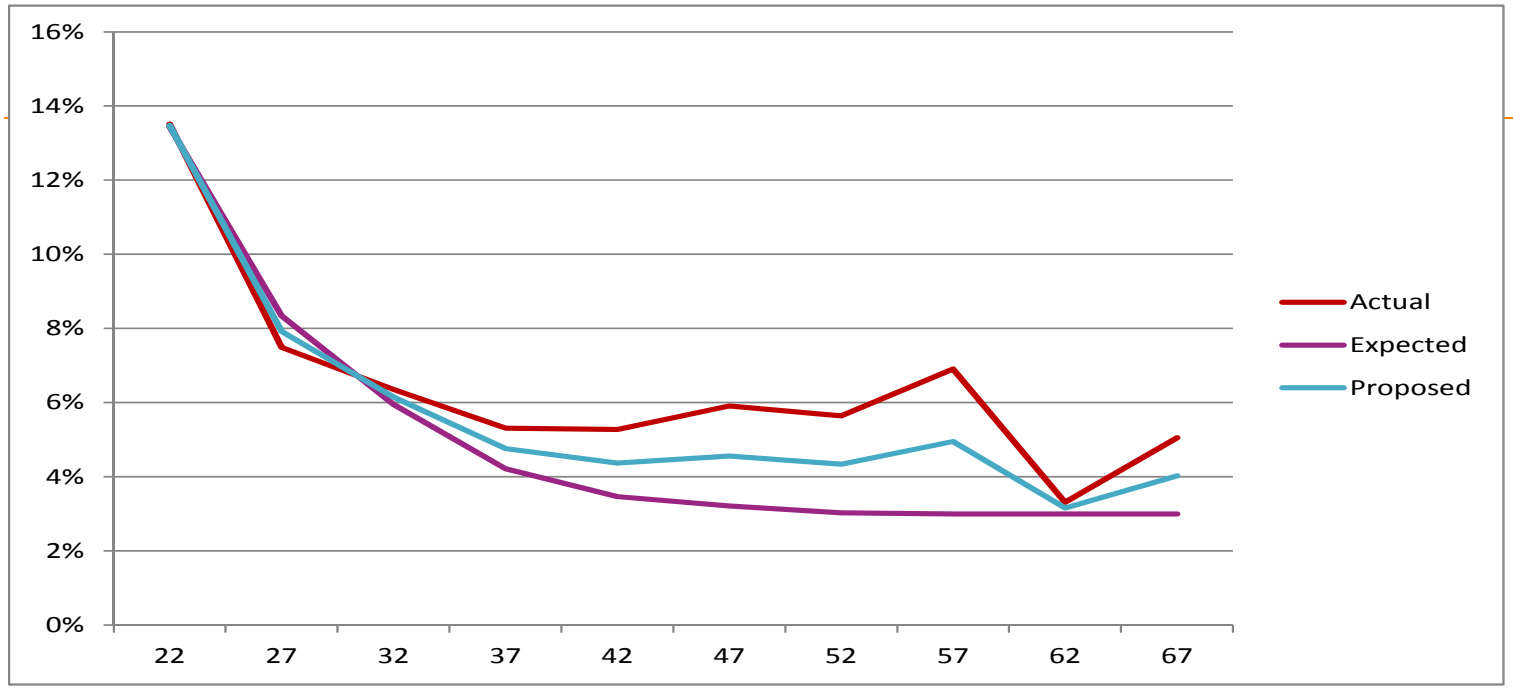
Police



Overall experience shows higher than expected salary increases

Recommendation: Higher salary increase rates across the board to better match experience and future expectations.

Salary Increases

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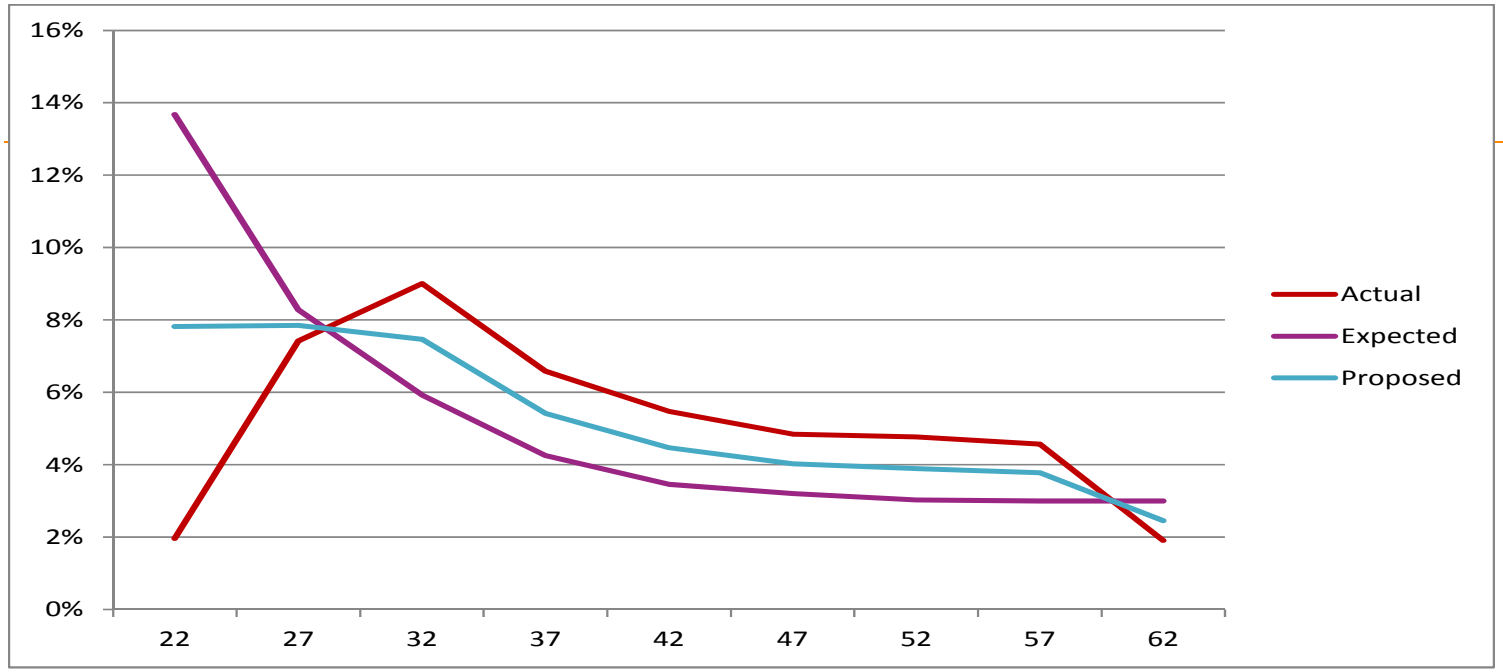
Firefighters



Overall experience shows higher than expected salary increases

Recommendation: Higher salary increase rates at ages 30 and above to better match experience and future expectations. Lower salary increase rates at ages below 30, but not lower than the assumed rate of inflation.

Inflation

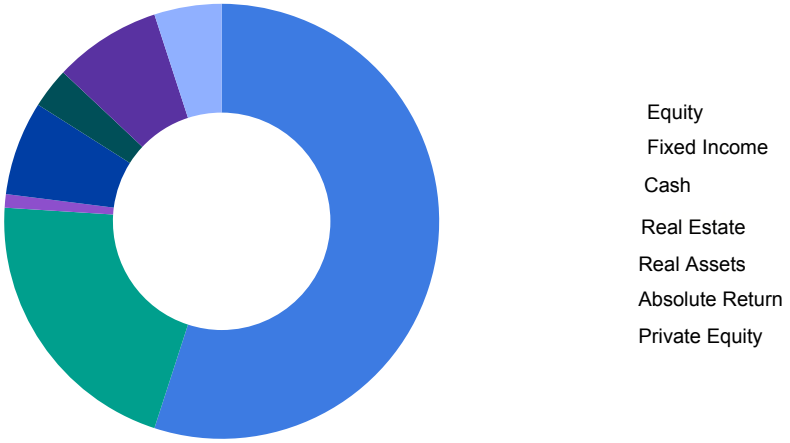
Forecasts of inflation:

- 2017 OASDI Trustees Report projects long-term (75-year) estimates of inflation ranging from between 2.0% and 3.2%
- Conduent's projection of inflation using a forward looking model produces *average* compound inflation over 30 years of 3.12%
    - *Median* compound inflation over 30 years of 3.00%
- Other market-based estimates of inflation range from 2.0-2.5%, but over shorter time horizons
- Based on the available data, we believe that maintaining the inflation assumption at 3.00% can be supported

Current Investment Policy

Target Allocation

Equity	**55.0%**	
Large Cap Equities		16.5%
Mid/Small Cap Equities		8.5%
International Equities		20.0%
Global Equities		10.0%
Fixed Income	**21.0%**	
Cash	**1.0%**	
Real Estate	**7.0%**	
Real Assets	**3.0%**	
Absolute Return	**8.0%**	
Private Equity	**5.0%**	
Total	**100.0%**	



Source: Callan Investment Consulting IPS

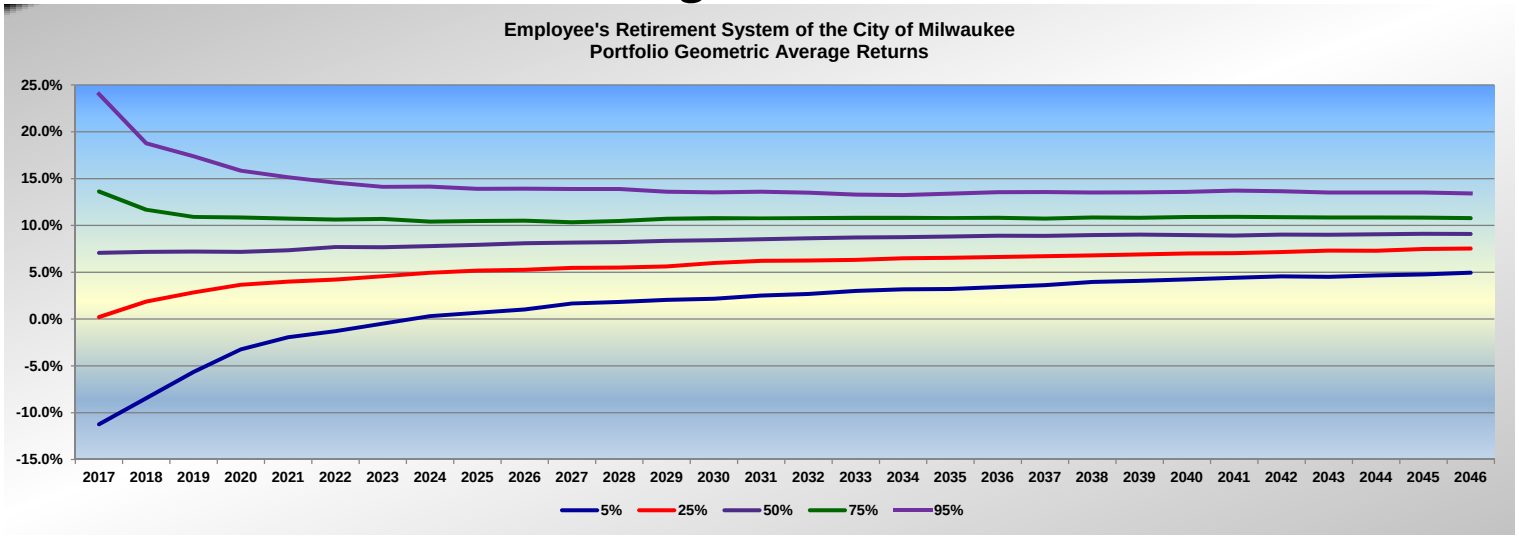
Conduent 2016 Q4 Capital Market Assumptions – Summary

Expected Returns and Standard Deviations

	10 Year			20 Year			30 Year		
Asset Class	Expected Return		Std. Dev.	Expected Return		Std. Dev.	Expected Return		Std. Dev.
	Arithmetic	Geometric		Arithmetic	Geometric		Arithmetic	Geometric	
Cash	2.53%	2.52%	1.94%	3.51%	3.49%	2.56%	4.06%	4.04%	2.84%
US Large Cap	10.13%	8.73%	18.30%	11.30%	9.82%	18.43%	11.77%	10.25%	18.56%
US Mid Cap	12.05%	10.54%	18.97%	13.33%	11.73%	19.06%	13.82%	12.16%	19.27%
US Small Cap	12.15%	10.58%	19.50%	13.44%	11.76%	19.66%	13.91%	12.17%	19.84%
Low Volatility Equity	9.78%	9.10%	12.83%	10.62%	9.90%	12.90%	10.95%	10.21%	12.98%
Global Equity	10.19%	9.00%	16.98%	10.94%	9.68%	17.04%	11.21%	9.91%	17.14%
Global ex US Equity	10.24%	9.10%	16.70%	10.67%	9.46%	16.75%	10.79%	9.53%	16.85%
MSCI EAFE	9.51%	8.25%	17.53%	9.94%	8.59%	17.62%	10.00%	8.61%	17.73%
MSCI Emerging Markets	12.44%	10.73%	20.66%	12.88%	11.08%	20.77%	13.14%	11.29%	20.87%
Aggregate Bonds	2.83%	2.75%	4.31%	4.24%	4.12%	5.15%	5.01%	4.88%	5.56%
Long Corporate (≥10yr)	3.61%	3.25%	8.86%	5.52%	5.06%	9.95%	6.48%	5.97%	10.49%
US Government Credit Intermediate	2.95%	2.85%	4.79%	4.41%	4.26%	5.68%	5.19%	5.02%	6.13%
US Government Credit Long	2.69%	2.28%	9.35%	4.68%	4.16%	10.57%	5.69%	5.12%	11.18%
US Government Short (<2yr)	2.81%	2.80%	1.90%	3.81%	3.79%	2.56%	4.38%	4.35%	2.85%
US Government Intermediate (2-7yr)	2.80%	2.72%	4.20%	4.17%	4.06%	5.05%	4.92%	4.79%	5.48%
US Government Long (≥7yr)	1.97%	1.60%	8.91%	3.91%	3.43%	10.15%	4.93%	4.39%	10.78%
US High Yield Short Duration (1-3yr)	3.80%	3.49%	8.35%	4.97%	4.62%	8.72%	5.61%	5.25%	8.91%
US High Yield	5.72%	5.06%	12.50%	7.10%	6.40%	12.58%	7.79%	7.08%	12.65%
US TIPS	4.55%	4.35%	6.66%	5.86%	5.65%	7.04%	6.63%	6.40%	7.32%
Treasury STRIPS (≥20yr)	1.00%	-0.56%	18.45%	4.10%	1.81%	22.62%	5.84%	3.11%	25.09%
Mortgage Backed Securities	2.60%	2.49%	4.88%	4.08%	3.92%	5.94%	4.85%	4.68%	6.25%
Emerging Market Debt	3.10%	2.28%	13.81%	3.76%	2.87%	14.10%	4.08%	3.16%	14.28%
Global ex-US Debt	0.61%	0.31%	7.95%	1.91%	1.58%	8.40%	2.73%	2.37%	8.67%
Direct Real Estate	8.83%	8.67%	6.78%	9.50%	9.31%	7.08%	9.96%	9.75%	7.27%
REIT	7.27%	5.63%	19.81%	8.42%	6.66%	20.09%	8.82%	7.01%	20.22%
Hedge Funds	7.26%	6.88%	9.54%	7.64%	7.23%	9.61%	7.81%	7.39%	9.64%
Commodities	6.79%	4.53%	25.44%	7.82%	5.33%	25.76%	8.77%	6.08%	26.46%
Infrastructure	8.42%	6.71%	20.39%	9.37%	7.55%	20.60%	9.87%	7.96%	20.87%
Private Equity	12.91%	9.11%	29.19%	14.90%	10.86%	29.40%	15.66%	11.49%	29.67%
Inflation	2.50%	2.49%	2.32%	2.88%	2.86%	2.49%	3.14%	3.12%	2.63%

Employees' Retirement System of the City of Milwaukee

Portfolio Geometric Average Return



Recommendation:

Could maintain current 8.5% assumption.
Consider lower rate for conservatism – possibly 8.0%.

Note that these gross rates of return do not reflect investment manager fees.

Portfolio Geometric Average Return

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
95th percentile	24.0%	18.8%	17.4%	15.8%	15.1%	14.6%	14.1%	14.1%	13.9%	13.9%	13.9%	13.9%	13.6%	13.5%	13.6%
75th percentile	13.6%	11.7%	10.9%	10.8%	10.7%	10.6%	10.7%	10.4%	10.5%	10.5%	10.3%	10.5%	10.7%	10.8%	10.7%
50th percentile	7.1%	7.2%	7.2%	7.2%	7.3%	7.7%	7.7%	7.8%	7.9%	8.1%	8.2%	8.2%	8.4%	8.4%	8.5%
25th percentile	0.2%	1.9%	2.8%	3.7%	4.0%	4.2%	4.6%	4.9%	5.2%	5.3%	5.5%	5.5%	5.6%	6.0%	6.2%
5th percentile	-11.2%	-8.5%	-5.7%	-3.2%	-1.9%	-1.3%	-0.5%	0.3%	0.7%	1.0%	1.7%	1.8%	2.0%	2.2%	2.5%

	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
95th percentile	13.5%	13.3%	13.2%	13.4%	13.5%	13.6%	13.5%	13.5%	13.6%	13.7%	13.6%	13.5%	13.5%	13.5%	13.4%
75th percentile	10.8%	10.8%	10.8%	10.8%	10.8%	10.7%	10.8%	10.8%	10.9%	10.9%	10.9%	10.8%	10.8%	10.8%	10.8%
50th percentile	8.6%	8.7%	8.7%	8.8%	8.9%	8.9%	9.0%	9.0%	9.0%	8.9%	9.0%	9.0%	9.0%	9.1%	9.1%
25th percentile	6.2%	6.3%	6.5%	6.5%	6.6%	6.7%	6.8%	6.9%	7.0%	7.0%	7.1%	7.3%	7.3%	7.5%	7.5%
5th percentile	2.7%	3.0%	3.2%	3.2%	3.4%	3.6%	4.0%	4.1%	4.2%	4.4%	4.5%	4.5%	4.7%	4.8%	4.9%

Funded Status Attribution

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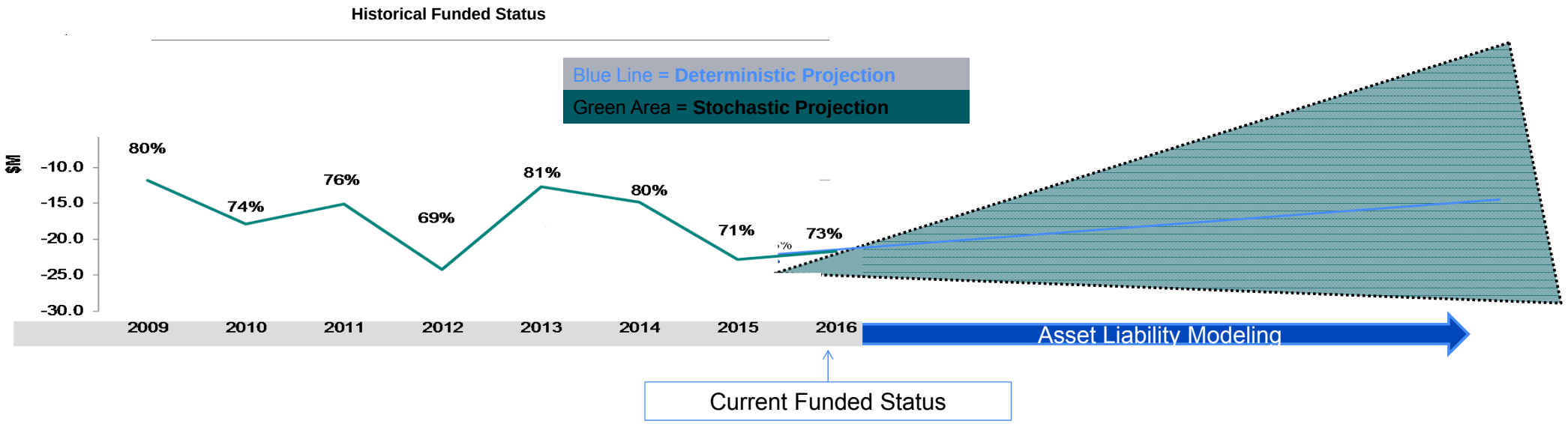
Factors that impact funded status over time.

Census Data Updates	Impact of changes in valuation data used one year to the next.
Service Cost	The present value of all benefits expected to accrue during a period of time.
Benefit Payments	Benefit payments reduce liabilities and assets equally, so the impact only includes the impact of leverage on the funded percentage.
Interest Cost	The expected increase in the liability that is the result of the decrease in time until future pension payments are expected to be made.
Change in Discount Rate	A *lower* discount rate assumption means that future benefit payments are discounted less when determining their present value, resulting in a higher liability, and vice-versa.
Investment Return	Actual return on total assets
Employer Contributions	Assets contributed to the trust
Expenses	Expenses paid by the trust

Asset Liability Modeling (ALM)

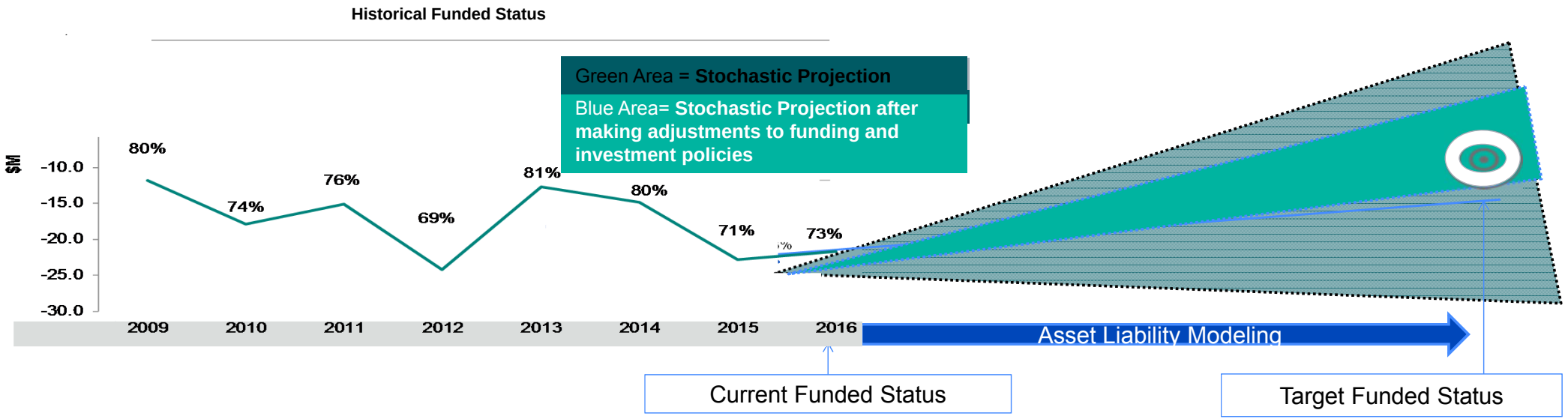
ALM uses stochastic projections to quantify risk.



- Stochastic projections provide a range of potential outcomes (typically 1000 simulations) based on various factors
- Market factors, such as interest rates and asset returns, are generated by our Economic Scenario Generator, which uses real market conditions and capital market assumptions to project outcomes.

Applying ALM to Manage Risk

ALM Helps You Reach Your Funding Goals.



- Making changes to investment and funding policies can be tested through ALM
- This helps develop a strategy that meets your goals and is in line with your risk tolerance. Without ALM, it can be difficult to quantify how much risk you are even taking.

Funding Policy Alternatives

The Funding policy is composed of:

1) The Actuarial cost method,
2) The unfunded actuarial accrued liability (UAAL) amortization method, and
3) The asset valuation method.

We will discuss the three components on the following slides.

Funding Policy Alternatives

-The actuarial cost method

- Why entry age normal?
    - Most commonly used funding method among public-sector retirement plans in the United States.
    - Develops normal cost as a level percentage of pay.
    - Identified as a “model practice” in the CCA White Paper.
    - Consistency with GASB 67 and 68.

Funding Policy Alternatives

- The unfunded actuarial accrued liability (UAAL) amortization method

Characteristics of the current UAAL amortization method are described below:

Component	Description	Current Policy
Period	The number of years over which the UAAL is amortized.	25 years to future working lifetime of employees covered by the funds(reduced in 1 year increments)
Open or Closed (reset or not)	Closed amortization is similar to a mortgage where at the end of the period the UAAL is paid off. Open amortization is similar to re-mortgaging every year.	Closed, but later open
Aggregate or Layered Basis	Under aggregate, the entire UAAL as of the valuation is amortized over a single period. Under layered, new amortization base(s) are established each year. Layered amortization can be thought of as a pension debt schedule.	Aggregate
Payment Increase	The annual increase in the UAAL payment. An increase of 0% is generally referred to as level dollar.	3.0% per year
Categorization	The category of practice assigned in the CCA White Paper	Acceptable with conditions

Funding Policy Alternatives

- The unfunded actuarial accrued liability (UAAL) amortization method

Characteristics of the proposed new UAAL amortization method are described below:

Component	New Policy
Period	15-year closed periods for each annual actuarial gain or loss. 25-year closed periods for changes in assumptions and methods.
Open or Closed (reset or not)	Closed
Aggregate or Layered Basis	Layered
Payment Increase	TBD – to be established on the basis of expected revenue growth; earlier discussions pointed to a 2% annual rate of increase
Categorization	LCAM Model Practice

Funding Policy Alternatives

- Asset smoothing method

- Present practice: Five-year smoothing subject to a 20% corridor.
- Proposed practice: Five-year smoothing with no corridor.
- Proposed practice eliminates need to seek changes when corridor relief is needed.
- Still constitutes an acceptable practice under CCA White Paper guidelines.

Next Steps

Discussion and adoption by Board

Conduent to formulate full proposed assumptions

Conduent to look at impact of January 1, 2017 results if new assumptions were used

Development of administrative factors

Questions?

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Thank you

Disclosures

- Future actuarial measurements may differ significantly from the current measurements shown in this presentation due to plan experience differing from that anticipated by the economic and demographic assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions, applicable law or regulations. An analysis of the potential range of such future differences is beyond the scope of the valuations summarized here.
- Use of these results for any other purpose or by anyone other than the Board, the Employes' Retirement System of the City of Milwaukee, or their respective staffs may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the results for that purpose. Because of the risk of misinterpretation of actuarial results, Conduent HR Services should be asked to review any statement to be made on the basis of the results contained in this presentation. Conduent will not accept any liability for any such statement made without such prior review.
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