

December 19, 2007

Annuity and Pension Board  
Employees' Retirement System of  
the City of Milwaukee  
200 East Wells Street, Room 603  
Milwaukee, WI 53202

**Re:   Policemen's Annuity and Benefit Fund of Milwaukee  
      January 1, 2007 Actuarial Valuation**

Members of the Board:

This letter summarizes the results of the annual actuarial valuation of the assets and liabilities of the Policemen's Annuity and Benefit Fund of Milwaukee (PABF) as of January 1, 2007, prepared in accordance with Chapter 35 of the Milwaukee City Charter. The valuation takes into account all of the promised benefits to which members were entitled as of January 1, 2007.

**Assumptions and Methods**

The actuarial assumptions and methods used to prepare the valuation have changed since the prior valuation. The investment return assumption was increased from 6% to 8.5% per annum, and the mortality rates were revised from the unisex 1994 Group Annuity Reserving Table (which was applied to both males and females) to the RP-2000 Mortality Table with five years of projected improvements for males, and the Uninsured Pensioners 1994 Mortality Table with six years of projected improvements for females.

The new 8.5% investment return assumption is the assumption we currently recommend for the City of Milwaukee Employees' Retirement System (CMERS). We recommend that both the PABF and CMERS use the same assumption since for investment purposes the assets of the two funds are pooled and invested in the same manner.

The new mortality tables are the same mortality tables we recommend the Board adopt for the January 1, 2008 actuarial valuation for CMERS. They are based on a five-year review of CMERS experience, and we believe they are also appropriate for valuing the liabilities of the PABF. We believe the new tables are more appropriate than the mortality table used for the prior valuation because they compare well to recent experience of Milwaukee retirees, and they are sex-distinct rather than unisex tables. In addition, the prior table was a conservative table that reflected the experience of individuals who purchase life annuity policies; and who are therefore assumed to be healthier than average and long-lived.

## **Assets and Membership Data**

The individual data for members of the PABF were reported to the actuary as of December 31, 2006, and as of December 12, 2007. As a result we were able to use data that had been updated for deaths reported through mid-December, and the actuarial liability as of January 1, 2007 was based on actual benefit payments for January through November 2007, and projected benefit payments thereafter. The amount of assets in the trust fund taken into account in the valuation was based on statements as of December 31, 2006, that were prepared for us by the ERS.

## **Financing Objective and Employer Contribution**

The results of the January 1, 2007 valuation determine the employer contribution for the year ending December 31, 2007.

Based on the provisions of Chapter 35, the annual contribution consists of an amount sufficient to amortize the unfunded actuarial liability (the amount by which the actuarial liability exceeds the assets on the valuation date) over a ten-year period with a series of level dollar payments; plus budgeted administrative expenses for the year.

On this basis, the contribution for the 2007 plan year, to be paid by January 31, 2008, would amount to \$56,972 plus budgeted administrative expenses for the year.

This contribution would also comply with the disclosure requirements of Governmental Accounting Standards Board Statement No. 25.

## **Financial Results**

As of January 1, 2007, the actuarial liability of the PABF was \$5,956,976, and the assets (valued at market, and including a \$307,582 receivable contribution for the 2006 plan year) amounted to \$5,585,697. As a result, the unfunded actuarial liability was \$371,279, and the funded ratio (the ratio of the assets to the liability) was 93.8%.

Based on the prior 6% investment return assumption, and the prior mortality table the actuarial liability at January 1, 2007 was \$7,007,494. \$544,119 of the decrease in liability is due to the 8.5% investment return assumption, while the remaining difference (an additional decrease of \$506,399) is due to the revised mortality table and the December 12, 2007 updates to the participant data.

An exhibit providing a 20-year projection of assets, liabilities, benefit payments and contribution requirements (excluding future administrative expense requirements) is enclosed with this letter. The projection indicates that assets in the PABF would be exhausted sometime during calendar year 2022. If this were to occur, benefits would actually need to be paid on a pay-as-you-go basis thereafter.

A more detailed report will be provided in January.

To the best of our knowledge, this letter is complete and accurate and has been prepared in accordance with generally accepted actuarial principals and practice.

Respectfully submitted,



S. Lynn Hill  
Director, Retirement Consulting



Timothy J. Abramic, E.A.  
Consulting Actuary

SLH/TJA:pl  
12736/C5915RET28-Police-Annuity-Ben-Fund.doc

Enc.

**CITY OF MILWAUKEE**  
**POLICEMEN'S ANNUITY AND BENEFIT FUND**  
**PROJECTION OF ACTUARIAL LIABILITY AND ASSETS**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2026**

**BASED ON ROLLING 10-YEAR LEVEL DOLLAR AMORTIZATION OF UNFUNDED ACTUARIAL LIABILITY**  
**AND 8.50% PER ANNUM INVESTMENT RETURNS**

Calendar Year	(A) Beg.-of-Year (BOY) Assets	(B) BOY Actuarial Liability	(C) Unfunded Actuarial Liability (B) - (A)	(D) Expected Benefit Payments	(E) Investment Earnings at 8.50%	(F) Contribution Receivable Jan 31 Next Year	(G) End-of-Year Assets (A) - (D) + (E) + (F)
2007	\$ 5,585,697	\$ 5,956,976	\$ 371,279	\$ 1,349,881	\$ 418,584	\$ 56,972	\$ 4,711,372
2008	4,711,372	5,057,238	345,866	1,195,717	350,266	53,072	3,918,993
2009	3,918,993	4,241,605	322,612	1,038,950	289,469	49,504	3,219,016
2010	3,219,016	3,519,936	300,920	893,091	236,070	46,175	2,608,170
2011	2,608,170	2,888,857	280,687	759,019	189,755	43,071	2,081,977
2012	2,081,977	2,343,790	261,813	637,433	150,113	40,175	1,634,831
2013	1,634,831	1,879,041	244,210	528,699	116,654	37,473	1,260,260
2014	1,260,260	1,488,049	227,789	432,886	88,824	34,954	951,151
2015	951,151	1,163,625	212,474	349,727	66,031	32,604	700,059
2016	700,059	898,246	198,187	278,698	47,662	30,411	499,435
2017	499,435	684,296	184,861	219,021	33,110	28,366	341,891
2018	341,891	514,322	172,431	169,685	21,788	26,459	220,453
2019	220,453	381,290	160,837	129,581	13,149	24,680	128,701
2020	128,701	278,724	150,023	97,511	6,699	23,021	60,910
2021	60,910	200,845	139,935	72,296	1,998	21,473	12,085
2022	12,085	142,611	130,526	52,821	(1,330)	20,029	(22,037)
2023	(22,037)	99,713	121,750	38,024	(3,603)	18,682	(44,981)
2024	(44,981)	68,582	113,563	26,833	(5,078)	17,426	(59,466)
2025	(59,466)	46,461	105,927	18,621	(5,958)	16,254	(67,791)
2026	(67,791)	31,014	98,805	12,778	(6,414)	15,161	(71,821)