

June 2004

Actuarial Valuation Reports

County of Milwaukee

MERCER

Human Resource Consulting



Marsh & McLennan Companies

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June 2004

Employees' Retirement System of the County of Milwaukee

Actuarial Valuation Report as of January 1, 2004 for the
Plan Year and Fiscal Year Ending December 31, 2004

MERCER

Human Resource Consulting

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Highlights

This report has been prepared by Mercer Human Resource Consulting on behalf of plan participants by the County of Milwaukee (the "Plan Sponsor") to:

- Determine the funding calculation under the Employees' Retirement System of the County of Milwaukee (the "Plan") for the plan and fiscal year ending December 31, 2004;
- Present the results of a valuation of the Plan as of January 1, 2004; and
- Review experience under the Plan for the year ended December 31, 2003.

The following table summarizes important contribution information.

Contributions	Plan Year Ending	
	December 31, 2004	December 31, 2003
Funding Calculation	\$ 33,248,204	\$ 25,242,325
Percentage of Payroll	14.24%	9.30%

This amount will pay the normal cost for the year and amortize the unfunded actuarial accrued liability as a level percentage of pay over the next 30 years. The results incorporate a \$18,627,012 contribution to the fund in May 2004 as a receivable for the 2003 plan year. As directed by Milwaukee County, this contribution was designated to fully pay contribution variance bases that had been established over the previous three years.

Variance Year	Date Base Created	Outstanding Amount on 12/31/2003	Contribution	Remaining Outstanding Amount
2001	1/1/2002	\$3,864,370	\$3,864,370	\$0
2002	1/1/2003	4,938,317	4,938,317	0
2003	1/1/2004*	9,873,007	9,824,325	48,682
	Total	\$18,675,694	\$18,627,012	\$48,682

* Base not fully paid because the allocated contribution was based on the estimated contribution requirement. The final requirement was not known when the contribution allocation was determined.

Following Year's Budget Contribution

The 2005 budget contribution is \$37,783,000. It is estimated that \$313,000 will be contributed on a biweekly basis and the lump sum due is \$37,470,000.

The total funding calculation for 2004 is \$33,248,204. Of this amount, it is estimated \$338,813 will be contributed on a bi-weekly basis (including interest on the contributions). For 2005 budget purposes, it is assumed the remaining \$32,909,391 will be contributed on a lump-sum basis in 2005 as a receivable for the 2004 plan year.

Summary of Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods, or plan provisions between the two valuations are described after the summary.

	Actuarial Valuation as of	
	January 1, 2004	January 1, 2003
Funding Valuation		
Market Value of Assets	\$ 1,493,450,359	\$ 1,282,880,806
Actuarial Value of Assets	1,446,725,776	1,446,860,024
Actuarial Accrued Liability	1,707,998,621	1,542,044,756
<i>Funded Ratio</i>	84.70%	93.83%
Unfunded Actuarial Accrued Liability	261,272,845	95,184,732
Normal Cost	\$ 18,568,117	\$ 17,176,791
<i>Percentage of Payroll</i>	7.97%	7.32%
Participant Data		
Number of Participants in Valuation		
Active Participants	5,465	5,793
Participants with Deferred Benefits	1,559	1,525
Participants Receiving Benefits	6,695	6,637
Total	13,719	13,955
Membership Payroll*	\$ 233,477,631	\$ 234,679,129

The liability measures shown above are developed throughout the report.

**Prior-year earnings increased by the salary assumption.*

Changes

The Pension Board adopted the following changes effective January 1, 2004:

Assumption/Method	Change
Mortality	Changed from UP 1994 to RP 2000
Salary Scale Rates	Adjusted for general employees; lowered 1.5% for deputy sheriffs
Withdrawal Rates	Increased for general employees with less than five years of service; lowered for general employees with greater than five years of service; adjusted for deputy sheriffs
Retirement Rates	Increased for general employees prior to age 58; lowered for general employees from age 62-65; increased for deputy sheriffs prior to age 55
Asset Smoothing Method	Changed from smoothing unrealized gains/losses to smoothing difference between total expected return vs. actual return beginning January 1, 2004 (change is phased in over five-year period)
Investment Return Assumption	Lowered from 9% to 8.5%
Amortization Method	Changed amortization period for plan amendments, assumption changes and actuarial experience from 20 years to 30 years. The outstanding balances of such existing bases were re-amortized over 30 years from January 1, 2004. New bases will be amortized over 30 years from the date established. For 2004 budget purposes, all existing bases were established over 30 years. However, the final policy adopted (and incorporated in the 2004 results shown in this report) maintained the amortization periods for reimbursable expenses and contribution variances remain at 10 and 5 years respectively.

The changes were reflected in the 2004 budget calculation. See the 2003 Actuarial Report for the financial impact of these changes.

Certification

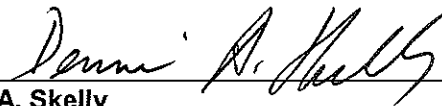
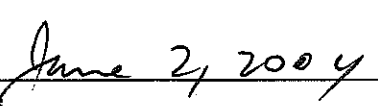
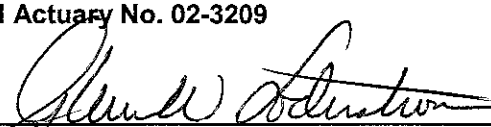
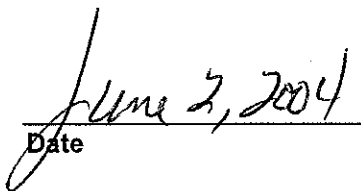
We have prepared an actuarial valuation of the Employees' Retirement System for the County of Milwaukee as of January 1, 2004 for the plan year ending December 31, 2004. The results of the valuation are set forth in this report, which reflects the provisions of the Plan effective December 24, 1967, incorporating subsequent amendments.

The valuation is based on employee and financial data which were provided by the County of Milwaukee and which are summarized in this report.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions selected by the Pension Board are reasonable estimates of the anticipated experience under the Plan. This report fully and fairly discloses the actuarial position of the Plan on an ongoing basis.

This report has been prepared exclusively for the County of Milwaukee to determine a contribution budget for the Employees' Retirement System of the County of Milwaukee and to provide the plan's accountants with the funded status of the plan. Mercer Human Resource Consulting is not responsible for any consequences arising from the use of this report for any other purpose.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained within this report.

 Dennis A. Skelly Associate, Society of Actuaries Enrolled Actuary No. 02-3209	 Date
 Glenn W. Soderstrom Fellow, Society of Actuaries Enrolled Actuary No. 02-2873	 Date
Mercer Human Resource Consulting 411 E. Wisconsin Ave., Suite 1500 Milwaukee, WI 53202 (414) 223-4200	

Section 1: Funding Results

- Section 1.1** The unfunded actuarial accrued liability as of the valuation date.
- Section 1.2** A development of the actuarial gain or loss during the year.
- Section 1.3** The normal cost as of the valuation date.
- Section 1.4** The determination of the contribution recommendations, including the actual and budgeted contributions.
- Section 1.5** The actuarial present value of accrued benefits as of the valuation date.

Section 1.1

Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected plan benefits allocated to past service by the actuarial funding method being used.

	January 1, 2004	January 1, 2003
1. Actuarial Accrued Liability		
a. Active Participants		
Retirement Benefits	\$ 596,083,376	\$ 534,229,777
Withdrawal Benefits	12,412,951	10,591,217
Disability Benefits	36,342,560	30,477,216
Death Benefits	2,441,486	2,798,880
Total	647,280,373	578,097,090
b. Participants with Deferred Benefits	61,467,997	54,652,334
c. Participants Receiving Benefits	999,250,251	909,295,332
d. Actuarial Accrued Liability (a. + b. + c.)	1,707,998,621	1,542,044,756
2. Actuarial Value of Assets	1,446,725,776	1,446,860,024
3. Unfunded Actuarial Accrued Liability (1.d. - 2.)	\$ 261,272,845	\$ 95,184,732

Section 1.2

Actuarial Gain/(Loss)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of January 1, 2004.

1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at January 1, 2003	\$ 1,542,044,756
b. Normal Cost at January 1, 2003	17,176,791
c. Interest on <i>a. + b.</i> to End of Year	140,329,939
d. Benefit Payments for Plan Year Ending December 31, 2003, with Interest to End of Year	116,109,442
e. Expected Actuarial Accrued Liability Before Change (<i>a. + b. + c. - d.</i>)	1,583,442,044
f. Change in Actuarial Accrued Liability at January 1, 2004, Due to Change in Plan Provisions and Actuarial Assumptions	100,382,053
g. Expected Actuarial Accrued Liability at January 1, 2004 (<i>e. + f.</i>)	1,683,824,097
2. Actuarial Accrued Liability at January 1, 2004	1,707,998,621
3. Liability Gain/(Loss) (<i>1.g. - 2.</i>)	(24,174,524)
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at January 1, 2003	1,446,860,024
b. Interest on <i>a.</i> to End of Year	130,217,402
c. Contributions Made for Plan Year Ending December 31, 2003	33,980,592
d. Interest on <i>c.</i> to End of Year	15,738
e. Benefit Payments for Plan Year Ending December 31, 2004 with Interest to End of Year	116,109,442
f. Expense Reimbursed from Trust to the County	1,052,422
g. Expected Actuarial Value of Assets January 1, 2004 (<i>a. + b. + c. + d. - e - f.</i>)	1,493,911,892
5. Actuarial Value of Assets as of January 1, 2004	1,446,725,776
6. Actuarial Asset Gain/(Loss) (<i>5. - 4.g.</i>)	(47,186,116)
7. Actuarial Gain/(Loss) (<i>3. + 6.</i>)	\$ (71,360,640)

Section 1.3

Normal Cost

	January 1, 2004	January 1, 2003
1. Present Value of Projected Benefits		
a. Active Participants		
Retirement Benefits	\$ 710,539,607	\$ 646,676,826
Withdrawal Benefits	31,152,675	27,255,861
Disability Benefits	46,536,052	39,239,476
Death Benefits	3,955,415	4,625,786
Total	792,183,749	717,797,949
b. Participants with Deferred Benefits	61,467,997	54,652,334
c. Participants Receiving Benefits	999,250,251	909,295,332
d. Total	1,852,901,997	1,681,745,615
2. Actuarial Value of Assets	1,446,725,776	1,446,860,024
3. Unfunded Actuarial Accrued Liability	261,272,845	95,184,732
4. Present Value of Future Normal Costs (1.d. - 2. - 3.)	144,903,376	139,700,859
5. Present Value of Future Salaries	1,818,939,516	1,905,119,382
6. Normal Cost Rate (4. ÷ 5.)	7.966%	7.333%
7. Expected Salaries*	233,092,107	234,239,620
8. Normal Cost (6. × 7.)	\$ 18,568,117	\$ 17,176,791

* Prior-year earnings increased by the salary assumption and limited by the IRS compensation limit for those under the mandatory retirement age.

Section 1.4

Contributions

The County of Milwaukee has adopted the policy developed below for funding purposes and abides the requirements of GASB Nos. 25 and 27 for pension expenses. The County's policy and the amounts required for the plan year ending December 31, 2004 are shown below.

A. Actual Funding Calculation

The actual funding calculation consists of the amortization of the unfunded actuarial liability plus the normal cost.

1. Net Annual Amortizations (<i>SECTION 1.4D</i>)	\$	13,101,797
2. a. Normal Cost		18,568,117
b. Interest to December 31, 2004		1,578,290
c. Normal Cost with Interest		20,146,407
3. Total Funding Calculation, End-of-Year Basis <i>(1. + 2c., not less than zero)</i>	\$	33,248,204

B. Funding Budget Policy

	Plan Year Ending	
	December 31, 2005	December 31, 2004
1. Net Annual Amortizations	\$ 16,529,000	\$ 18,585,000
2. a. Normal Cost	19,589,000	19,832,000
b. Interest	1,665,000	1,685,000
c. Normal Cost with Interest	21,254,000	21,517,000
3. Total Funding Budget Policy, End-of-Year Basis <i>(1. + 2.c., not less than zero)</i>	\$ 37,783,000	\$ 40,102,000

C. Projected Lump-Sum Contribution for Year

	Plan Year Ending	
	December 31, 2005	December 31, 2004
1. Total Funding Policy Budget	\$ 37,783,000	\$ 40,102,000
2. a. Estimated Biweekly Contributions	300,000	400,000
b. Interest	13,000	17,000
c. Biweekly Contribution with Interest	313,000	417,000
3. Net Funding Policy Budget <i>(1. - 2.c., not less than zero)</i>	\$ 37,470,000	\$ 39,685,000

Section 1.4

D. Amortization Schedule for Funding Calculation

Annual amortization payments of the reestablished unfunded actuarial accrued liability and changes to the unfunded actuarial accrued liability arising from plan changes, assumption changes and actuarial gains/losses are amortized as a level percentage of payroll, assuming payroll growth of 5.5% per year over a 30-year period. Expenses paid by the Trust and reimbursed by the County are amortized on a level dollar basis over 10 years. The variance between the actual amount contributed for the year and the contribution for the year to maintain the funding schedule is amortized on a level dollar basis over five years.

Charges	Amortization Period			Balances		
	Date Created	Initial Years	Last Payment	Initial	Outstanding	Payment
Expense	1/1/1997	10	2006	\$ 689,121	\$ 269,342	\$ 105,458
Expense	1/1/1998	10	2007	739,537	370,661	113,158
Expense	1/1/1999	10	2008	710,319	428,244	108,674
Expense	1/1/2000	10	2009	655,908	456,893	100,337
Expense	1/1/2001	10	2010	799,202	625,696	122,242
Expense	1/1/2002	10	2011	780,362	673,012	119,346
Expense	1/1/2003	10	2012	1,017,500	950,528	155,339
Expense	1/1/2004	10	2013	1,052,422	1,052,422	160,397
Variance	1/1/2004	5	2008	48,682	48,682	12,354
Reestablished unfunded	1/1/2004	30	2033	257,960,162	257,960,162	13,605,564
Total					\$ 262,835,642	\$ 14,602,869

Credits	Amortization Period			Balances		
	Date Created	Initial Years	Last Payment	Initial	Outstanding	Payment
Variance	1/1/2000	5	2004	5,061,294	\$ 1,188,913	1,289,971
Variance	1/1/2001	5	2005	828,375	373,884	211,101
Total					\$ 1,562,797	\$ 1,501,072
Net Amount					\$ 261,272,845	\$ 13,101,797

Section 1.4

E. Reconciliation of Budget Contributions

1. Preliminary 2004 Funding Budget		\$ 44,354,000
a. Change in amortization period to 30 years	(4,252,000)	
2. 2004 Funding Budget		\$ 40,102,000
a. Assets Loss (Gain)	(1,340,000)	
b. Additional contribution to pay off contribution variances	(5,514,000)	
3. 2004 Actual Funding Calculation		\$ 33,248,000
a. Expected increase in normal cost and amortization payment	1,856,000	
b. Recognition of previous asset losses	1,252,000	
c. Amortization of 2004 expenses	137,000	
d. Full recognition of 1999 contribution variance	1,290,000	
4. 2005 Funding Budget		\$ 37,783,000

Section 1.5

GASB Nos. 25 and 27 Disclosure

A. Equivalent Single Amortization Period

Shown below is the derivation of the equivalent single amortization period of the unfunded calculated in accordance with GASB Statement Nos. 25 and 27. The maximum allowable amortization period is 40 years (30 years effective January 1, 2007).

	January 1, 2004	January 1, 2003
1. Covered Payroll	\$ 233,477,631	\$ 234,679,129
2. Unfunded Amount	261,272,845	95,184,732
3. Amortization Payment	13,101,797	6,519,623
4. Payment as a Level Percentage of payroll (3 ÷ 1)	5.61%	2.78%
5. Weighted Average Amortization Factor (2 ÷ 3)	19.94	14.60
6. Equivalent Single Amortization Period (Nearest Whole Year)	33	22

B. Net Pension Obligation

The Net Pension Obligation is derived as detailed in Section 1.4A.

	January 1, 2004	January 1, 2003
1. Net Pension Obligation at End-of-Year	\$ 33,248,204	\$ 25,242,325

C. History of Liability and Assets

Shown below is the supplemental schedule required by government accounting standards.

Schedule of Funding Progress (in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (b - a)	Covered Payroll (c)	Unfunded as a Percentage of Covered Payroll {(b-a)/c}
12/31/2003	\$ 1,446,726	\$ 1,707,999	84.7%	\$ 261,273	\$ 233,478	111.9%
12/31/2002	1,446,860	1,542,045	93.8%	95,185	234,679	40.6%
12/31/2001	1,620,157	1,492,072	108.6%	(128,085)	238,387	(53.7)%
12/31/2000	1,670,601	1,499,261	111.4%	(171,340)	238,195	(71.9)%
12/31/1999	1,622,710	1,336,574	121.4%	(286,136)	230,324	(124.2)%
12/31/1998	1,562,824	1,211,563	129.0%	(351,261)	215,091	(163.3)%

Section 2

Plan Assets

This section presents information regarding plan assets as reported by the plan administrator. The plan assets represent the portion of total plan liabilities which has been funded as of the valuation date.

- Section 2.1** Summary of Assets.
- Section 2.2** Reconciliation of Assets.
- Section 2.3** Actuarial Value of Assets.
- Section 2.4** Contributions for Prior Plan Year.

Section 2.1

Summary of Assets

Asset Category	Market Value as of December 31, 2003
1. Cash and Equivalents	\$ 16,063,243
2. General Investments	
▪ Domestic Common and Preferred Stock	524,452,350
▪ International Common and Preferred Stock	259,425,610
▪ Federal Agency and Mortgage – Backed Certificates	118,199,573
▪ U.S. Government and State Obligations	32,076,653
▪ Corporate Bonds	427,646,125
▪ International Fixed Income	56,293,343
▪ Real Estate Investment Trusts	42,645,333
▪ Venture Capital	14,263,615
3. Net Receivables (Payables)	(32,035,727)
4. Payable to OBRA Pension Plan	789,388
5. Net Assets in the Trust (1. + 2. + 3. – 4.)	1,459,819,506
6. Contributions Receivable	33,630,853
7. Net Assets Available for Benefits (5. + 6.)	\$ 1,493,450,359

Section 2.2

Reconciliation of Assets

Transactions	January 1, 2003 to January 1, 2004
Income	
1. Contributions Received or Receivable	
▪ County of Milwaukee	\$ 33,980,592
▪ Plan Participants	704,758
2. Investment Earnings	
▪ Unrealized Gains/(Losses)	213,416,011
▪ Realized Gains/(Losses)	30,971,699
▪ Interest and Dividends	47,403,322
▪ Security Lending Income	1,479,342
▪ Security Lending Rebates & Fees	(1,189,283)
▪ Investment Expense	(3,797,072)
3. Other Income	588,005
4. Total Income	\$ 323,557,374
Disbursements	
5. Benefit Payments	\$ 111,122,513
6. Administrative Expenses	1,865,308
7. Total Disbursements	112,987,821
8. Net Income (4. - 7.)	210,569,553
9. Net Assets at Beginning of Year	1,282,880,806
10. Net Assets at End of Year (8. + 9.)	\$ 1,493,450,359

Section 2.3

Actuarial Value of Assets

1. Market Value of Assets, December 31, 2003		\$	1,493,450,359
2. Less 80% of Unrealized Gains and Losses in 2003:	\$	213,416,041	170,732,809
3. Less 60% of Unrealized Gains and Losses in 2002:	\$	(80,542,034)	(48,325,220)
4. Less 40% of Unrealized Gains and Losses in 2001:	\$	(107,408,692)	(42,963,477)
5. Less 20% of Unrealized Gains and Losses in 2000:	\$	(163,597,647)	(32,719,529)
6. Actuarial Value of Assets, December 31, 2003 (1. - 2. - 3. - 4. - 5.)		\$	1,446,725,776

As of	Market Value	Actuarial Asset Value	Estimated Rate of Return		Assumed Rate of Return
			Market	Actuarial	
12/31/1999	\$ 1,712,804,453	\$ 1,622,710,113	15.8	9.1	8.5
12/31/2000	1,607,645,156	1,670,600,679	(1.2)	8.4	8.5
12/31/2001	1,481,783,176	1,620,157,072	(2.2)	2.6	8.5
12/31/2002	1,282,880,806	1,446,860,024	(5.9)	(3.7)	9.0
12/31/2003	1,493,450,359	1,446,725,776	23.5	5.6	9.0
Compound Rate of Return (five years):			6.0%	4.4%	

Section 2.4

Contributions for Prior Plan Year

	Employer		Interest		Total
Bi-weekly	\$	349,739	\$	15,738	\$ 365,477
3/1/2004		5,003,841		0	5,003,841
4/1/2004		5,000,000		0	5,000,000
5/1/2004		5,000,000		0	5,000,000
5/18/2004		18,627,012		0	18,627,012
Total	\$	33,980,592	\$	15,738	\$ 33,996,330

Section 3

Basis of Valuation

This section presents and describes the basis of the valuation. The census of participants, actuarial basis and provisions of the Plan are the foundation of the valuation, since these are the present facts on which the projection of benefit payments will depend. The valuation is based on the premise that the Plan will continue in existence.

Section 3.1 The participant data used for the actuarial valuation.

Section 3.2 The actuarial funding method, procedures, and actuarial assumptions.

Section 3.3 The plan provisions valued in the actuarial valuation.

Section 3.1

Plan Participants

A. Participant Data Reconciliation

	Active Participants	Inactive Participants		Total
		With Deferred Benefits	Receiving Benefits	
Total at January 1, 2003	5,793	1,525	6,637	13,955
Vested Terminations	(143)	143	N/A	0
Nonvested Terminations	(208)	N/A	N/A	(208)
Retirements	(222)	(57)	279	0
Deaths With a Beneficiary	(2)	(4)	(53)	(59)
Deaths Without a Beneficiary	(9)	(7)	(252)	(268)
New Beneficiaries	N/A	N/A	59	59
Incorrectly Reported	2	(13)	26	15
Rehires	41	(18)	(1)	22
New Entrants	213	N/A	N/A	213
Net Change	(328)	44	58	(226)
Total at January 1, 2004	5,465	1,559	6,695	13,719

Section 3.1

B. Count of Active Participants at January 1, 2004

General Employees

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20										0
										*
20 - 24	48									48
	21,791									21,791
25 - 29	203	21								224
	29,404	30,517								29,508
30 - 34	202	94	15							311
	29,381	35,650	*							31,641
35 - 39	183	119	119	36						457
	31,739	35,877	38,026	40,242						35,123
40 - 44	171	105	216	144	37	1				674
	30,741	39,604	38,165	41,658	42,151	*				37,475
45 - 49	157	106	234	240	143	54				934
	33,203	38,596	40,615	43,398	43,835	44,335				40,563
50 - 54	128	94	219	200	163	176	43	2		1,025
	32,715	43,344	40,194	47,654	47,714	50,133	45,403	*		44,112
55 - 59	63	66	159	165	77	100	106	16		752
	31,838	38,148	42,199	47,797	49,662	51,321	50,963	*		45,477
60 - 64	26	29	75	71	24	22	21	17		285
	40,509	37,706	40,879	46,151	45,243	44,304	59,710	*		44,512
65 - 69	4	10	15	17	9	7	6	2		70
	*	*	*	*	*	*	*	*		46,456
70 - 74	2	1	1	1		2				7
	*	*	*	*		*				*
75+			3			2				5
			*			*				*
Total	1,187	645	1,056	874	453	364	176	37	0	4,792
	30,815	38,288	39,986	45,078	46,113	49,177	50,789	48,036		40,151

* Cells with fewer than 20 members are suppressed for confidentiality purposes.

Section 3.1

B. Count of Active Participants at January 1, 2004 (continued)

Deputy Sheriffs

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20										0
20 - 24	9 *									9 *
25 - 29	69 32,909	20 38,612								89 34,190
30 - 34	54 31,892	88 41,747	13 *							155 38,848
35 - 39	23 34,375	51 42,833	58 48,166	7 *						139 44,166
40 - 44	3 *	22 42,823	43 49,484	22 59,711	2 *					92 50,069
45 - 49		7 *	19 *	29 56,145	18 *	5 *				78 56,630
50 - 54	1 *	2 *	14 *	18 *	15 *	7 *	1 *			58 58,526
55 - 59		1 *	3 *	2 *	8 *	4 *	1 *			19 *
60 - 64				1 *		1 *				2 *
65 - 69										0
70 - 74										0
75+										0
Total	159 32,617	191 42,006	150 49,121	79 56,698	43 65,331	17 *	2 *	0	0	641 45,530

* Cells with fewer than 20 members are suppressed for confidentiality purposes.

Section 3.1

B. Count of Active Participants at January 1, 2004 (continued)

Elected Officials

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20										0
20 - 24										0
25 - 29	2									2
30 - 34										0
35 - 39	4									4
40 - 44			2	1						3
45 - 49	2	1	3	1	1	1				9
50 - 54	2	1		1						4
55 - 59		1	2	1		1				5
60 - 64	1					2				3
65 - 69	1							1		2
70 - 74										0
75+										0
Total	12	3	7	4	1	4	0	1	0	32

Section 3.1

C. Participant Statistics

Inactive Participants as of January 1, 2004	Number	Amount of Monthly Benefit
Participants Receiving Benefits	6,695	\$ 8,453,688
Participants with Deferred Benefits	1,559	\$ 879,428

Statistics for Active Participants	Number	Age	Average		
			Service	Compensation*	
As of January 1, 2003					
Total	5,793	45.5	12.7	\$ 40,511	
As of January 1, 2004					
Total	5,465	46.1	13.2	\$ 42,722	

* Prior-year earnings increased by the salary assumption.

Section 3.2

Actuarial Basis**A. Aggregate Entry Age Normal Method**

Liabilities and contributions shown in this report are computed using the aggregate entry age normal method of funding.

The objective under this method is to fund all benefits under the Plan in installments that are level as a percentage of the group's aggregate salary, starting at the original participation dates (or employment date) and continuing until the assumed retirement, terminations, disabilities or deaths.

At the time the funding method is introduced, there will be a liability that represents the contributions that would have been accumulated if this method of funding had always been used. The difference between this frozen initial liability and the assets (if any) that are held in the fund is the unfunded actuarial accrued liability, which is typically funded over a chosen period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- The **normal cost** is determined by applying to earnings an aggregate level percentage of salary which, if contributed each year, is sufficient to provide the full value of the benefits expected to be payable.
- The **present value of future normal costs** is the total of the discounted values of all active participants' normal costs, assuming these to be paid in each case from the valuation date until retirement (termination, disability or death) date.
- The **present value of projected benefits** is calculated as the value of all benefit payments expected to be paid to the plan's current participants, including active and retired members, beneficiaries, and terminated members with vested rights.
- The **actuarial accrued liability** is the excess of the present value of projected benefits over the present value of future normal costs.
- The **unfunded actuarial accrued liability** is the excess of the actuarial accrued liability over the assets of the fund.

Section 3.2

B. Valuation of Assets

The actuarial asset value is a five-year moving average. Prior to January 1, 2004, 20% of the prior four years' unrealized gains/losses are annually recognized. After January 1, 2004, asset returns above or below the expected return are recognized at a rate of 20% per year.

C. Valuation Procedures

- Financial and Census Data: Financial data and participant data as submitted by the plan sponsor without further audit. This information is not customarily verified by a plan's actuary. The information was reviewed for internal consistency.
- No benefits are projected to be greater than the limitation currently imposed by Section 415(b)(1) of the Internal Revenue Code as applied to governmental plans.
- No actuarial accrued liability is held for nonvested, inactive participants who have a break in service, or for nonvested participants who have quit or been terminated, even if a break in service had not occurred as of the valuation date.

D. Actuarial Assumptions

Economic	
<i>Investment Return</i>	8.5% per year compounded annually. Investment return is assumed to be net of investment management expense.
<i>Salary Increases</i>	Averages 5.5% per year compounded annually. See table on following page for sample values.
<i>Mortality</i>	a. Active participants and nondisabled pensioners: The sex-distinct RP2000 Combined Mortality Table. b. Disabled pensioners: RP2000 Disabled Mortality Table.
<i>Disability</i>	Graduated rates. See table on following page for sample values. 100% of disabilities are assumed ordinary.
<i>Withdrawal</i>	Graduated rates. Select and ultimate based on duration of service. See tables on following pages for sample values.
<i>Retirement Age</i>	See table on following page.
<i>Percentage Married</i>	<ul style="list-style-type: none"> ▪ Males..... 80% ▪ Females 80%
<i>Percentage Married With at Least One Dependent Child</i>	<ul style="list-style-type: none"> ▪ Generals 21.6% ▪ Sheriffs and Elected 43.2% <p>For those who die prior to age 60, it is assumed at least one child will remain a dependent until the member would have turned age 60.</p>
<i>Age Difference</i>	Beneficiaries are assumed to be the same age as the participant.
<i>Backdrop</i>	50% of retirees are assumed to elect a Backdrop of 4 years but not earlier than participant's earliest full retirement date.

Section 3.2

D. Actuarial Assumptions (continued)

Sample Annual Rates per 100 Participants								
Attained Age	Mortality				Withdrawal - Ultimate			
	Healthy		Disabled		General	Elected*	Deputy Sheriffs	Disability
	Males	Females	Males	Females				
20	0.03	0.02	2.26	0.75	9.81	11.00	11.00	0.02
25	0.04	0.02	2.26	0.75	8.91	8.00	8.00	0.03
30	0.04	0.03	2.26	0.75	8.00	5.00	5.00	0.07
35	0.08	0.05	2.26	0.75	6.57	3.00	3.00	0.12
40	0.11	0.07	2.26	0.75	5.15	1.24	1.24	0.18
45	0.15	0.11	2.26	0.75	3.72	1.00	1.00	0.28
50	0.21	0.17	2.90	1.15	2.73	0.75	0.75	0.48
55	0.36	0.27	3.54	1.65	1.84	0.05	0.05	0.87
60	0.67	0.51	4.20	2.18	0.00	0.00	0.00	1.38
65	1.27	0.97	5.02	2.80	0.00	0.00	0.00	1.88

* Select rates for elected officials assume no turnover for first four years.

Sample Annual Rates per 100 Participants					
Employment Age	Separation - Select Rates General Employees				
	0	1	2	3	4
20	21.4	15.1	13.9	12.0	11.0
25	20.9	12.7	11.0	10.6	9.9
30	19.5	12.1	10.6	9.4	8.7
35	18.3	11.1	10.6	8.7	7.3
40	17.5	11.1	10.2	8.0	6.1
45	16.6	11.1	10.2	7.3	5.3
50	15.8	11.1	9.6	6.5	4.1
55	14.9	10.5	8.1	5.2	3.0

Section 3.2

D. Actuarial Assumptions (continued)

Sample Annual Rates Per 100 Participants

Age	Retirement Rates		
	General	Deputy Sheriffs	Elected
45	0	1	0
46	0	1	0
47	0	1	0
48	0	1	0
49	0	1	0
50	0	1	0
51	0	2	0
52	0	3	0
53	0	5	0
54	0	10	0
55	15	15	7
56	15	15	7
57	15	15	7
58	15	15	7
59	15	15	7
60	20	75	20
61	20	75	20
62	20	80	45
63	20	50	30
64	25	50	30
65	30	100	40
66	30	100	30
67	30	100	30
68	30	100	30
69	30	100	30
70	100	100	100

Section 3.2

D. Actuarial Assumptions (continued)

Earnings Progression			
Age	General	Deputy Sheriffs	Elected
20	6.9%	8.0%	4.5%
25	5.9	5.8	4.5
30	5.5	5.5	4.5
35	5.6	5.1	4.5
40	4.7	4.7	4.5
45	4.5	4.5	4.5
50	4.2	4.1	4.5
55	3.9	3.9	4.5
60	3.8	3.8	4.5

Section 3.3

Summary of Plan Provisions

<i>Plan Name</i>	Employees' Retirement System of the County of Milwaukee.												
<i>Effective Date</i>	December 24, 1967.												
<i>Type of Plan</i>	Municipal retirement system administered by the Pension Board.												
<i>Employer</i>	County of Milwaukee.												
<i>Employees Included</i>	Any person regularly employed by the County at an annual wage or salary payable at stated intervals, including any person employed by the State of Wisconsin and who receives part of his compensation from the County.												
<i>Service Considered</i>	<p>Service during period of employment in the County or in any department in any town, village, city or metropolitan sewerage commission in the County, which department has by consolidation or merger been absorbed by the County.</p> <p>Creditable service shall consist of "prior service," "military service," and "membership service," for which service credit is allowable under Section 4, Chapter 201, Laws of 1937, as well as service under Executive Order 11231, July 8, 1965, for Vietnam. Additional credit for periods of military service will be earned in accordance with the following chart:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years of Service with Milwaukee County</th> <th style="text-align: center;">Maximum Years of Military Service Granted</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0 - 4</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">5 - 9</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">10 - 14</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">15 - 19</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: center;">20+</td> <td style="text-align: center;">4</td> </tr> </tbody> </table>	Years of Service with Milwaukee County	Maximum Years of Military Service Granted	0 - 4	0	5 - 9	1	10 - 14	2	15 - 19	3	20+	4
Years of Service with Milwaukee County	Maximum Years of Military Service Granted												
0 - 4	0												
5 - 9	1												
10 - 14	2												
15 - 19	3												
20+	4												
<i>Benefit Service</i>	Used in determining the amount of benefits. Same as Vesting Service except service prior to becoming a Participant does not count.												

Section 3.3

Summary of Plan Provisions *(continued)*

<p><i>Earnings Considered</i></p>	<p>Earnable compensation is the full rate of compensation payable to a member if he worked the full normal working time for his position, including authorized overtime payments and the compensation rate assumed to have been received while the member is on authorized leave of absence. In cases where compensation includes maintenance, the Pension Board shall fix the value of that part of the compensation not payable in money. Compensation shall not exceed \$205,000 in the pension calculation as indexed for changes in the cost of living.</p> <p>The final average salary means the average annual earnable compensation for the highest three (3) consecutive calendar years of creditable service during which the member's earnable compensation was the highest, or if he should have less than three years of creditable service, then his average annual earnable compensation during his credited service. For non-sheriff members hired before January 1, 1982, the final average salary is increased 7.5% for each year worked after January 1, 2001, to a maximum of 25%.</p>
<p><i>County Contributions</i></p>	<p>County contributions shall be at least as great as the required amounts, actuarially determined and certified to the County Board of Supervisors by the Pension Board, which will become due and payable to the fund of the Retirement System during the year next following determination.</p>
<p><i>Voluntary Employee Contributions</i></p>	<p>Up to 10% of earnings, providing the employee was contributing on January 1, 1971.</p>

Section 3.3

Summary of Plan Provisions (continued)

Normal Pension	<p>Payable upon request of any member who has attained the minimum service and retirement age.</p> <ul style="list-style-type: none"> a. The minimum age and service requirements: <ul style="list-style-type: none"> 1.) For general employees and elected officials: Age 60 and any service. 2.) For non-union general employees and certain union general employees: The combination of age and service adding up to 75. 3.) For deputy sheriffs: Age 57 and any service or age 55 and 15 years of service or the combination of age and service adding up to 75. For deputy sheriffs hired after February 28, 1991, the combination of age and service adding up to 75 does not apply. 4.) For all members: Age 55 and 30 years of service. b. The benefit is the sum of: <ul style="list-style-type: none"> 1.) Pension portion, plus 2.) Any voluntary contribution. c. The pension portion retirement allowance is: <ul style="list-style-type: none"> 1. a.) For general employees whose continuous membership began prior to January 1, 1982 – 2% of final average salary per year of service. b.) For those general employees whose membership began on or after January 1, 1982– 1.5% of final average salary per year of service. c.) For firefighters whose membership began on or after January 1, 1982 and prior to January 1, 1999 – 2.0% of final average salary per year of service accrued on or after January 1, 1999, 1½% of final average salary per year of service prior to January 1, 1999. d.) For DA investigators and non-represented deputy sheriffs whose membership began on or after January 1, 1982 and prior to July 1, 1995 – 2½% of final average salary per year of service. e.) For the elected officials and deputy sheriffs whose membership began prior to January 1, 1982 – 2½% of final average salary per year of service.
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Section 3.3

Summary of Plan Provisions (continued)

<i>Normal Pension (continued)</i>	<p>f.) For elected officials whose membership began on or after January 1, 1982 – 2% of final average salary per year of service.</p> <p>g.) For those deputy sheriffs whose membership began on or after January 1, 1982 but before July 1, 1995 – 2½% of final average salary per year of service.</p> <p>h.) For those deputy sheriffs whose membership began on or after July 1, 1995 – 2% of final average salary per year of service.</p> <p>2. For non-sheriff employees whose membership began on or after January 1, 1982, the benefit multiplier is increased 0.5% per year of service accrued after January 1, 2001 and per eight years of pre-2001 service for each year worked after January 1, 2001 (prorated for fractional years).</p> <p>d. The maximum pension shall be 80% of final average salary plus any adjustment for automatic increase to retired employees.</p>
<i>Early Pension</i>	Age 55 and 15 years of service reduced by 5/12 of 1% for each month payment starts preceding normal retirement age.
<i>Ordinary Disability Pension</i>	After 15 years of creditable service. Benefit computed as for normal retirement benefits. Minimum benefit 25% of final average salary.
<i>Accidental Disability Pension</i>	Same as normal retirement benefit if the employee has attained the minimum service retirement age. If less than normal retirement age at time of disability, the benefit is computed as for normal retirement but is not less than 60% of final average salary.
<i>Ordinary Death Benefit</i>	<p>A death benefit is payable to the estate of designated beneficiary of an active member who dies due to any cause other than an accident in the actual performance of duty, provided no other survivor benefits are payable.</p> <p>Benefit is equal to the member's accumulated mandatory contribution account, plus a lump-sum payment of 50% of final average salary limited to \$2,000.</p>

Section 3.3

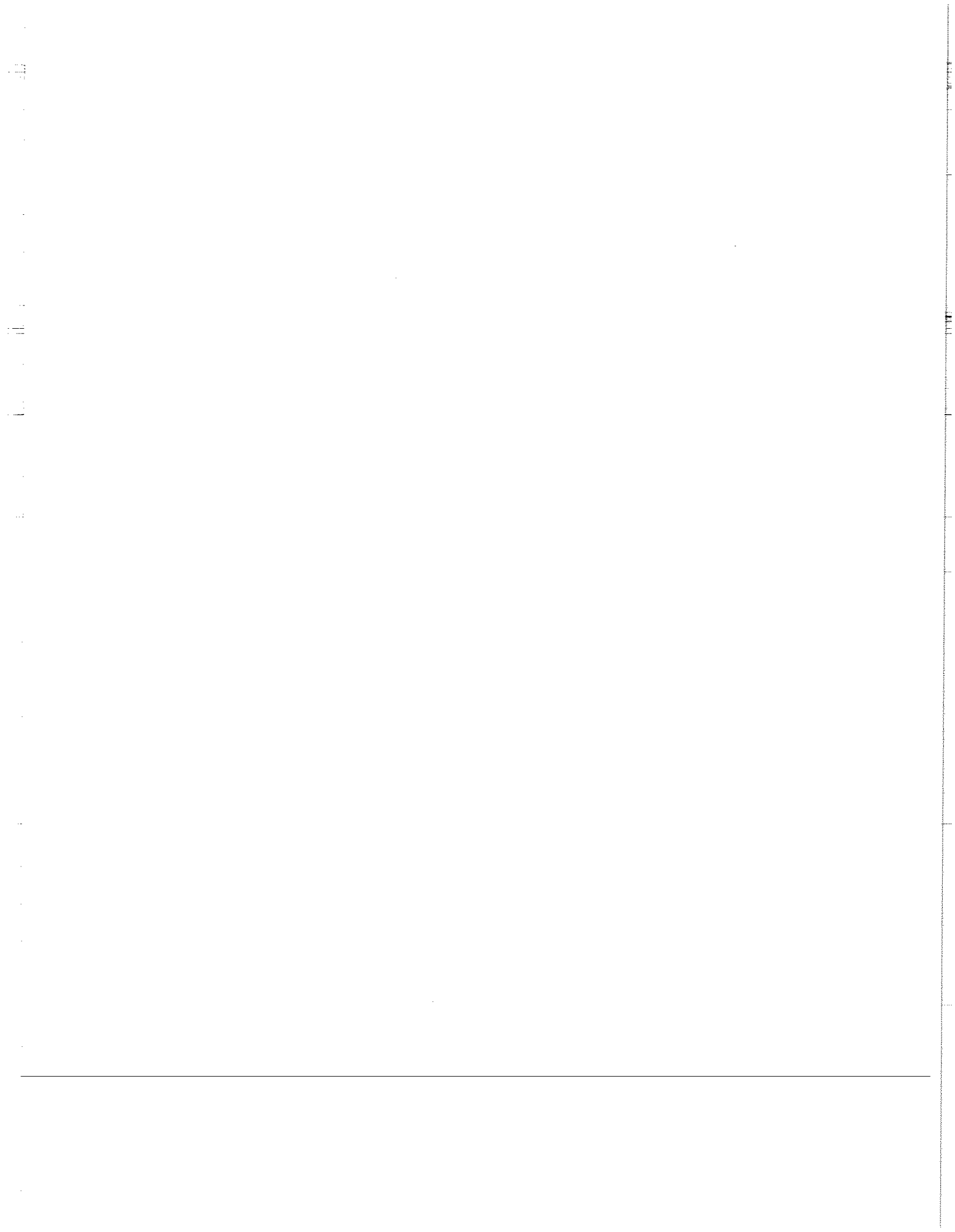
Summary of Plan Provisions (continued)

<p><i>Accidental Death Benefit</i></p>	<p>Upon the death of a deputy sheriff resulting from an accident in the actual performance of duty, a pension is payable to his widow to continue during her widowhood; or if there is no widow or if his widow dies or remarries before his youngest child has attained age 18, then the pension is payable to his child or children under age 18 until the youngest child attains said age; or if neither widow nor children survive, it is payable to his dependent father or mother to continue for life.</p> <p>In the event of the accidental death of a deputy sheriff, his accumulated contributions are returned to his estate or designated beneficiary, and, in addition, a pension of one-half of his final average salary is payable to his beneficiary as described above.</p> <p>Any benefit payable on account of such accidental death under any state workers' compensation law or any law of the United States is offset against the pensions allowable under the provisions of the Retirement System.</p>
<p><i>Deferred Vested Pension</i></p>	<p>Upon termination of employment, a member who does not elect to withdraw any part of his membership account shall be eligible for a deferred vested pension if:</p> <ul style="list-style-type: none"> a. The accrued pension at age 60 is at least \$10 per month. b. He has at least five years of service. <p>The benefit is computed the same as for a normal pension considering earnings and service prior to date of termination.</p>
<p><i>Survivor Benefit</i></p>	<p>Upon the death of a member prior to age 60 and after the completion of one year of service, a monthly pension equal to 40% of the member's monthly salary less the survivor's benefits payable under the Social Security law shall be payable to his surviving dependent spouse for as long as there is at least one dependent child. Upon attainment of age 60 the dependent spouse shall receive 50% of the normal pension which the member would have received considering service to age 60 and the final average earnings determined at death. In addition, each child of the deceased member shall be eligible for a monthly pension equal to 10% of the member's monthly salary until he attains age 18 or marries; or if he is a student and not married, until he attains age 22.</p> <p>The total survivor's pension may not exceed 90% of the member's monthly salary less the survivor's benefits payable under the Social Security law.</p>

Section 3.3

Summary of Plan Provisions (continued)

<p><i>Optional Benefits</i></p>	<p>In lieu of the full retirement allowance, any member at retirement may elect to receive an equivalent reduced retirement allowance with the provision that:</p> <p>Option 1. In case of death before benefits attributable to his mandatory account have equaled the amount of his membership account at the date of retirement, the balance shall be paid to a designated beneficiary or to his estate, or</p> <p>Option 2. At the death of the member, one-half of his allowance shall be continued throughout the life of such other person as the member shall have designated at the time of his retirement, or</p> <p>Option 3. At the death of the member the same allowance shall be continued throughout the life of such other person as the member shall have designated at the time of his retirement.</p>
<p><i>Other Benefits</i></p>	<p>a. Provide 2% of initial benefit automatic increase per year to retired employees (surviving beneficiary receives proportionate amount based on survivorship percentage).</p> <p>b. Refund of employee voluntary contribution upon severance.</p> <p>c. Backdrop pension benefit. Employee may opt to receive a monthly benefit earned as of chosen date in the past (Backdrop date). Employee receives cash payment equal to monthly benefits that would have been paid between backdrop date and actual retirement date plus interest. Non-represented, general employees hired after March 15, 2002 are not eligible for the Backdrop benefit.</p>
<p><i>Expenses</i></p>	<p>Paid by County.</p>
<p><i>Minimum Benefit</i></p>	<p>Not less than under previous system.</p>



June 2004

**OBRA 1990 Retirement System of
the County of Milwaukee**

Actuarial Valuation Report as of January 1, 2004 for the
Plan Year and Fiscal Year Ending December 31, 2004

MERCER

Human Resource Consulting

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Highlights

This report has been prepared by Mercer Human Resource Consulting on behalf of plan participants of the County of Milwaukee (the "Plan Sponsor") to:

- Determine the funding calculation under the OBRA 1990 Retirement System of the County of Milwaukee (the "Plan") for the plan and tax fiscal year ending December 31, 2004;
- Present the results of a valuation of the Plan as of January 1, 2004; and
- Review experience under the Plan for the year ended December 31, 2003.

The following table summarizes important contribution information.

Contributions	Plan Year Ending	
	December 31, 2004	December 31, 2003
Funding Calculation	\$ 337,669	\$ 288,487
Percentage of Payroll	4.02%	3.36%

This amount will pay the normal cost for the year and amortize the unfunded actuarial accrued liability as a level percentage of pay over the next 30 years.

Following Year's Budget Contribution

The 2005 budget contribution is \$365,000. This amount incorporates maintaining the investment return assumption at 8.5%, as directed by the Pension Board.

Summary of Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods, or plan provisions between the two valuations are described after the summary.

	Actuarial Valuation as of	
	January 1, 2004	January 1, 2003
Funding Valuation		
Market Value of Assets	\$ 789,690	\$ 674,132
Actuarial Value of Assets	789,690	674,132
Actuarial Accrued Liability	2,535,291	2,049,981
<i>Funded Ratio</i>	31.15%	32.88%
Unfunded Actuarial Accrued Liability	1,745,601	1,375,849
Normal Cost	\$ 123,879	\$ 96,986
<i>Percentage of Compensation</i>	1.48%	1.13%
Participant Data		
Number of Participants in Valuation		
Active Participants	1,586	1,640
Participants with Deferred Benefits	7,098	6,653
Participants Receiving Benefits	1	1
Total	8,685	8,294
Total Compensation*	\$ 8,397,870	\$ 8,595,969

The liability measures shown above are developed throughout the report.

* *Prior-year earnings projected with one-year salary scale for those under the mandatory retirement age.*

Assumption Changes

The Pension Board adopted the following assumption changes effective January 1, 2004:

- The investment return assumption was changed from 9.0% to 8.5%.
- The assumed mortality rates were changed from the UP-1994 table to the RP-2000 table.
- The period of amortization for all plan changes, assumption changes and actuarial experience was changed from 20 years to 30 years. All existing bases that were previously amortized over 20 years are reamortized over 30 years from January 1, 2004. All future changes are amortized over 30 years from the date established.

Certification

We have prepared an actuarial valuation of the OBRA 1990 Retirement System for the County of Milwaukee as of January 1, 2004 for the plan year ending December 31, 2004. The results of the valuation are set forth in this report, which reflects the provisions of the Plan effective January 1, 1992, and incorporating subsequent amendments.

The valuation is based on employee and financial data which were provided by the County of Milwaukee and which are summarized in this report.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions selected by the Pension Board are reasonable estimates of the anticipated experience under the Plan. This report fully and fairly discloses the actuarial position of the Plan on an ongoing basis.

This report has been prepared for the County of Milwaukee to determine a contribution amount for the OBRA 1990 Retirement System of the County of Milwaukee and to provide the plan's accountants with the funded status of the plan. Mercer Human Resource Consulting is not responsible for any consequences arising from the use of this report for any other purpose.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained within this report.

Dennis A. Skelly Associate, Society of Actuaries Enrolled Actuary No. 02-3209	Date
Glenn W. Soderstrom Fellow, Society of Actuaries Enrolled Actuary No. 02-2873	Date
Mercer Human Resource Consulting 411 E. Wisconsin Ave., Suite 1500 Milwaukee, WI 53202-4417 (414) 223-4200	

Section 1: Funding Results

- Section 1.1** The unfunded actuarial accrued liability as of the valuation date.
- Section 1.2** A development of the actuarial gain or loss during the year.
- Section 1.3** The normal cost as of the valuation date.
- Section 1.4** The determination of the contribution recommendations, including the actual and budgeted contributions.

Section 1.1

Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected plan benefits allocated to past service by the actuarial funding method being used.

	January 1, 2004	January 1, 2003
1. Actuarial Accrued Liability		
a. Active Participants	\$ 929,664	\$ 786,650
b. Participants with Deferred Benefits	1,594,847	1,252,750
c. Participants Receiving Benefits	10,780	10,581
d. Actuarial Accrued Liability (a. + b. + c.)	2,535,291	2,049,981
2. Actuarial Value of Assets	789,690	674,132
3. Unfunded Actuarial Accrued Liability (1.d. - 2., not less than \$0)	\$ 1,745,601	\$ 1,375,849

Section 1.2

Actuarial Gain/(Loss)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of January 1, 2004.

1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at January 1, 2003	\$ 2,049,981
b. Normal Cost at January 1, 2003	96,986
c. Interest on <i>a. + b.</i> to End of Year	193,227
d. Benefit Payments for Plan Year Ending December 31, 2003, with Interest to End of Year	130,528
e. Expected Actuarial Accrued Liability Before Change (<i>a. + b. + c. - d.</i>)	2,209,666
f. Change in Actuarial Accrued Liability at January 1, 2004 Due to Change in Plan Provisions and Actuarial Assumptions	256,688
g. Expected Actuarial Liability at January 1, 2004 (<i>e. + f.</i>)	2,466,354
2. Actuarial Accrued Liability at January 1, 2004	2,535,291
3. Liability Gain/(Loss) (<i>1.g. - 2.</i>)	(68,937)
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at January 1, 2003	674,132
b. Interest on <i>a.</i> to End of Year	60,672
c. Contributions Made for Plan Year Ending December 31, 2003	279,727
d. Interest on <i>c.</i> to End of Year	0
e. Benefit Payments for Plan Year Ending December 31, 2003, with Interest to End of Year	130,528
f. Expense Paid by Plan During 2003	178,462
g. Expected Actuarial Value of Assets January 1, 2004 (<i>a. + b. + c. + d. - e. - f.</i>)	705,541
5. Actuarial Value of Assets as of January 1, 2004	789,690
6. Actuarial Asset Gain/(Loss) (<i>5. - 4.g.</i>)	84,149
7. Actuarial Gain/(Loss) (<i>3. + 6.</i>)	\$ 15,212

Section 1.3

Normal Cost

The components of normal cost under the Plan's funding method are:

	January 1, 2004	January 1, 2003
Retirement Benefits	\$ 83,629	\$ 71,340
Withdrawal Benefits	30,545	25,646
Expenses	0	0
Total Normal Cost	\$ 114,174	\$ 96,986

Section 1.4

Contributions

The County of Milwaukee has adopted the policy developed below for funding purposes and abides the requirements of GASB Nos. 25 and 27 for pension expenses. The County's policy and the amounts required for the plan year ending December 31, 2004 are shown below.

A. Actual 2004 Funding Calculation

The actual funding calculation consists of the amortization of the unfunded actuarial liability plus the normal cost.

1. Net Annual Amortizations (<i>Section 1.4C</i>)	\$ 213,790
2. a. Normal Cost	114,174
b. Interest	9,705
c. Normal Cost with Interest	123,879
3. Total Funding Calculation, End-of-Year Basis (<i>1. + 2.c.</i>)	\$ 337,669

B. Funding Budget Policy

	Plan Year Ending	
	December 31, 2005	December 31, 2004
1. Net Annual Amortizations	\$ 230,000	\$ 220,000
2. Normal Cost with Interest	135,000	128,000
3. Total Funding Budget Policy, End-of-Year Basis (<i>1. + 2.</i>)	\$ 365,000	\$ 348,000

Section 1.4

C. Amortization Schedule for Funding Calculation

Annual amortization payments of the reestablished unfunded actuarial accrued liability and changes to the unfunded actuarial accrued liability arising from plan changes and actuarial gains/losses are amortized as a level percentage of payroll, assuming payroll growth of 5% per year over a period of 30 years (previously 20 years). The outstanding balances at previous bases that were amortized over 20 years are reamortized over 30 years from January 1, 2004. Expenses paid by the Trust and reimbursed by the County are amortized over 10 years. The variance between the actual amount contributed for the year and the contribution for the year to maintain the funding schedule is amortized over five years.

Charges	Amortization Period			Balances		End-of-Year Payment
	Date Created	Initial Years	Last Payment	Initial	Outstanding	
1993-1996 Expenses	1/1/1997	10	2006	\$ 243,729	\$ 95,262	\$ 37,299
Expenses	1/1/1998	10	2007	96,137	48,186	14,711
Expenses	1/1/1999	10	2008	81,673	49,238	12,495
Expenses	1/1/2000	10	2009	85,685	59,687	13,108
Expenses	1/1/2001	10	2010	100,656	78,802	15,396
Variance	1/1/2002	5	2006	1,612	1,050	411
Expenses	1/1/2002	10	2011	109,857	94,744	16,801
Expenses	1/1/2003	10	2012	141,818	132,484	21,651
Variance	1/1/2004	5	2008	8,760	8,760	2,223
Expenses	1/1/2004	10	2013	178,462	178,462	27,199
Reestablished Unfunded	1/1/2004	30	2033	1,009,474	1,009,474	56,434
Total					\$ 1,756,149	\$ 217,728

Credits	Amortization Period			Balances		End-of-Year Payment
	Date Created	Initial Years	Last Payment	Initial	Outstanding	
Variance	1/1/2000	5	2004	\$ 3,421	\$ 804	\$ 872
Variance	1/1/2001	5	2005	771	348	197
Variance	1/1/2003	5	2007	11,281	9,396	2,869
Total					\$ 10,548	\$ 3,938
Net Amount					\$ 1,745,601	\$ 213,790

Section 1.4

D. Reconciliation

The following year budgeted contribution calculation changed from this year's calendar as follows:

1. 2004 Funding Budget	\$ 348,000
a. Change in amortization period to 30 years	(21,000)
b. Assets Loss (Gain)	(5,000)
c. Liability Loss (Gain)*	4,000
d. Higher than anticipated expenses during 2003	12,000
2. 2004 Actual Funding Calculation	\$ 338,000
a. Expected increase in normal cost and amortization payment	14,000
b. 2004 Contribution Variance	(3,000)
c. Amortization of 2004 Expenses	15,000
d. Full Recognition of 1999 Contribution Variance	1,000
3. 2005 Funding Budget	\$ 365,000

* Mainly due to the increase in number of members entitled to a benefit.

Section 1.5

GASB Nos. 25 and 27 Disclosure

A. Equivalent Single Amortization Period

Shown below is the derivation of the equivalent single amortization period of the unfunded calculation in accordance with GASB statement Nos. 25 and 27. The maximum allowable amortization period is 40 years (30 years effective January 1, 2007).

	January 1, 2004	January 1, 2003
1. Covered Payroll*	\$ 8,397,870	\$ 8,595,969
2. Unfunded Amount	1,745,601	1,375,849
3. Amortization Payment	213,790	182,772
4. Payment as a Level Percentage of Payroll (3 ÷ 1)	2.55%	2.13%
5. Weighted Average Amortization Factor (2 ÷ 3)	8.17	7.52
6. Equivalent Single Amortization Period (Nearest Whole Year)	10	10

**Prior-year earnings increased by the salary assumption for those under the mandatory retirement age.*

B. Net Pension Obligation

The Net Pension Obligation is derived as detailed in Section 1.4A.

	January 1, 2004	January 1, 2003
1. Net Pension Obligation at End-of-Year	\$ 337,669	\$ 288,487

Section 2: Plan Assets

This section presents information regarding plan assets as reported by the plan administrator. The plan assets represent the portion of total plan liabilities which have been funded as of the valuation date.

- Section 2.1** Summary of Assets.
- Section 2.2** Reconciliation of Assets.
- Section 2.3** Actuarial Value of Assets.
- Section 2.4** Contributions for Prior Plan Year.

Section 2.1

Summary of Assets

Asset Category	Market Value as of December 31, 2003
1. Cash and Equivalents	\$ 302,000
2. Assets Held by ERS Pension Plan	509,661
3. Contributions Receivable	279,727
4. Net Assets Available for Benefits (1. + 2. + 3.)	\$ 789,690

Section 2.2

Reconciliation of Assets

Transactions	January 1, 2003 to December 31, 2003	
Income		
1. Contributions Received or Receivable	\$	279,727
2. Investment Income		139,200
3. Total Income (1. + 2.)	\$	418,927
Disbursements		
4. Benefit Payments	\$	124,907
5. Investment and Administrative Expenses		178,462
6. Total Disbursements (4. + 5.)		303,369
7. Net Income (3. - 6.)		115,558
8. Net Assets at Beginning of Year		674,132
9. Net Assets at End of Year (7. + 8.)	\$	789,690

Section 2.3

Actuarial Value of Assets

The actuarial asset value is set equal to the market value of assets plus any receivable contributions.

	January 1, 2004	January 1, 2003
Actuarial Asset Value	\$ 789,690	\$ 674,132

Section 2.4

Contributions for Prior Plan Year

	Amount			Interest	Total
	Employer	Employee			
3/1/2004	\$ 279,727	\$ 0		\$ 0	\$ 279,727
Total	\$ 279,727	\$ 0		\$ 0	\$ 279,727

Section 3: Basis of Valuation

This section presents and describes the basis of the valuation. The census of participants, actuarial basis and provisions of the Plan are the foundation of the valuation, since these are the present facts on which the projection of benefit payments will depend. The valuation is based on the premise that the Plan will continue in existence.

Section 3.1 The participant data used for the actuarial valuation.

Section 3.2 The actuarial funding method, procedures and actuarial assumptions.

Section 3.3 The plan provisions valued in the actuarial valuation.

Section 3.1

Plan Participants

A. Participant Data Reconciliation

	Active Participants	Inactive Participants	Total
Total at January 1, 2003	1,640	6,654*	8,294
Did Not Accrue Benefit in 2003	(623)	623	0
Lump-Sum Payouts	0	(105)	(105)
Deaths	0	(15)	(15)
New Participants	513	10	523
Inactives – Began Accruing Benefit in 2003	58	(58)	0
Data Correction Reported by County	(2)	(10)	(12)
Total at January 1, 2004	1,586	7,099*	8,685

* One of these is currently in payment status.

Section 3.1

B. Distribution of Active Participants at January 1, 2004

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20	544									544
	2,624									2,624
20 - 24	464	173								637
	4,877	7,150								5,495
25 - 29	60	40	12							112
	10,679	8,230	*							9,418
30 - 34	30	6	7							43
	7,530	*	*							9,148
35 - 39	12	9	5							26
	*	*	*							9,080
40 - 44	30	10	8							48
	6,952	*	*							8,352
45 - 49	20	9	2							31
	6,413	*	*							7,554
50 - 54	21	8	3							32
	7,186	*	*							7,405
55 - 59	16	12	8							36
	*	*	*							8,749
60 - 64	11	7	3							21
	*	*	*							9,482
65 - 69	9	13	1							23
	*	*	*							6,077
70 - 74	4	9	5							18
	*	*	*							*
75+	3	6	6							15
	*	*	*							*
Total	1,224	302	60	0	0	0	0	0	0	1,586
	4,429	7,712	9,393							5,242

Earnings represent prior-year actual salaries.

*For cells with less than 20 members, salary has been omitted for confidentiality purposes.

Section 3.1

C. Participant Statistics

Inactive Participants as of January 1, 2003		Number	Amount of Monthly Benefit	
Participants Receiving Benefits		1	\$	114
Participants with Deferred Benefits		7,098		109,859

Statistics for Active Participants	Number	Average		
		Age	Service	Compensation*
As of January 1, 2003				
Total	1,640	25.8	1.0	\$ 5,499
As of January 1, 2004				
Total	1,586	26.1	1.0	\$ 5,504

* Prior-year earnings increased by the salary assumption.

Section 3.2**Actuarial Basis****A. Unit Credit Method**

Liabilities and contributions shown in this report are computed using the unit credit method of funding.

The objective under this method is to fund each participant's benefit under the plan as they accrue. Thus, the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date. To the extent that this liability is not covered by assets of the plan, there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- The **normal cost** is the present value of those benefits, which are expected to be credited with respect to service during the year beginning on the valuation.
- The **accrued liability** is calculated at the valuation date as the present value of benefits credited with respect to service to that date.
- The **unfunded accrued liability** is the excess of the accrued liability over the assets of the Plan at the valuation date. The level annual payment to be made over a stipulated number of years to amortize the unfunded liability is the past service cost.

Under this method, differences between the actual experience and the assumed in the determination of costs and liabilities will emerge as adjustments in the unfunded liability, subject to amortization.

B. Valuation of Assets

The actuarial asset value is the market value of assets plus any receivable contributions.

C. Valuation Procedures

- **Financial and Census Data:** We used financial data and participant data as submitted by the Plan Sponsor without further audit. This information would customarily not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.
- No benefits are projected to be greater than the limitation currently imposed by Section 415(b)(1) of the Internal Revenue Code as applied to governmental plans.

Section 3.2

D. Actuarial Assumptions

Economic	
<i>Investment Return</i>	8.5% per year compounded annually. Investment return is assumed to be net of investment management expense.
<i>Salary Increases</i>	5% per year compounded annually.
<i>Mortality</i>	The sex-distinct RP-2000 Combined Healthy Table. See table below for sample values.
<i>Withdrawal</i>	Graduated rates. See table below for sample values.
<i>Retirement Age</i>	Age 65.

Sample Annual Decrement Rates per 100 Participants

Employment Age	Mortality		Withdrawal					Ultimate
			Select Rates					
	Male	Female	0	1	2	3	4	
20	0.03	0.02	33.75	31.50	28.50	24.00	19.05	15.00
25	0.04	0.02	31.35	29.46	26.88	22.86	18.54	14.25
30	0.04	0.03	27.30	25.47	22.92	18.99	15.36	12.00
35	0.08	0.05	22.35	20.64	18.03	14.01	10.17	6.00
40	0.11	0.07	17.85	16.26	13.80	10.26	7.23	3.90
45	0.15	0.11	17.25	14.85	11.94	8.43	5.37	2.52
50	0.21	0.17	16.50	13.38	10.98	7.89	4.47	1.07
55	0.36	0.27	14.85	12.45	9.78	6.93	3.63	0.23
60	0.67	0.51	0.00	0.00	0.00	0.00	0.00	0.00
65	1.27	0.97	0.00	0.00	0.00	0.00	0.00	0.00

Section 3.3

Summary of Plan Provisions

<i>Plan Name</i>	OBRA 1990 Retirement System of the County of Milwaukee.
<i>Effective Date</i>	January 1, 1992.
<i>Type of Plan</i>	Municipal retirement system administered by the Pension Board.
<i>Employer</i>	County of Milwaukee.
<i>Employees Included</i>	<p>Any person employed by the County for whom the County is not obligated to collect and withhold FICA taxes. However, such persons shall exclude an employee:</p> <ul style="list-style-type: none"> ▪ hired to relieve him from unemployment ▪ of a hospital, home, or institution where he is an inmate ▪ who is a temporary employee to handle fire, storm, snow, earthquake or similar emergencies ▪ paid on a fee basis as self-employed, or ▪ who is a member of the collective bargaining unit covered by an agreement which does not provide for his inclusion.
<i>Service Considered</i>	One year shall be credited on and after January 1, 1992 for each Plan Year during which the employee is employed at any time. However, the employee shall not receive credit for any Plan Year in which the County is obligated to collect and withhold FICA taxes. If, during such Plan Year, FICA taxes are withheld for only a portion of the year, the employee shall receive a pro rata credit for the portion of year worked when no FICA taxes were withheld.
<i>Earnings Considered</i>	Total wages shall include the compensation earned during the period for which no FICA tax was withheld, exclusive of any amounts reimbursed for moving expenses. However, such wages shall be limited to the Social Security taxable wage base for the Plan Year.
<i>Average Compensation</i>	The average of the total Earnings accumulated during the Plan Years of employment with the County, except that years prior to January 1, 1992 shall be disregarded.
<i>Normal Retirement Pension</i>	Payable upon request of any member who has attained age 65. Such pension shall equal one-twelfth of 2% of the member's Average Compensation multiplied by years of service (not in excess of 30).

Section 3.3

Summary of Plan Provisions *(continued)*

<i>Deferred Vested Pension</i>	Upon termination of employment, a member shall be eligible for a deferred vested pension commencing at age 65. Such benefit shall be calculated as for normal retirement, considering Average Compensation and Service at termination.
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