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August 16, 2016

Mr. Tarik Hamdan
Kenosha Unified School District
3600 52nd Street
Kenosha, Wisconsin 53144

Re: Revised Retiree Medical Expense and Liability Calculations Under GASB Statements 45

Dear Mr. Hamdan:

Enclosed is our revised report which presents the results of our calculations under Statement No. 45 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," for the Kenosha Unified School District's Medical Benefit Program. The report includes the results for the 2015-2016 and 2016-2017 fiscal years. The report was revised to reflect the Fund Balance as of July 1, 2015 and July 1, 2016 as well as the actual contributions made in the 2015-2016 fiscal year.

The GASB 45 accounting standard does not require that these benefits be pre-funded. Consequently, the Annual Required Contribution shown in the enclosed report does not need to be paid. However, this cost and the cumulative deficiency (if the full cost is not paid) will be disclosed on the District's financial statements.

Also note that GASB has adopted new accounting standards (GASB 75 will replace GASB 45) for fiscal years beginning after June 15, 2017. These new accounting standards will have a significant impact on the Balance Sheet Liability that is reported in the Financial Statements.

If you have any questions regarding this report, please feel free to call me at 262.796.3339.

Sincerely,

A handwritten signature in black ink that reads "Tim Bleick".

Timothy S. Bleick, FSA, EA, MAAA
Principal and Consulting Actuary

TSB/cl

Enclosure



KENOSHA UNIFIED SCHOOL DISTRICT

**Actuarial Valuation of GASB 45 Benefits
as of July 1, 2016**

REVISED

Prepared by:

Timothy S. Bleick, FSA, EA, MAAA
Principal and Consulting Actuary

Steven G. Hanson, ASA, MAAA
Associate Actuary

August 16, 2016

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

Table of Contents

Certification Letter

I.	Introduction and Purpose _____	1
II.	Cost Projection Results _____	2
III.	Methodology _____	5
IV.	Actuarial Cost Method _____	6
V.	Actuarial Assumptions _____	7
VI.	Data _____	10
VII.	Plan Provisions _____	11
VIII.	Glossary _____	13
	Appendix A: Rate Tables _____	15
	Appendix B: Individual Group Exhibits _____	19



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August 16, 2016

Kenosha Unified School District
3600 52nd Street
Kenosha, WI 53144

Attn: Mr. Tarik Hamdan

Re: Revised Actuarial Valuation of GASB 43/45 Benefits for the Kenosha Unified School District

Ladies and Gentlemen:

Pursuant to your request, we have completed a revised actuarial determination of the benefit cost and funded status relating to the future retiree medical and other OPEB benefits of the Kenosha Unified School District as of July 1, 2016. The results of our calculations are set forth in the following report, as are the actuarial assumptions and methods on which our calculations have been made. Our determinations reflect the procedures and methods as prescribed in Statement No. 45 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Actuarial computations under Statement No. 45 are for purposes of fulfilling certain employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the Statements. Determinations for purposes other than meeting the plan or employer financial accounting requirements of the Statements may differ significantly from the results reported herein.

In preparing this report, we have relied without audit on the employee data, plan provisions, and the value of the plan assets and other plan financial information as provided by your office. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised. We note that the data this year reflects modifications made by the employer since the last valuation that was made. We have used this modified data in our calculations.

Milliman's work is prepared solely for the internal business use of the District and the Plan's Trustees. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception:

The District may provide a copy of Milliman's work, in its entirety, to the District's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan.

The consultants who worked on this assignment are retirement and health actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The estimated impact of the Patient Protection and Affordable Care Act (ACA) regarding the excise tax on high cost health plans has been reflected in the projections, including recent changes passed into law on December 18, 2015. Future potential changes under the ACA have not been reflected in this analysis as the specific impact cannot be determined at this time.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice.

This report and its use are subject to the terms of our Consulting Services Agreement with the Kenosha Unified School District dated July 28, 2006.

We further certify that, in our opinion, each actuarial assumption, method and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Nevertheless, the emerging liabilities and costs of the plan will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

We, Timothy S. Bleick and Steven G. Hanson, are actuaries for Milliman, Inc. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This report uses the expertise of Milliman healthcare and retirement actuaries. Steven G. Hanson is responsible for the work related to the current expected healthcare benefit costs and trend rates. Timothy S. Bleick is responsible for projecting the current costs into future years using the valuation assumptions and methodology and then calculating the accounting costs and liabilities reported herein.

Respectfully submitted,



Timothy S. Bleick, FSA, EA, MAAA
Principal and Consulting Actuary



Steven G. Hanson, ASA, MAAA
Associate Actuary

TSB/SGH/cl

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

I. INTRODUCTION AND PURPOSE

Milliman, Inc. prepared this report at the request of the Kenosha Unified School District's management to estimate the cost of the Kenosha Unified School District's current retiree health benefit program. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. The report should only be used in its entirety to assure complete understanding of the estimates and the methodology and assumptions underlying the estimates.

In preparing this report, we relied on the overall employee census and benefit information provided by the Kenosha Unified School District. We checked the information for reasonableness, but we did not audit the information. To the extent that any of this data or information is incorrect, the results of this report may need to be revised.

A number of assumptions have been made in projecting retiree health costs that should be reviewed prior to interpreting the results shown in this report. These assumptions and methodology are described in this report. The projections in this report are estimates and, as such, the Kenosha Unified School District's actual liability will vary from these estimates. The actual liability will not be known until such time that all eligibility is exhausted and all benefits are paid. The projections and assumptions should be updated as actual costs under this program develop.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

II. COST PROJECTION RESULTS

The actuarial balance sheet is a demonstration of the basic actuarial equation that the actuarial present value of total projected benefits to be paid to the active, retired, and vested terminated participants must equal the assets on hand plus the actuarial present value of future contributions to be received. Accordingly, the status of the plan in balance sheet form as of July 1, 2015 and July 1, 2016 is shown below:

TABLE 1

	<u>July 1, 2015</u>	<u>July 1, 2016</u>
I. Actuarial Present Value of Total Projected Benefits		
2,129 Active Participants	\$182,610,726	\$188,089,048
361 Retired Participants	<u>29,982,380</u>	<u>24,425,871</u>
Grand Total Actuarial Present Value of Total Projected Benefits	\$212,593,106	\$212,514,919
 II. Assets and Future Employer Contributions		
Assets	\$ 14,416,445*	\$ 17,346,553*
Unfunded Actuarial Accrued Liability	98,718,658	99,752,681
Present Value of Future Normal Costs (including the current year)	<u>99,458,003</u>	<u>95,415,685</u>
Total Assets and Future Employer Contributions	\$212,593,106	\$212,514,919

* Net position for GASB 45 per School District.

Liabilities and contributions shown in this report are computed using the Unit Credit Method of funding. The objective under this method is to expense each participant's benefit under the plan as they accrue. At the time the Funding Method is introduced, there will be a liability which represents the contributions which would have been accumulated if this method of funding had always been used. The difference between this liability and the assets (if any) is the unfunded liability, which is typically funded over a chosen period in accordance with an amortization schedule. These calculations as of 2015-2016 and 2016-2017 are shown below:

TABLE 2

	<u>2015-2016</u>	<u>2016-2017</u>
A. <u>Employer Normal Costs</u> (Unit Credit Actuarial Cost Method)		
(1) Current Year Normal Cost – July 1	\$ 6,821,417	\$ 7,026,059
(2) Assumed Interest to the End of the Year	<u>204,642</u>	<u>210,782</u>
(3) Current Year Normal Cost – June 30: [(1) + (2)]	\$ 7,026,059	\$ 7,236,841
 B. <u>Determination of Current Year Amortization Payment</u>		
(1) Unfunded Actuarial Liability (see Table 1)	\$98,718,658	\$99,752,681
(2) Amortization Period	30 years	30 years
(3) Level Dollar Amortization Factor	20.1885	20.1885
(4) Amortization Amount – July 1: [(1) / (3)]	4,889,846	4,941,065
(5) Assumed Interest to the End of the Year	<u>146,695</u>	<u>148,232</u>
(6) Amortization Amount – June 30: [(4) + (5)]	\$ 5,036,541	\$ 5,089,297

This material assumes that the reader is familiar with the Kenosha Unified School District's post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Kenosha Unified School District in reviewing the impact of the GASB Statement on the District's financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

DISCLOSURES

TABLE 3

Fiscal Year-End	<u>06/30/2016</u>	<u>06/30/2017</u> ***	
I. Determination of Annual Required Contribution			
(1) Discount Rate at Beginning of Fiscal Year	3.00%	3.00%	
(2) Normal Cost for Benefits Attributable to Service in the Year	\$7,026,059	\$7,236,841	
(3) Amortization of Unfunded Actuarial Accrued Liability	<u>5,036,541</u>	<u>5,089,297</u>	
(4) Annual Required Contribution (ARC): (2) + (3)	\$12,062,600	\$12,326,138	
II. Net OPEB Obligation			
(1) Annual Required Contribution	\$12,062,600	\$12,326,138	
(2) Interest on Net OPEB Obligation	2,350,548	2,299,657	
(3) Adjustment to Annual Required Contribution*	<u>(3,881,002)</u>	<u>(3,796,975)</u>	
(4) Annual OPEB Cost (Expense)	10,532,146	10,828,820	
(5) Contributions Made	<u>(12,228,534)</u>	<u>(6,675,000)**</u>	
(6) Increase in Net OPEB Obligation	(1,696,388)	4,153,820**	
(7) Net OPEB Obligation – Beginning of Year	78,351,613	76,655,225	
(8) Net OPEB Obligation – End of Year	\$76,655,225	\$80,809,045**	
III. OPEB History			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14	\$11,568,764	88.89%	\$78,232,978
06/30/15	11,789,450	87.30%	78,351,613
06/30/16	10,532,146	116.11%	76,655,225
06/30/17	10,828,820	61.64%**	80,809,045**

* To offset, approximately, the amortization of the net experience losses (or gains) from past contribution deficiencies (or excess contributions) in relation to the ARC.

** We have assumed that the employer will contribute roughly the "pay-as-you-go" costs in this illustration for the fiscal year ending in 2017. Actual contributions were used for the fiscal year ending in 2016. Pay-as-you-go costs should be total claim payments paid by the employer on behalf of retirees net of payments received from retirees. If contributions in addition to the "pay-as-you-go" costs are deposited, they will need to be added here and the net OPEB obligation at the end of the year will need to be revised.

*** If a significant plan change or a significant change in the covered population occurs, these numbers will need to be revised.

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan is 14.81% funded. The actuarial accrued liability for benefit is \$117,099,234, and the actuarial value of assets is \$17,346,553, resulting in an unfunded actuarial accrued liability (UAAL) of \$99,752,681.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

REQUIRED SUPPLEMENTARY INFORMATION

TABLE 4

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
07/01/12	8,114,486	170,442,147	162,327,661	4.76%	\$124.7M	130.2%
07/01/14	11,445,151	124,794,538	113,349,387	9.17%	\$144.6M	78.4%
07/01/16	17,346,553	117,099,234	99,752,681	14.81%	TBD	TBD

TABLE 5

Implicit Rate Subsidy

	District's Portion of Retiree Premium	Implicit Rate Subsidy	Grand Total
July 1, 2016 Actuarial Present Value of Projected Benefits	\$121,040,403	\$91,474,516	\$212,514,919
July 1, 2016 Normal Cost	3,926,609	3,099,450	7,026,059
July 1, 2016 AAL	67,198,746	49,900,488	117,099,234

TABLE 6

Cash Flow Projections, the Annual Undiscounted Cost of GASB 45 Benefits Current Retiree Plus Current Active Employees

Year	AST	Carpenter	Teacher	Secretary	Service	ESP	MISC	INT	Total
2016-17	\$440,000	\$23,000	\$4,778,000	\$321,000	\$643,000	\$464,000	\$5,000	\$1,000	\$6,675,000
2017-18	418,000	9,000	4,248,000	335,000	676,000	427,000	16,000	2,000	6,131,000
2018-19	353,000	15,000	4,005,000	379,000	745,000	470,000	26,000	4,000	5,997,000
2019-20	306,000	8,000	3,853,000	484,000	746,000	483,000	29,000	7,000	5,916,000
2020-21	308,000	12,000	3,836,000	500,000	777,000	540,000	48,000	1,000	6,022,000
2021-22	364,000	19,000	4,083,000	447,000	852,000	485,000	62,000	3,000	6,315,000
2022-23	381,000	28,000	4,402,000	395,000	869,000	462,000	65,000	5,000	6,607,000
2023-24	335,000	14,000	4,592,000	380,000	843,000	545,000	68,000	8,000	6,785,000
2024-25	269,000	21,000	4,764,000	378,000	786,000	617,000	98,000	12,000	6,945,000
2025-26	361,000	30,000	5,063,000	332,000	683,000	562,000	136,000	17,000	7,184,000

This material assumes that the reader is familiar with the Kenosha Unified School District's post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Kenosha Unified School District in reviewing the impact of the GASB Statement on the District's financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

III. METHODOLOGY

Our general methodology to calculate the net present value consisted of the following steps:

1. Estimate the number of current active employees that will be employed at the Kenosha Unified School District each year after July 1, 2016 until all current employees are either retired or no longer employed by the Kenosha Unified School District.
2. Project the number of retired participants that will be alive each year after July 1, 2016 until all participants are presumed to have exhausted their benefit eligibility.
3. Project the net retiree medical costs (and net administrative expenses) per participant for each year and for each age category using the July 1, 2016 estimated claim costs as a starting point and increasing the claims costs each year by the assumed annual rates of medical inflation.
4. Estimate the total net claim costs for each year as follows: (2) x (3)
5. Determine the total present value of the net claim costs by discounting (4) for each year back to July 1, 2016 at the assumed discount rate.

We calculated the liability estimates using actuarial assumptions summarized in Section V. We prepared assumptions as to claim costs, premium rates, annual trends in the utilization and cost of medical care, participation rates, termination rates, retirement rates, disability rates, and mortality based on information provided by the Kenosha Unified School District, and our judgment.

We based our calculations on the detailed census data provided. This data provided the age and gender for retirees and actives. We assumed spouses are the same age as the participants.

This material assumes that the reader is familiar with the Kenosha Unified School District's post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Kenosha Unified School District in reviewing the impact of the GASB Statement on the District's financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

IV. ACTUARIAL COST METHOD

Unit Credit Actuarial Cost Method

The actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in retiree medical costs. These gains and losses result from the difference between the actual experience under the plan and the experience by the actuarial assumptions.

The cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

Actuarial liabilities and comparative costs shown in this Report were computed using the **Unit Credit Actuarial Cost Method**, which recognized the following cost components:

1. **The Normal Cost** is the Actuarial Present Value of benefits accruing during the valuation year. For purposes of this valuation, we have accrued costs through full eligibility age for benefits provided.
2. **The Actuarial Accrued Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.
3. **The Actuarial Value of Assets** are equal to the Net Position on the valuation date plus due and accrued contributions allowed under GASB 45.
4. **The Unfunded Actuarial Accrued Liability** is amortized over 30 years from the valuation date on an open basis in level dollar payments.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

V. ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were used in the development of the Kenosha Unified School District retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the Wisconsin Retirement System (WRS) as provided in the December 31, 2015 Actuarial Valuation reports. These assumptions were adopted by the Employee Trust Funds Board in connection with a study of experience during 2012-2014. In our opinion, these assumptions are reasonable for the intended purposes of the report. For a summary of the prior WRS assumptions used in the prior valuation, see our July 1, 2014 valuation report dated August 4, 2014. Assumptions regarding participant elections are based on recent experience and on our estimates of future experience.

1. **Interest Discount Rate:** 3.00% compounded annually.

2. **Mortality:***

Pre-Retirement: This assumption applies to death while in service. Rates are based on the Wisconsin 2012 Mortality table (multiplied by 50% for males and females) as the base table and project future improvements with MP-2015 generational improvement scale (multiplied by 50%), as adopted by the Board in connection with the 2012-2014 Experience Study performed by the actuary for the Wisconsin Retirement System.

Post-Retirement: This assumption applies to death of participants after retirement. Rates are based on the Wisconsin 2012 Mortality Table as the base table and project future improvements with MP-2015 generational improvement scale (multiplied by 50%), as adopted by the Board in connection with the 2012-2014 Experience Study performed by the actuary for the Wisconsin Retirement System.

Post-Disability: This assumption applies to death after disablement. Rates are based on the 2012-2014 Experience Study performed by the actuary for the Wisconsin Retirement System (multiplied by 50% for males and females and set forward one year for males).

* Sample rates of base mortality tables are shown in Appendix A.

3. **Employee Turnover/Withdrawal:** Ten-year select and ultimate rates of WRS for Public Schools for all employees. Separate rates for males and females. Ultimate rates after the tenth year are shown in the rate table in Appendix A. Select rates are as follows:

Year	Public School Employee Male Rate	Public School Employee Female Rate
First	18.3%	16.0%
Second	11.0	10.8
Third	7.8	7.7
Fourth	5.9	5.8
Fifth	4.9	5.0
Sixth	3.6	4.3
Seventh	3.2	3.8
Eighth	2.6	3.4
Ninth	2.6	2.8
Tenth	2.4	2.5

This material assumes that the reader is familiar with the Kenosha Unified School District's post-employment benefit programs, their benefits, eligibility, administration and other factors. The material was prepared solely to provide assistance to the Kenosha Unified School District in reviewing the impact of the GASB Statement on the District's financial statements. It may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This material should only be reviewed in its entirety.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

4. **Disablement:** WRS disability rates for Public Schools for all employees. Separate rates for males and females. Rates shown in the rate table in Appendix A.
5. **Retirement:** WRS retirement rates for Public Schools all employees. Separate rates for male and females. Rates shown in the rate table in Appendix A.
6. **Percentage of Retirees Participating In Retiree Medical Coverage:**
Future retirees: 100% of current employees are expected to participate in the Kenosha Unified School District's retiree health insurance plan.
Current retirees: Actual retiree participation.
7. **Percentage of Retirees Electing Family Coverage:**
Future retirees: 20% of current employees assumed to elect family coverage into retirement for medical coverage. 90% of current employees assumed to elect family coverage into retirement for dental coverage.
Current retirees: Actual family coverage election.
8. **Age Difference of Active Employees and Spouses:** Spouses same age as participants.
9. **Annual Medical and Dental Trend Rate Assumptions:** Medical inflation was based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend. Under the Patient Protection and Affordable Care Act of 2010, a federal excise tax will apply for high cost health plans beginning in 2020. A margin to reflect the impact of the excise tax in future years is reflected in the assumed trend. The following tables show the trend rates used in this valuation.

Year(s)	Annual Medical Trend Rate	Annual Dental Trend Rate
2016-2017	7.10%	5.00%
2017-2018	7.30	5.00
2018-2019	7.00	5.00
2019-2020	7.00	5.00
2020-2021	6.00	5.00
2030-2031	5.60	5.00
2040-2041	5.60	5.00
2050-2051	5.10	5.00
2060-2061	5.00	5.00
2070-2071	4.40	4.40
Ultimate (2074)	4.10	4.10

10. **Expected Monthly 2016-2017 Medical and Dental Costs Per Retiree:** We developed estimates of monthly 2016-2017 medical and dental costs per retiree by age based on the District's current premiums, adjusted for demographic differences between retirees and all participants (actives and retirees combined).

Medical

Age	Male		Female	
	Single	Family	Single	Family
55	\$1,049	\$2,232	\$1,161	\$2,232
60	1,360	2,748	1,367	2,748
64	1,722	3,321	1,578	3,321

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

Dental

Age	Male		Female	
	Single	Family	Single	Family
55	\$48	\$101	\$51	\$101
60	53	110	55	110
64	57	116	57	117

11. **Changes in Assumptions Since Prior Valuation:** The demographic assumptions have been updated based upon the most recent WRS experience study. The estimated annual claim costs were changed to reflect anticipated experience pursuant to a review of the medical provisions and recent experience. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application. The overall impact of the new assumptions is a decrease in the benefit obligations.

12. **Rationale for Significant Assumptions:** With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

- Discount Rate:** The discount rate is based upon the expected return of assets set aside in the trust, if any, to pay plan benefits and investments from the general account of the entity.
- Demographic Assumptions:** Kenosha Unified School District participates in the Wisconsin Retirement System. The actuary for the system updates assumptions triennially based upon plan experience.
- Medical Trend:** We are using medical inflation assumptions based on the “Long Term Healthcare Costs Trend Resource Model” created for the Society of Actuaries by Professor Thomas E. Getzen of Temple University. This model reflects the most current academic research regarding future healthcare cost trends.
- Expected Medical Costs:** Relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the carrier premium rates and relative age cost factors assumptions, we developed age adjusted “per member per month” (PMPM) costs for 2016-17.
- Participant Rate and Spouse Election:** We have based the rate on recent experience in the plan.

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

VI. DATA

1. **Monthly 2016-2017 Retiree Premiums:** The premium rates valued are shown in the following table.

Medical Plan	Single	Family
\$750/\$1,500	\$880.64	\$1,975.62
\$500/\$1,000	\$911.24	\$2,044.26
\$250/\$500	\$954.08	\$2,140.44

2. **Participant Data:** We relied on the following medical plan participant data as of June 16, 2016. We assumed no material change in participant data between June 16, 2016 and July 1, 2016.

	Participant Count	Average Age	Average Service
Active Employees	2,129	45.6	11.6
Retirees (Medical)	361	61.8	

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

VII. PLAN PROVISIONS

Eligibility Requirements and Benefits

Eligibility requirements and benefits by District employee group are as follows:

CERTIFIED TEACHERS

Eligibility:	<u>Dental benefits.</u> Any retiree who was working more than half-time and has attained age 62 and 15 years of service. <u>All other benefits.</u> Any retiree who was working more than half-time and has attained age 55 and 15 years of service.
Retiree Health Benefits:	District pays 100% of the health insurance premium for single or family coverage for employees retiring at age 62 or older but before age 65. District pays 100% of the health insurance premium for single coverage for employees retiring prior to age 62. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.
Retiree Dental Benefits:	District pays 90% of the dental insurance premium for family coverage. The dental benefits coverage will terminate when the retiree attains age 65.
Retiree Long Term Care Benefits:	Plan terminated at June 30, 2016 for all current and future retirees.

SERVICE EMPLOYEES

Eligibility:	Any retiree who was working full-time and has attained age 55 and 15 years of service.
Retiree Health Benefits:	District pays 98.3% of the health insurance premium for single coverage. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

CARPENTERS AND PAINTERS

Eligibility:	Any retiree who was working full-time and has attained age 57 and 15 years of service.
Retiree Health Benefits:	District pays 98% of the health insurance premium for single coverage. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

SECRETARIES

- Eligibility:** Any retiree who was working full-time and has attained age 57 and 15 years of service.
- Retiree Health Benefits:** District pays 98.3% of the health insurance premium for single coverage. District portion is 90% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

EDUCATIONAL ASSISTANTS

- Eligibility:** Any retiree who was working full-time and has attained age 57 and 15 years of service.
- Retiree Health Benefits:** District pays 100% of the health insurance premium for single coverage. The health benefits coverage will terminate when the retiree attains age 65.

ADMINISTRATORS, SUPERVISORS AND TECHNICAL EMPLOYEES

- Eligibility:** Any retiree who was working full-time and has attained age 55 and 15 years of service.
- Retiree Health Benefits:** District pays 88% for retirements after September 1, 2014. District paid up to 100% for retirements before September 1, 2014.
- Retiree Dental Benefits:** District pays 90% of the dental insurance premium for family coverage. The health benefits coverage will terminate at age 65 for employees retiring with less than 20 years of service, at age 66 for employees retiring with 20 or more years of service but less than 25 years of service, and at age 67 for employees retiring with more than 25 years of service. No coverage for Retirees after July 1, 2011.
- Retiree Life Insurance Benefits:** District pays a life insurance amount of 200% of the employee's compensation in the year before retirement if less than 66 years old, 150% of their salary if 66 years old, and 100% of their salary if 67 years old or older. No coverage for Retirees after July 1, 2011.

MISCELLANEOUS AND INTERPRETERS

- Eligibility:** Any retiree who was working full-time and has attained age 55.
- Retiree Health Benefits:** Retiree pays 100% of the health insurance premium. The health benefits coverage will terminate when the retiree attains age 65.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

VIII. GLOSSARY

The following is an explanation of many of the terms referenced by the Statement of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions".

1. **Actuarial Cost Method.** This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost. The Statement assumes a closed group of employees and other participants unless otherwise stated; that is, no new entrants are assumed. Six methods are permitted – Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, and Frozen Attained Age.
2. **Actuarial Accrued Liability.** This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).
3. **Actuarial Present Value of Benefits.** This is the value, as of the applicable date, of future payments for benefits and expenses under the Plan, where each payment is:
 - (a) Multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and
 - (b) Discounted at the assumed discount rate.
4. **Actuarial Value of Assets.** This is the value of cash, investments and other property belonging to the Plan, as used by the actuary for the purpose of an Actuarial Valuation.
5. **Amortization Payment.** This is the amount of the contribution required to pay interest on and to amortize over a given period the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability. A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each actuarial valuation date.
6. **Annual Required Contribution ("ARC").** This is the employer's periodic required contribution to a defined benefit OPEB plan, calculated in accordance with the set of requirements for calculating actuarially determined OPEB information included in financial reports.
7. **Attribution Period.** The period of an employee's service to which the expected postretirement benefit obligation for that employee is assigned. The beginning of the attribution period is the employee's date of hire. The end of the attribution period is the full retirement eligibility date. For disability retirement, the end of the attribution period is the date of disability.
8. **Benefit Payments.** The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a post employment benefit plan, including health care benefits and life insurance not provided through a pension plan.
9. **Funding Excess.** This is the excess of the Actuarial Value of Assets over the actuarial accrued liability.

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

10. **Normal Cost.** This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.
11. **Net OPEB obligation.** This is the cumulative difference since the effective date of this statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Other Postemployment Benefits ("OPEB").** This refers to postemployment benefits other than pension benefits, including healthcare benefits regardless of the type of plan that provides them, and all other postemployment benefits provided separately from a pension plan, excluding benefits defined as termination benefits or offers.
13. **Return on Plan Assets.** This is the actual investment return on plan assets during the fiscal year.
14. **Substantive Plan.** The terms of the postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for the plan.
15. **Unfunded Actuarial Accrued Liability.** This is the excess of the actuarial accrued liability over the Actuarial Value of Assets.

Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

APPENDIX A: RATE TABLES

Public School

Separations from active status expressed as number of occurrences per 10,000:

Age	Withdrawal		Early Retirement		Normal Retirement*		Death		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
25	N/A	N/A	0	0	0	0	2	1	1	1
26	N/A	N/A	0	0	0	0	2	1	1	1
27	N/A	N/A	0	0	0	0	2	1	1	1
28	N/A	N/A	0	0	0	0	2	1	1	1
29	N/A	N/A	0	0	0	0	2	1	1	1
30	130	190	0	0	0	0	2	1	1	1
31	130	180	0	0	0	0	2	1	1	1
32	130	180	0	0	0	0	3	2	1	1
33	130	170	0	0	0	0	3	2	1	1
34	130	170	0	0	0	0	3	2	1	1
35	130	160	0	0	0	0	4	2	1	1
36	130	160	0	0	0	0	4	2	1	1
37	130	150	0	0	0	0	4	2	1	1
38	130	140	0	0	0	0	4	3	1	1
39	130	140	0	0	0	0	5	3	1	2
40	130	130	0	0	0	0	5	3	1	2
41	130	130	0	0	0	0	5	3	2	2
42	130	120	0	0	0	0	5	4	2	2
43	130	120	0	0	0	0	6	4	2	4
44	130	120	0	0	0	0	6	4	3	5
45	130	110	0	0	0	0	7	5	3	5
46	130	110	0	0	0	0	7	5	4	7
47	130	110	0	0	0	0	7	5	4	8
48	130	110	0	0	0	0	8	6	5	8
49	130	110	0	0	0	0	8	6	6	9
50	130	100	0	0	0	0	9	7	8	10
51	130	100	0	0	0	0	10	8	11	11
52	130	100	0	0	0	0	12	9	13	11
53	130	100	0	0	0	0	15	10	14	12
54	130	100	0	0	0	0	17	11	14	14
55	0	0	1,300	1,200	0	0	20	12	16	14
56	0	0	1,300	1,200	0	0	22	13	17	16
57	0	0	1,200	1,200	3,600	2,800	24	14	17	17
58	0	0	1,300	1,200	3,100	2,800	26	15	20	19
59	0	0	1,400	1,300	2,400	2,800	27	16	23	20

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

Public School

Separations from active status expressed as number of occurrences per 10,000:

Age	Withdrawal		Early Retirement		Normal Retirement*		Death		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
60	0	0	1,400	1,700	3,000	2,800	29	18	26	21
61	0	0	1,500	1,700	2,800	2,800	30	19	0	0
62	0	0	2,100	2,300	3,700	3,600	32	21	0	0
63	0	0	2,100	2,300	3,200	3,000	35	23	0	0
64	0	0	2,100	2,300	2,700	2,700	39	25	0	0
65	0	0	0	0	2,900	3,500	44	27	0	0
66	0	0	0	0	3,300	3,500	49	30	0	0
67	0	0	0	0	2,700	3,000	54	32	0	0
68	0	0	0	0	2,400	3,000	59	36	0	0
69	0	0	0	0	2,400	3,000	66	41	0	0
70	0	0	0	0	2,000	3,500	73	46	0	0
71	0	0	0	0	2,000	3,000	80	52	0	0
72	0	0	0	0	2,000	2,200	88	58	0	0
73	0	0	0	0	2,000	2,200	99	65	0	0
74	0	0	0	0	2,000	2,200	110	74	0	0
75	0	0	0	0	10,000	10,000	123	83	0	0

*Normal retirement assumptions apply to employees with 30 or more years of service.

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

Public School

Separations from retired status expressed as number of occurrences per 10,000:

Age	Healthy		Disabled	
	Male	Female	Male	Female
50	18	14	46	28
51	20	16	50	30
52	25	17	53	31
53	30	19	56	34
54	35	21	59	37
55	41	24	63	40
56	45	27	67	44
57	49	28	74	48
58	51	30	83	52
59	54	33	93	57
60	57	35	104	63
61	60	38	116	69
62	64	41	128	77
63	71	45	142	87
64	79	49	156	98
65	88	54	173	110
66	97	59	191	123
67	108	65	213	139
68	119	73	238	157
69	131	82	266	177
70	145	92	297	199
71	160	103	332	225
72	177	116	378	256
73	198	131	430	291
74	221	148	489	330
75	247	166	557	375
76	276	188	633	427
77	308	212	715	494
78	351	241	808	571
79	399	274	913	661

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

Public School

Separations from retired status expressed as number of occurrences per 10,000:

Age	Healthy		Disabled	
	Male	Female	Male	Female
80	454	311	1,031	764
81	516	353	1,165	884
82	587	402	1,282	977
83	663	465	1,410	1,079
84	749	538	1,551	1,192
85	846	622	1,707	1,317
86	956	719	1,878	1,455
87	1,086	832	2,107	1,645
88	1,201	919	2,364	1,860
89	1,328	1,016	2,652	2,103
90	1,468	1,128	2,975	2,378
91	1,623	1,253	3,246	2,588
92	1,795	1,391	3,422	2,768
93	2,024	1,581	3,516	2,876
94	2,282	1,796	3,612	3,001
95	2,573	2,041	3,659	3,043
96	2,901	2,319	3,717	3,100
97	3,181	2,537	3,830	3,158
98	3,354	2,714	3,920	3,201
99	3,463	2,833	3,979	3,262
100	3,559	2,956	4,000	3,301
101	3,622	3,013	4,000	3,359
102	3,680	3,069	4,000	3,426
103	3,811	3,142	4,000	3,515
104	3,900	3,185	4,000	3,646
105	3,979	3,262	4,000	3,762
106	4,000	3,301	4,000	3,860
107	4,000	3,359	4,000	3,935
108	4,000	3,426	4,000	3,983
109	4,000	3,515	10,000	10,000
110	4,000	3,646	10,000	10,000
111	4,000	3,762	10,000	10,000
112	4,000	3,860	10,000	10,000

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Kenosha Unified School District

Actuarial Valuation of GASB 45 Benefits as of July 1, 2016

APPENDIX B: INDIVIDUAL GROUP EXHIBITS

	Teacher	AST	Carpenter	ESP	Secretary	Service	MISC	INT	Grand Total
Actuarial Present Value of Projected Benefits	\$163,314,763	\$11,654,281	\$370,374	\$11,843,976	\$6,742,115	\$15,423,561	\$2,932,808	\$311,226	\$212,593,106
July 1, 2015 Normal Cost	5,196,742	419,774	15,068	388,513	163,568	425,776	200,302	11,675	6,821,417
Interest On Normal Cost	155,902	12,593	452	11,655	4,907	12,773	6,009	350	204,642
June 30, 2016 Normal Cost	5,352,644	432,367	15,520	400,168	168,475	438,549	206,311	12,025	7,026,059
July 1, 2015 Amortization	3,634,616	269,737	10,928	288,248	199,381	444,741	34,896	7,299	4,889,846
Interest on Amortization	109,038	8,092	328	8,647	5,981	13,342	1,047	219	146,695
June 30, 2016 Amortization	3,743,655	277,829	11,256	296,896	205,362	458,083	35,943	7,518	5,036,541
Total ARC	9,096,299	710,196	26,776	697,064	373,837	896,632	242,254	19,543	12,062,600
July 1, 2015 AAL	84,093,176	6,240,832	252,836	6,669,131	4,613,027	10,289,850	807,380	168,871	113,135,103
July 1, 2015 Unfunded AAL (assets ratioed on AAL)	73,377,451	5,445,583	220,618	5,819,304	4,025,204	8,978,648	704,498	147,352	98,718,658

	Teacher	AST	Carpenter	ESP	Secretary	Service	MISC	INT	Grand Total
Actuarial Present Value of Projected Benefits	\$163,544,747	\$11,578,243	\$360,590	\$11,764,728	\$6,661,037	\$15,264,219	\$3,020,792	\$320,563	\$212,514,919
July 1, 2016 Normal Cost	5,352,644	432,367	15,520	400,168	168,475	438,549	206,311	12,025	7,026,059
Interest On Normal Cost	160,579	12,971	466	12,005	5,054	13,156	6,189	361	210,782
June 30, 2017 Normal Cost	5,513,223	445,338	15,986	412,173	173,529	451,705	212,500	12,386	7,236,841
July 1, 2016 Amortization	3,683,635	271,518	10,762	288,398	195,642	439,468	43,795	7,847	4,941,065
Interest on Amortization	110,509	8,146	323	8,652	5,869	13,184	1,314	235	148,232
June 30, 2017 Amortization	3,794,144	279,664	11,085	297,050	201,511	452,652	45,109	8,082	5,089,297
Total ARC	9,307,367	725,002	27,070	709,223	375,041	904,358	257,609	20,468	12,326,138
July 1, 2016 AAL	87,299,155	6,434,757	255,046	6,834,805	4,636,551	10,415,046	1,037,912	185,962	117,099,234
July 1, 2016 Unfunded AAL (assets ratioed on AAL)*	74,367,051	5,481,541	217,265	5,822,328	3,949,713	8,872,208	884,160	158,414	99,752,681

*Asset amount to be used for GASB 45 per School District.

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