Montana Teachers’ Retirement System

Experience Study Results
July 1, 2013 to July 1, 2017

Presented May 18, 2018
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Joseph Walls

www.CavMacConsulting.com
Actuarial Assumptions

- Used to forecast future contingent events that impact the timing and amount of benefit payments
- Assumptions are long term estimates
  - Experience emerges short term
  - Year to year fluctuations expected
- Should be “best guess” based on both:
  - Past history (actual experience)
    - Strong indicator for some assumptions like mortality
    - Less valuable for other assumptions
  - Future expectations
- Should be explicit – each assumption is individually reasonable and best estimate
Actuarial Assumptions

- No “correct” assumptions
  - Blend of art and science
  - Range of acceptable assumptions

- More aggressive assumptions are more likely to generate actuarial losses in future years; more conservative are likely to generate actuarial gains

- Most powerful assumption is the investment return assumption (also called the discount rate)

- Ultimate responsibility for selection of assumptions generally lies with the Board of Trustees
Actuarial Assumptions

- Two types of assumptions
  - Demographic (things that happen to people)
    - Retirement
    - Disability
    - Pre-retirement death
  - Economic
    - Investment return/interest rate
    - Salary increases
    - Payroll growth
    - Price inflation
Demographic Assumptions

- Assumptions Reviewed
  - Rates of Withdrawal
  - Rates of Pre-Retirement Mortality
  - Rates of Disability Retirement
  - Rates of Service Retirement
  - Rates of Post-Retirement Mortality
  - Rates of Salary Increase

- Actuarial Standard of Practice (ASOP) No. 35, “Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations”, which provides guidance to actuaries in selecting demographic assumptions for measuring obligations under defined benefit plans.
Study compares what actually happened during the study period (7/1/2013 through 7/1/2017) with what was expected to happen.

Assumption changes recommended if actual experience differs significantly from expected.

Judgment required to extrapolate future experience from past experience.
Reviewed experience separately for full time vs. part time members

Actual/expected ratios where 79% and 157% respectively for full time members and part time members

A ratio that is less than 100% indicates there were less withdrawals during the experience period than anticipated by the assumption

A ratio that is greater than 100% indicates there were more withdrawals during the experience period than anticipated by the assumption
Demographic Assumptions
(Withdrawal Rates)

- Recommend updating the assumed rates of withdrawal based on full time and part time members
Demographic Assumptions (Withdrawal Rates)
Demographic Assumptions (Withdrawal Rates)

Part Time Withdrawal Rates

- Actual Rates
- Current Rates
- Proposed Rates

Years of Service

0% 5% 10% 15% 20% 25% 30% 35% 40%
Experience yielded an actual/expected ratio of 78%.

An actual/expected ratio that is less than 100% indicates that the number of disability retirements over the experience period was less than anticipated.

Disability retirements represent a small component of the Retirement System’s obligation (35 total disability retirements occurred during the experience period).

When combining experience from the last experience study the actual/expected ratio is 97%.

Recommend no change in this assumption.
Demographic Assumptions (Disability Retirements)

Disability Rates

- Actual Rates
- Current Rates

Age Groups:
- Under 20
- 20 - 24
- 25 - 29
- 30 - 34
- 35 - 39
- 40 - 44
- 45 - 49
- 50 - 54
- 55 - 59
- 60 - 64
- 65 & Over
Demographic Assumptions
(Service Retirements)

- Reduced retirement benefit
  - Experience yielded actual/expected ratios of 113% and 82% respectively for Non-University and University members
  - In general, non-university member retirements less than anticipated for ages 50 to 55 and more than anticipated for ages 56 to 59
  - Recommend updating current assumption for reduced retirement benefit eligibility for non-university members.
  - University members represent a small declining portion of the membership, therefore recommend no change to the current assumption
Demographic Assumptions (Service Retirements)

Non-University Members
Retirement with Reduced Benefits

- Actual Rates
- Current Rates
- Proposed Rates

Year: 50, 51, 52, 53, 54, 55, 56, 57, 58, 59
Demographic Assumptions (Service Retirements)

University Members
Retirement with Reduced Benefits

- Actual Rates
- Current Rates

Years: 50 to 59
First eligible for an unreduced retirement benefit

- Experience yielded actual/expected ratios of 114% and 33% respectively for Non-University and University members
- In general, there were more retirements than expected under age 50 and over age 60
- Recommend updating current assumption for non-university members
- University members represent a small declining portion of the membership, therefore recommend no change to the current assumption
Demographic Assumptions (Service Retirements)

Non-University Members
First Eligible for an Unreduced Benefit

- Actual Rates
- Current Rates
- Proposed Rates
Demographic Assumptions
(Service Retirements)

University Members
First Eligible for an Unreduced Benefit

- Actual Rates
- Current Rates

Demographic Assumptions
(Service Retirements)
Beyond first eligibility for an unreduced retirement benefit

- Experience yielded actual/expected ratios of 102% and 82% respectively for Non-University and University members
- Retirements for non-university members were greater than expected under age 50 and over age 60
- Retirements for University members for ages 60 and over where less than assumed
- Recommend updating current assumption for both non-university and university members
Demographic Assumptions (Service Retirements)

Non-University Members
Beyond First Year Eligibility for an Unreduced Benefit

- Actual Rates
- Current Rates
- Proposed Rates
Demographic Assumptions
(Service Retirements)

University Members
Beyond First Year Eligibility for an Unreduced Benefit

- Actual Rates
- Current Rates
- Proposed Rates
Demographic Assumptions
(Healthy Mortality)

- Experience yielded actual/expected ratios of 123% and 106% respectively for healthy male and female mortality experience.
- Mortality table assumption must provide a margin for mortality improvement which is indicated by an actual/expected ratio greater than 100%.
- Recommend change in healthy mortality to the RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years for both males and females.
- Actual/expected ratio under proposed assumption is 122% and 122% for males and females respectively provides a significant margin for improvement.
- Active mortality experience is not credible to develop a unique mortality assumption, therefore active mortality follows the same assumption as the healthy post-retirement mortality assumptions.
Demographic Assumptions (Healthy Mortality)
Demographic Assumptions (Healthy Mortality)

Female Retiree and Beneficiary Mortality Rates

- Actual Rates
- Current Rates
- Proposed Rates

- Under 50
- 50 - 54
- 55 - 59
- 60 - 64
- 65 - 69
- 70 - 74
- 75 - 79
- 80 - 84
- 85 - 89
- 90 - 94
- 95 - 99
- 100 & Over

Mortality rates vary by age group, with higher rates for older age groups.
Demographic Assumptions (Disabled Mortality)

- Experience yielded actual/expected ratios of 88% and 89% respectively for disabled male and female mortality experience.
- Recommend change to the RP-2000 Disabled Mortality Table projected to 2022 using the BB projection scale, set back 3 years for males and set forward 2 years for females to maintain consistency with healthy mortality assumptions.
- Actual/expected ratios under proposed assumption is 111% for both disabled males and females.
Demographic Assumptions (Disabled Mortality)

Disabled Male Mortality Rates

- Actual Rates
- Current Rates
- Proposed Rates

- Under 50
- 50 - 54
- 55 - 59
- 60 - 64
- 65 - 69
- 70 - 74
- 75 - 79
- 80 - 84
- 85 - 89
- 90 - 94
- 95 - 99

% Mortality Rates:
- 0%
- 5%
- 10%
- 15%
- 20%
- 25%
- 30%

Age Groups and Mortality Rates Distribution
Demographic Assumptions
(Disabled Mortality)

Disabled Female Mortality Rates

- Actual Rates
- Current Rates
- Proposed Rates
Salary increases were less than expected for the investigation period.

This is primarily due to low wage growth during the experience period.

As a result, no changes to the merit component of the salary scales are recommended at this time.

The decrease in real wage growth assumption (covered later) was reflected in the final salary scales.
Demographic Assumptions (Salary Increase Experience)

![Salary Experience - Non-University](chart.png)

- **Years of Service**: 1 to 22
- **Salary Experience**: 0% to 9%
- **Actual Increases**, **Expected Increases**, **Proposed Increases**
Demographic Assumptions (Salary Increase Experience)

Salary Experience - University Members

Years of Service

- Actual Increases
- Expected Increases
- Proposed Increases

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 & Up
Economic Assumptions

- Assumptions reviewed
  - Price inflation
  - Investment return
  - Wage inflation

- Actuarial Standard of Practice (ASOP) No. 27, “Selection of Economic Assumptions for Measuring Pension Obligations” provides guidance to actuaries in selecting economic assumptions for measuring obligations under defined benefit plans.

- Recommendations

<table>
<thead>
<tr>
<th>Item</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Inflation</td>
<td>3.25%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Real Rate of Return</td>
<td>4.50%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Investment Return</td>
<td>7.75%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Price Inflation</td>
<td>3.25%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Real Wage Growth</td>
<td>0.75%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Wage Inflation</td>
<td>4.00%</td>
<td>3.25%</td>
</tr>
</tbody>
</table>
Current assumption: 3.25%
Historical data: Annual CPI (U) Increases

Annual CPI (U) Increases

- CPI (U)
- 3.25%
- Rolling 30 Year
### Economic Assumptions

#### Price Inflation

- **Historical data: Annual CPI (U) Increases**

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Annual Rate of Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 – 2017</td>
<td>1.63%</td>
</tr>
<tr>
<td>1997 – 2017</td>
<td>2.14%</td>
</tr>
<tr>
<td>1987 – 2017</td>
<td>2.60%</td>
</tr>
<tr>
<td>1977 – 2017</td>
<td>3.55%</td>
</tr>
<tr>
<td>1967 – 2017</td>
<td>4.07%</td>
</tr>
<tr>
<td>1957 – 2017</td>
<td>3.67%</td>
</tr>
<tr>
<td>1926 – 2017</td>
<td>2.91%</td>
</tr>
</tbody>
</table>
### Economic Assumptions

#### Price Inflation

#### Bond Market Expectation of Inflation

<table>
<thead>
<tr>
<th>Years to Maturity</th>
<th>Bond Nominal Yield</th>
<th>TIPS Nominal Yield</th>
<th>Breakeven Rate of Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>2.32%</td>
<td>0.55%</td>
<td>1.77%</td>
</tr>
<tr>
<td>20</td>
<td>2.65%</td>
<td>0.84%</td>
<td>1.82%</td>
</tr>
<tr>
<td>30</td>
<td>2.88%</td>
<td>1.01%</td>
<td>1.88%</td>
</tr>
</tbody>
</table>
Recommendation:

<table>
<thead>
<tr>
<th>Price Inflation Assumption</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>3.25%</td>
</tr>
<tr>
<td>Reasonable Range</td>
<td>2.00% - 3.00%</td>
</tr>
<tr>
<td>Recommended</td>
<td>2.50%</td>
</tr>
</tbody>
</table>
Current Assumption

- Price inflation 3.25%
- Real rate of return 4.50%
- Total return (net of investment) 7.75%
The average assumed rate of return among Public Retirement Systems is 7.32% according to the February 2018 NASRA Issue Brief: “Public Pension Plan Investment Return Assumptions”
Economic Assumptions
Investment Return

Change in Distribution of Nominal Investment Return Assumptions, FY 01 to FY 18

%

>8.0 < 8.5
8.5
8.0
>7.5 < 8.0
>7.0 - 7.5
7.0
< 7.0

Fiscal Year

Public Fund Survey, NASRA Nov-17

*preliminary
## Recent Experience

### Nominal Total Rate of Return

<table>
<thead>
<tr>
<th>Year Ending 6/30</th>
<th>Market Value</th>
<th>Actuarial Value</th>
<th>Year Ending 6/30</th>
<th>Market Value</th>
<th>Actuarial Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>7.8%</td>
<td>12.8%</td>
<td>2009</td>
<td>(20.8)%</td>
<td>(10.3)%</td>
</tr>
<tr>
<td>2001</td>
<td>(5.1)%</td>
<td>9.2%</td>
<td>2010</td>
<td>12.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>2002</td>
<td>(7.3)%</td>
<td>3.8%</td>
<td>2011</td>
<td>21.7%</td>
<td>(0.1)%</td>
</tr>
<tr>
<td>2003</td>
<td>6.2%</td>
<td>1.6%</td>
<td>2012</td>
<td>2.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2004</td>
<td>13.3%</td>
<td>2.1%</td>
<td>2013</td>
<td>12.9%</td>
<td>12.0%</td>
</tr>
<tr>
<td>2005</td>
<td>8.0%</td>
<td>2.7%</td>
<td>2014</td>
<td>17.1%</td>
<td>13.2%</td>
</tr>
<tr>
<td>2006</td>
<td>8.9%</td>
<td>8.5%</td>
<td>2015</td>
<td>4.6%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2007</td>
<td>17.6%</td>
<td>10.2%</td>
<td>2016</td>
<td>2.1%</td>
<td>8.8%</td>
</tr>
<tr>
<td>2008</td>
<td>(4.9)%</td>
<td>7.2%</td>
<td>2017</td>
<td>11.9%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>
Recent Experience

### Nominal Total Rate of Return

<table>
<thead>
<tr>
<th>Year Ending 6/30</th>
<th>Market Value</th>
<th>Actuarial Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>5.9%</td>
<td>6.4%</td>
</tr>
<tr>
<td>15 Year Avg.</td>
<td>7.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>10 Year Avg.</td>
<td>5.3%</td>
<td>5.9%</td>
</tr>
<tr>
<td>5 Year Avg.</td>
<td>9.6%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>
Economic Assumptions
Investment Return

- Stochastic projection expected range of real rates of return, net of expenses (RVK)

<table>
<thead>
<tr>
<th>Time Span In Years</th>
<th>Mean Real Return</th>
<th>Standard Deviation</th>
<th>Real Returns by Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th</td>
</tr>
<tr>
<td>1</td>
<td>4.35%</td>
<td>12.95%</td>
<td>(15.51)%</td>
</tr>
<tr>
<td>5</td>
<td>3.71%</td>
<td>5.74%</td>
<td>(5.45)%</td>
</tr>
<tr>
<td>10</td>
<td>3.63%</td>
<td>4.05%</td>
<td>(2.90)%</td>
</tr>
<tr>
<td>20</td>
<td>3.59%</td>
<td>2.86%</td>
<td><strong>(1.05)%</strong></td>
</tr>
<tr>
<td>30</td>
<td>3.58%</td>
<td>2.34%</td>
<td>(0.22)%</td>
</tr>
<tr>
<td>50</td>
<td>3.57%</td>
<td>1.81%</td>
<td>0.61%</td>
</tr>
</tbody>
</table>

- Based on current capital market assumptions and policy target asset allocation.
Economic Assumptions
Investment Return

- Stochastic projection expected range of real rates of return, net of expenses (Horizon Survey)

<table>
<thead>
<tr>
<th>Time Span In Years</th>
<th>Mean Real Return</th>
<th>Standard Deviation</th>
<th>5th</th>
<th>25th</th>
<th>50th</th>
<th>75th</th>
<th>95th</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5.72%</td>
<td>11.74%</td>
<td>(12.42)%</td>
<td>(2.49)%</td>
<td>5.07%</td>
<td>13.22%</td>
<td>26.06%</td>
</tr>
<tr>
<td>5</td>
<td>5.20%</td>
<td>5.21%</td>
<td>(3.15)%</td>
<td>1.62%</td>
<td>5.07%</td>
<td>8.64%</td>
<td>13.99%</td>
</tr>
<tr>
<td>10</td>
<td>5.14%</td>
<td>3.68%</td>
<td>(0.81)%</td>
<td>2.62%</td>
<td>5.07%</td>
<td>7.58%</td>
<td>11.30%</td>
</tr>
<tr>
<td>20</td>
<td>5.10%</td>
<td>2.60%</td>
<td>0.88%</td>
<td>3.33%</td>
<td>5.07%</td>
<td>6.84%</td>
<td>9.44%</td>
</tr>
<tr>
<td>30</td>
<td>5.09%</td>
<td>2.12%</td>
<td>1.64%</td>
<td>3.65%</td>
<td>5.07%</td>
<td>6.51%</td>
<td>8.62%</td>
</tr>
<tr>
<td>50</td>
<td>5.08%</td>
<td>1.65%</td>
<td>2.40%</td>
<td>3.97%</td>
<td>5.07%</td>
<td>6.19%</td>
<td>7.81%</td>
</tr>
</tbody>
</table>
Recommendation
- ASOP No. 27 approach
- Projection results – 50 years

Economic Assumptions
Investment Return

- Capital Market Assumptions are net of investment expense

<table>
<thead>
<tr>
<th>Item</th>
<th>25th Percentile</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Rate of Return</td>
<td>3.97%</td>
<td>5.07%</td>
<td>6.19%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Net Investment Return</td>
<td>6.47%</td>
<td>7.57%</td>
<td>8.69%</td>
</tr>
</tbody>
</table>
Economic Assumptions
Investment Return

- Recommend reducing the assumed rate of return from 7.75% to 7.50%

<table>
<thead>
<tr>
<th>Investment Return Assumption</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>7.75%</td>
</tr>
<tr>
<td>Recommended</td>
<td>7.50%</td>
</tr>
</tbody>
</table>
Economic Assumptions
Wage Inflation

- Current assumption: 4.00%, which is 0.75% above prior price inflation assumption of 3.25%
- Social Security Administration data
# Economic Assumptions

## Wage Inflation

- **Historical Experience**

<table>
<thead>
<tr>
<th>Period</th>
<th>Wage Inflation</th>
<th>Price Inflation</th>
<th>Real Wage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2016</td>
<td>2.33%</td>
<td>1.74%</td>
<td>0.58%</td>
</tr>
<tr>
<td>1996-2016</td>
<td>3.20</td>
<td>2.18</td>
<td>1.00</td>
</tr>
<tr>
<td>1986-2016</td>
<td>3.50</td>
<td>2.66</td>
<td>0.82</td>
</tr>
<tr>
<td>1976-2016</td>
<td>4.24</td>
<td>3.68</td>
<td>0.54</td>
</tr>
<tr>
<td>1966-2016</td>
<td>4.68</td>
<td>4.10</td>
<td>0.56</td>
</tr>
</tbody>
</table>
Social Security 75 year projection of national wage growth assumption is 1.2% greater than price inflation.

Recommendation

<table>
<thead>
<tr>
<th>Wage Inflation Assumption</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>4.00%</td>
</tr>
<tr>
<td>Reasonable Range</td>
<td></td>
</tr>
<tr>
<td>Real Wage Growth</td>
<td>0.50%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.50%</td>
</tr>
<tr>
<td>Total</td>
<td>3.00%</td>
</tr>
<tr>
<td>Recommended</td>
<td>3.25%</td>
</tr>
</tbody>
</table>
Payroll Growth Assumptions

- **Method Changes**
  - Since 2009 payroll growth has only averaged 2.25%
  - Decreased payroll growth assumption from 4.00% to 3.25% to be consistent with wage inflation assumption with a step down to 2.25%
Unfunded Actuarial Accrued Liability Balance

- UAAL - 4.00% Payroll Growth Rate All Years
- UAAL - Recommended Payroll Growth Rate (3.25% Decreasing to 2.25% over 10 years)
- UAAL - 3.25% Payroll Growth Rate All Years
Amortization of Unfunded Actuarial Accrued Liability

- 4.00% Payroll Growth Rate All Years
- Recommended Payroll Growth Rate (3.25% Decreasing to 2.25% over 10 years)
- 3.25% Payroll Growth Rate All Years
Effective Amortization Period

- Actuarial valuations are on closed groups and do not take into account new hires
- Tier Two members have a lower normal cost rate
- As Tier One members terminate or retire and are replaced by a Tier Two member, more money will be available to amortize unfunded accrued liability
- This results in amortizing the unfunded actuarial accrued liability faster than what is determined by the valuation
- Effective amortization period is 31 years assuming recommended payroll growth assumption (3.25% decreasing 0.1% per year for 10 years, then remaining at 2.25%)
- Effective amortization period is 28 years assuming payroll growth assumption of 3.25% for all years
Effective Amortization Period

<table>
<thead>
<tr>
<th>Year</th>
<th>Payroll for Current Employees</th>
<th>Payroll for Future Employees</th>
<th>Total Payroll</th>
<th>Total Rate</th>
<th>UAAL Contributions for Current Employees</th>
<th>UAAL Contributions for Future Employees</th>
<th>UAL Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>812,303,078</td>
<td>0</td>
<td>812,303,078</td>
<td>19.51%</td>
<td>9.33%</td>
<td>9.83%</td>
<td>75,787,877</td>
</tr>
<tr>
<td>2018</td>
<td>758,144,084</td>
<td>80,558,844</td>
<td>838,702,928</td>
<td>19.61%</td>
<td>9.43%</td>
<td>9.93%</td>
<td>79,492,480</td>
</tr>
<tr>
<td>2019</td>
<td>716,973,348</td>
<td>148,148,722</td>
<td>865,122,070</td>
<td>19.71%</td>
<td>9.53%</td>
<td>10.03%</td>
<td>83,186,877</td>
</tr>
<tr>
<td>2020</td>
<td>680,609,978</td>
<td>210,898,315</td>
<td>891,508,293</td>
<td>19.81%</td>
<td>9.63%</td>
<td>10.13%</td>
<td>86,906,740</td>
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<tr>
<td>2021</td>
<td>647,764,313</td>
<td>270,043,475</td>
<td>917,807,788</td>
<td>19.91%</td>
<td>9.73%</td>
<td>10.23%</td>
<td>90,652,915</td>
</tr>
<tr>
<td>2022</td>
<td>617,304,014</td>
<td>326,661,296</td>
<td>943,965,310</td>
<td>20.01%</td>
<td>9.83%</td>
<td>10.33%</td>
<td>94,425,096</td>
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<tr>
<td>2023</td>
<td>589,251,199</td>
<td>380,673,157</td>
<td>969,924,356</td>
<td>20.11%</td>
<td>9.93%</td>
<td>10.43%</td>
<td>98,216,854</td>
</tr>
<tr>
<td>2024</td>
<td>562,965,469</td>
<td>432,661,882</td>
<td>995,627,351</td>
<td>20.11%</td>
<td>9.93%</td>
<td>10.43%</td>
<td>101,029,105</td>
</tr>
<tr>
<td>2025</td>
<td>537,821,431</td>
<td>483,194,418</td>
<td>1,021,015,849</td>
<td>20.11%</td>
<td>9.93%</td>
<td>10.43%</td>
<td>103,802,846</td>
</tr>
</tbody>
</table>
**Impact of Recommendations**

<table>
<thead>
<tr>
<th>Employer Contribution Rate:</th>
<th>Valuation July 1, 2017</th>
<th>Demographic Assumption Changes</th>
<th>Economic &amp; Demographic Assumption Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Rate</td>
<td>1.67%</td>
<td>2.07%</td>
<td>1.70%</td>
</tr>
<tr>
<td>Admin. Expense Load</td>
<td>0.33%</td>
<td>0.33%</td>
<td>0.33%</td>
</tr>
<tr>
<td>UAAL</td>
<td>9.36%</td>
<td>8.96%</td>
<td>9.33%</td>
</tr>
<tr>
<td>Total Statutory Employer Rate</td>
<td>11.36%</td>
<td>11.36%</td>
<td>11.36%</td>
</tr>
<tr>
<td>Actuarial Accrued Liability*</td>
<td>$5,636,842</td>
<td>$5,720,959</td>
<td>$5,810,410</td>
</tr>
<tr>
<td>Actuarial Value of Assets*</td>
<td>$3,973,519</td>
<td>$3,973,519</td>
<td>$3,973,519</td>
</tr>
<tr>
<td>UAAL*</td>
<td>$1,663,323</td>
<td>$1,747,440</td>
<td>$1,836,891</td>
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<tr>
<td>Amortization Period</td>
<td>22</td>
<td>25</td>
<td>33</td>
</tr>
</tbody>
</table>

* In Thousands