

# State Universities Retirement System of Illinois

GASB Statement Nos. 67 and 68 Accounting and  
Financial Reporting for Pensions as of  
June 30, 2017



November 6, 2017

The Board of Trustees  
State Universities Retirement System of Illinois

Dear Board Members:

This report provides accounting and financial reporting information that is intended to comply with the Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 for the State Universities Retirement System of Illinois (“SURS”). These calculations have been made on a basis that is consistent with our understanding of these Statements.

GASB Statement No. 67 is the accounting standard that applies to the stand-alone financial reports issued by retirement systems. GASB Statement No. 68 establishes accounting and financial reporting for state and local government employers who provide their employees (including former employees) pension benefits through a trust.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement Nos. 67 and 68. The calculation of the plan’s liability for this report is not applicable for funding purposes of the plan. A calculation of the plan’s liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than the State Universities Retirement System of Illinois (“SURS”) only in its entirety and only with the permission of SURS. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by SURS, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

This report complements the funding actuarial valuation report that was provided to SURS and should be considered in conjunction with that report. Please see the actuarial valuation reports as of June 30, 2016, and June 30, 2017, for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions and benefit provisions.

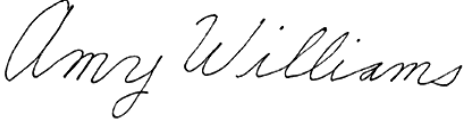
Public Act (PA) 100-0023, which is effective July 6, 2017, creates a new plan option (Optional Hybrid Plan) which is assumed to be available for members to elect beginning July 1, 2019, and changes the State and Employer’s required contributions. As directed by SURS and the SURS auditor, the results presented in this report are based on the law in effect as of June 30, 2016, and do not include any of the funding changes under PA 100-0023.

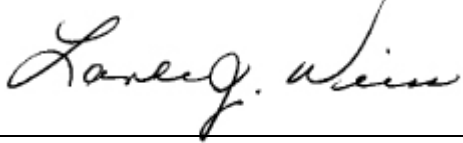
To the best of our knowledge, the information contained with this report is accurate and fairly represents the actuarial position of the State Universities Retirement System of Illinois in accordance with the requirements of GASB Statement Nos. 67 and 68. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with our understanding of GASB Statement Nos. 67 and 68.

The signing actuaries are independent of the plan sponsor.

Amy Williams and Lance Weiss are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

By   
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Consultant

By   
Lance Weiss, EA, MAAA, FCA  
Senior Consultant and Team Leader

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Universities Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.



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# SECTION A



## EXECUTIVE SUMMARY

# Executive Summary as of June 30, 2017

Actuarial Valuation Date	June 30, 2016
Measurement Date of the Net Pension Liability	June 30, 2017
Pension Plan's Fiscal Year Ending Date (Reporting Date) for GASB 67	June 30, 2017
Employer's Fiscal Year Ending Date (Reporting Date) for GASB 68	June 30, 2018

## Membership

Number of	
- Retirees and Beneficiaries	63,146
- Inactive, Nonretired Members	79,495
- Active Members	66,245
- Total	208,886
Covered Payroll <sup>1</sup>	\$ 3,458,319,586

## Net Pension Liability

Total Pension Liability	\$ 43,965,925,573
Plan Fiduciary Net Position	18,484,819,578
Net Pension Liability	\$ 25,481,105,995
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.04 %
Net Pension Liability as a Percentage of Covered Payroll	736.81 %

## Development of the Single Discount Rate

Single Discount Rate, Beginning of Year	7.01 %
Single Discount Rate, End of Year	7.09 %
Long-Term Expected Rate of Investment Return	7.25 %
Long-Term Municipal Bond Rate, Beginning of Year*	2.85 %
Long-Term Municipal Bond Rate, End of Year*	3.56 %
Last year ending June 30 in the 2017 to 2116 projection period for which projected benefit payments are fully funded	2073

**Total Pension Expense** \$ 2,451,304,336

## Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 139,193,227	\$ 1,170,771
Changes in assumptions	205,004,315	259,657,577
Difference between projected and actual earnings on pension plan investments	1,036,195,939	941,575,112
Total	\$ 1,380,393,481	\$ 1,202,403,460

<sup>1</sup> Payroll for active members from census data as of June 30, 2017, increased by the wage inflation assumption of 3.75%.

\*Source: The rate at the beginning of the year is based on the rate as of June 30, 2016, from the "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The rate at the end of the year is the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.

# Discussion

## Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain non-actuarial information, such as notes regarding accounting policies and investments, is not included in this report and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

## Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions." The information contained in this report does not incorporate any contributions made to SURS subsequent to the measurement date of June 30, 2017.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expenses, and net increase or decrease in the fiduciary net position.



## Notes to Financial Statements

GASB Statement No. 68 requires disclosure of the total pension expense, the pension plan's liabilities and assets, and deferred outflows and inflows of resources related to pensions in the notes of the employer's financial statements.

GASB Statement Nos. 67 and 68 require disclosure of certain additional information in the notes of the financial statements for the employers and pension plans. The list of disclosure items should include:

- A description of benefits provided by the plan;
- The type of employees and number of members covered by the pension plan;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The pension plan's investment policies;
- The pension plan's fiduciary net position and the net pension liability;
- The net pension liability using a discount rate that is 1% higher and 1% lower than the rate used to calculate the total pension liability and net pension liability for financial reporting purposes;
- Significant assumptions and methods used to calculate the total pension liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- The composition of the pension plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

## Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- Sources of changes in the net pension liability;
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- A comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

## General Implications of SURS Statutory Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's statutorily defined funding policy, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the actuarial value of assets), then the following outcomes are expected:

1. The unfunded liability is not expected to be fully amortized during the lifetimes of current members.
2. The funded status of the plan is expected to increase gradually towards a 90% funded ratio at 2045 and then remain level at 90% funded thereafter.

This statutory funding policy results in an expected crossover date in 2073 and a GASB single discount rate of 7.09% to measure the total pension liability as of June 30, 2017. The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

## Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2016, and projected to a measurement date of June 30, 2017.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year mixed maturity general obligation bonds with

an average Standard & Poor's Corp.'s AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 3.56% (based on the most recent daily rate available on or before the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 7.09%.

The last year for which projected benefits for current members are fully funded by projected assets attributable to those members remained at 2073 between the measurement performed in the last actuarial valuation and in this year's actuarial valuation.

## **Effective Date and Transition**

GASB Statement Nos. 67 and 68 are effective for fiscal years beginning after June 15, 2013, and June 15, 2014, respectively. Earlier application is encouraged by the GASB.

## **Subsequent Event**

Public Act (PA) 100-0023, which is effective July 6, 2017, creates a new plan option (Optional Hybrid Plan) which is assumed to be available for members to elect beginning July 1, 2019 and change the State and Employer's required contributions. As directed by SURS and the SURS auditor, the results presented in this report are based on the law in effect as of June 30, 2016, and do not include any of the funding changes under PA 100-0023.

## SECTION B

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### **FINANCIAL STATEMENTS**

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Universities Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

# Statement of Pension Expense Under GASB Statement No. 68

## Fiscal Year Ended June 30, 2017\*

### A. Expense

1. Service Cost	\$ 658,715,745
2. Interest on the Total Pension Liability	2,951,246,535
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(278,642,830)
5. Projected Earnings on Plan Investments (made negative for addition here)	(1,214,561,768)
6. Pension Plan Administrative Expense	14,847,009
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	398,540,422
9. Recognition of Outflow (Inflow) of Resources due to Assets	<u>(78,840,777)</u>
<b>10. Total Pension Expense</b>	<b>\$ 2,451,304,336</b>

\* Based on a measurement date of June 30, 2017. Will be used for fiscal year ending June 30, 2018. Employers' proportionate share of calculations of the net pension liability, pension expense and deferred inflows and outflows are outside the scope of this report.

# Statement of Outflows and Inflows Arising from Current Reporting Period Fiscal Year Ended June 30, 2017\*

		Increase (Decrease) in Pension Expense Arising from difference between expected and actual experience											
Year Ending June 30	Difference between expected and actual experience	Recognition Period (Years)	Total Deferred (2018-2021)	Recognized in Year Ending June 30								2020	2021
				2014	2015	2016	2017	2018	2019	2020	2021		
2014	\$ -	3.1357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	40,408,204	3.0855	1,119,721		13,096,161	13,096,161	13,096,161	\$ 1,119,721					
2016	(3,426,377)	3.0381	(1,170,771)			(1,127,803)	(1,127,803)	(1,127,803)	\$ (42,968)				
2017	210,625,398	2.9031	138,073,506				72,551,892	72,551,892	65,521,614				
<b>Total</b>			138,022,456	-	13,096,161	11,968,358	84,520,250	72,543,810	65,478,646	-	-	-	-

		Increase (Decrease) in Pension Expense Arising from changes in assumptions											
Year Ending June 30	Changes in assumptions	Recognition Period (Years)	Total Deferred (2018-2021)	Recognized in Year Ending June 30								2020	2021
				2014	2015	2016	2017	2018	2019	2020	2021		
2014	\$ 130,585,622	3.1357	\$ -	\$ 41,644,807	\$ 41,644,807	\$ 41,644,807	\$ 5,651,201						
2015	831,624,586	3.0855	23,044,531		269,526,685	269,526,685	269,526,685	\$ 23,044,531					
2016	532,522,898	3.0381	181,959,784			175,281,557	175,281,557	175,281,557	\$ 6,678,227				
2017	(396,096,848)	2.9031	(259,657,577)				(136,439,271)	(136,439,271)	(123,218,306)				
<b>Total</b>			(54,653,262)	41,644,807	311,171,492	486,453,049	314,020,172	61,886,817	(116,540,079)	-	-	-	-

		Increase (Decrease) in Pension Expense Arising from net difference between projected and actual earnings on pension plan investments											
Year Ending June 30	Difference between projected and actual earnings on pension plan investments	Recognition Period (Years)	Total Deferred (2018-2021)	Recognized in Year Ending June 30								2020	2021
				2014	2015	2016	2017	2018	2019	2020	2021		
2014	\$ (1,588,882,440)	5.0000	\$ (317,776,488)	\$ (317,776,488)	\$ (317,776,488)	\$ (317,776,488)	\$ (317,776,488)	\$ (317,776,488)	\$ (317,776,488)				
2015	742,300,803	5.0000	296,920,320		148,460,161	148,460,161	148,460,161	148,460,161	\$ 148,460,159				
2016	1,232,126,031	5.0000	739,275,619			246,425,206	246,425,206	246,425,206	246,425,206	\$ 246,425,207			
2017	(779,748,280)	5.0000	(623,798,624)				(155,949,656)	(155,949,656)	(155,949,656)	(155,949,656)	\$ (155,949,656)		
<b>Total</b>			412,397,315	(317,776,488)	(169,316,327)	77,108,879	(78,840,777)	(78,840,777)	238,935,709	90,475,551	(155,949,656)		

		Increase (Decrease) in Pension Expense Arising from All Sources											
Year Ending June 30	Total Difference	Recognition Period (Years)	Total Deferred (2018-2021)	Recognized in Year Ending June 30								2020	2021
				2014	2015	2016	2017	2018	2019	2020	2021		
2014	\$ (1,458,296,818)	Varies by Type	\$ (317,776,488)	\$ (276,131,681)	\$ (276,131,681)	\$ (276,131,681)	\$ (312,125,287)	\$ (317,776,488)	\$ -	\$ -	\$ -	\$ -	\$ -
2015	1,614,333,593	Varies by Type	321,084,572		431,083,007	431,083,007	431,083,007	172,624,413	\$ 148,460,159	\$ -	\$ -	\$ -	\$ -
2016	1,761,222,552	Varies by Type	920,064,632		-	420,578,960	420,578,960	420,578,960	253,060,465	\$ 246,425,207			
2017	(965,219,730)	Varies by Type	(745,382,695)		-	-	(219,837,035)	(219,837,035)	(213,646,348)	(155,949,656)	\$ (155,949,656)		
<b>Total</b>			177,990,021	(276,131,681)	154,951,326	575,530,286	319,699,645	55,589,850	187,874,276	90,475,551	(155,949,656)		

\* Based on a measurement date of June 30, 2017. Will be used for fiscal year ending June 30, 2018. Employers' proportionate share of calculations of the net pension liability, pension expense and deferred inflows and outflows are outside the scope of this report.

# Statement of Outflows and Inflows Arising from Current Reporting Period Fiscal Year Ended June 30, 2017\*

	Outflow of Resources									
	Recognized in Year Ending June 30									
	Total Deferred (2018-2021)	2014	2015	2016	2017	2018	2019	2020	2021	2021
Difference between expected and actual experience	\$ 139,193,227	\$ -	\$ 13,096,161	\$ 13,096,161	\$ 85,648,053	\$ 73,671,613	\$ 65,521,614	\$ -	\$ -	\$ -
Changes in assumptions	205,004,315	41,644,807	311,171,492	486,453,049	450,459,443	198,326,088	6,678,227	-	-	-
Difference between projected and actual earnings on investments	1,036,195,939	-	148,460,161	394,885,367	394,885,367	394,885,367	394,885,365	246,425,207	-	-
<b>Total</b>	<b>1,380,393,481</b>	<b>41,644,807</b>	<b>472,727,814</b>	<b>894,434,577</b>	<b>930,992,863</b>	<b>666,883,068</b>	<b>467,085,206</b>	<b>246,425,207</b>	<b>-</b>	<b>-</b>

	(Inflows) of Resources									
	Recognized in Year Ending June 30									
	Total Deferred (2018-2021)	2014	2015	2016	2017	2018	2019	2020	2021	2021
Difference between expected and actual experience	\$ (1,170,771)	\$ -	\$ -	\$ (1,127,803)	\$ (1,127,803)	\$ (1,127,803)	\$ (42,968)	\$ -	\$ -	\$ -
Changes in assumptions	(259,657,577)	-	-	-	(136,439,271)	(136,439,271)	(123,218,306)	-	-	-
Difference between projected and actual earnings on investments	(941,575,112)	(317,776,488)	(317,776,488)	(317,776,488)	(473,726,144)	(473,726,144)	(155,949,656)	(155,949,656)	(155,949,656)	(155,949,656)
<b>Total</b>	<b>(1,202,403,460)</b>	<b>(317,776,488)</b>	<b>(317,776,488)</b>	<b>(318,904,291)</b>	<b>(611,293,218)</b>	<b>(611,293,218)</b>	<b>(279,210,930)</b>	<b>(155,949,656)</b>	<b>(155,949,656)</b>	<b>(155,949,656)</b>

	Increase (Decrease) in Pension Expense Arising from Assets and Liabilities									
	Recognized in Year Ending June 30									
	Total Deferred (2018-2021)	2014	2015	2016	2017	2018	2019	2020	2021	2021
Total Liabilities	\$ 83,369,194	\$ 41,644,807	\$ 324,267,653	\$ 498,421,407	\$ 398,540,422	\$ 134,430,627	\$ (51,061,433)	\$ -	\$ -	\$ -
Total Assets	94,620,827	(317,776,488)	(169,316,327)	77,108,879	(78,840,777)	(78,840,777)	238,935,709	90,475,551	90,475,551	(155,949,656)
<b>Total</b>	<b>177,990,021</b>	<b>(276,131,681)</b>	<b>154,951,326</b>	<b>575,530,286</b>	<b>319,699,645</b>	<b>55,589,850</b>	<b>187,874,276</b>	<b>90,475,551</b>	<b>90,475,551</b>	<b>(155,949,656)</b>

\* Based on a measurement date of June 30, 2017. Will be used for fiscal year ending June 30, 2018. Employers' proportionate share of calculations of the net pension liability, pension expense and deferred inflows and outflows are outside the scope of this report.

# Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended June 30, 2017\*

## A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows (Inflows) of Resources
1. Due to Liabilities	\$ 536,107,496	\$ 137,567,074	\$ 398,540,422
2. Due to Assets	394,885,367	473,726,144	(78,840,777)
<b>3. Total</b>	<b>\$ 930,992,863</b>	<b>\$ 611,293,218</b>	<b>\$ 319,699,645</b>

## B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows (Inflows) of Resources
1. Differences between expected and actual experience	\$ 85,648,053	\$ 1,127,803	\$ 84,520,250
2. Assumption Changes	450,459,443	136,439,271	314,020,172
3. Difference between projected and actual earnings on pension plan investments	394,885,367	473,726,144	(78,840,777)
<b>4. Total</b>	<b>\$ 930,992,863</b>	<b>\$ 611,293,218</b>	<b>\$ 319,699,645</b>

## C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
1. Differences between expected and actual experience	\$ 139,193,227	\$ 1,170,771	\$ 138,022,456
2. Assumption Changes	205,004,315	259,657,577	(54,653,262)
3. Difference between projected and actual earnings on pension plan investments	1,036,195,939	941,575,112	94,620,827
<b>4. Total</b>	<b>\$ 1,380,393,481</b>	<b>\$ 1,202,403,460</b>	<b>\$ 177,990,021</b>

## D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2018	\$ 55,589,850
2019	187,874,276
2020	90,475,551
2021	(155,949,656)
2022	0
Thereafter	0
<b>Total</b>	<b>\$ 177,990,021</b>

\* Based on a measurement date of June 30, 2017. Will be used for fiscal year ending June 30, 2018. Employers' proportionate share of calculations of the net pension liability, pension expense and deferred inflows and outflows are outside the scope of this report.



## Statement of Fiduciary Net Position as of June 30, 2017

	<b>2017</b>
<b>Assets</b>	
Cash and short-term investments	\$ 557,956,107
Receivables	
Members	\$ 7,374,776
Non-employer contributing entity	305,964,391
Federal, trust funds, and other	1,596,522
Pending investment sales	420,174,075
Interest and dividends	45,835,923
<b>Total Receivables</b>	<b>\$ 780,945,687</b>
Prepaid expenses	\$ 122,532
Investments, at fair value	
Equity investments	\$ 9,924,881,994
Fixed income investments	4,738,512,276
Real estate investments	1,040,488,876
Alternative investments	2,300,256,513
<b>Total Investments</b>	<b>\$ 18,004,139,659</b>
Securities lending collateral	\$ 705,137,291
Capital assets, at cost, net of accumulated depreciation \$ 19,170,764	\$ 6,312,533
<b>Total Assets</b>	<b>\$ 20,054,613,809</b>
<b>Liabilities</b>	
Payables	
Benefits payable	\$ 9,533,649
Refunds payable	5,513,152
Securities lending collateral	704,387,453
Reverse repurchase agreements	28,484,875
Payable to brokers for unsettled trades	806,727,942
Administrative expenses payable	15,147,160
<b>Total Liabilities</b>	<b>\$ 1,569,794,231</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 18,484,819,578</b>

## Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2017

	<b>2017</b>
<b>Additions</b>	
Contributions	
Employer	\$ 38,386,209
Non-employer contributing entity	1,612,164,501
Member	278,642,830
Total Contributions	\$ 1,929,193,540
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 1,701,562,779
Interest	114,131,741
Dividends	236,551,585
Securities lending	5,885,222
Gross Investment Income	\$ 2,058,131,327
Less investment expense	
Asset management expense	63,291,609
Securities lending expense	529,670
Net investment income	\$ 1,994,310,048
<b>Total Additions</b>	<b>\$ 3,923,503,588</b>
<b>Deductions</b>	
Benefits	\$ 2,339,897,357
Refunds of contributions	89,569,617
Administrative expense	14,847,009
<b>Total Deductions</b>	<b>\$ 2,444,313,983</b>
<b>Net Increase in Net Position</b>	<b>\$ 1,479,189,605</b>
<b>Net Position Restricted for Pensions</b>	
Beginning of Year	\$ 17,005,629,973
End of Year	\$ 18,484,819,578

## SECTION C

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### **REQUIRED SUPPLEMENTARY INFORMATION**

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Universities Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

# Schedule of Changes in Net Pension Liability and Related Ratios

## Current Reporting Period

### Fiscal Year Ended June 30, 2017

<b>A. Total pension liability</b>	
1. Service cost	\$ 658,715,745
2. Interest on the total pension liability	2,951,246,535
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the total pension liability	210,625,398
5. Changes of assumptions	(396,096,848)
6. Benefit payments, including refunds of employee contributions	(2,429,466,974)
<b>7. Net change in total pension liability</b>	<u>995,023,856</u>
<b>8. Total pension liability – beginning</b>	<u>42,970,901,717</u>
<b>9. Total pension liability – ending</b>	<u><u>\$ 43,965,925,573</u></u>
<b>B. Plan fiduciary net position</b>	
1. Contributions – employer & non-employer contributing entity	\$ 1,650,550,710
2. Contributions – employee	278,642,830
3. Net investment income	1,994,310,048
4. Benefit payments, including refunds of employee contributions	(2,429,466,974)
5. Pension plan administrative expense	(14,847,009)
6. Other	0
<b>7. Net change in plan fiduciary net position</b>	<u>1,479,189,605</u>
<b>8. Plan fiduciary net position – beginning</b>	<u>17,005,629,973</u>
<b>9. Plan fiduciary net position – ending</b>	<u><u>\$ 18,484,819,578</u></u>
<b>C. Net pension liability</b>	<u><u>\$ 25,481,105,995</u></u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	42.04 %
<b>E. Covered-employee payroll</b>	\$ 3,458,319,586
<b>F. Net pension liability as a percentage of covered-employee payroll</b>	736.81 %

# Schedules of Required Supplementary Information

## Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

### Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending June 30,	2017	2016	2015	2014	2013
<b>Total pension liability</b>					
Service cost	\$ 658,715,745	\$ 666,374,861	\$ 654,968,438	\$ 675,257,078	
Interest on the total pension liability	2,951,246,535	2,876,930,310	2,723,714,885	2,643,353,237	
Changes of benefit terms	-	-	-	-	
Difference between expected and actual experience	210,625,398	(3,426,377)	40,408,204	-	
Changes of assumptions	(396,096,848)	532,522,898	831,624,586	130,585,622	
Benefit payments	(2,339,897,357)	(2,235,812,995)	(2,129,977,721)	(2,002,869,428)	
Refunds	(89,569,617)	(85,015,923)	(83,715,720)	(82,897,092)	
<b>Net change in total pension liability</b>	995,023,856	1,751,572,774	2,037,022,672	1,363,429,417	
<b>Total pension liability - beginning</b>	42,970,901,717	41,219,328,943	39,182,306,271	37,818,876,854	
<b>Total pension liability - ending (a)</b>	<u>\$ 43,965,925,573</u>	<u>\$ 42,970,901,717</u>	<u>\$ 41,219,328,943</u>	<u>\$ 39,182,306,271</u>	
<b>Plan fiduciary net position</b>					
Employer & non-employer contributing entity contributions	\$ 1,650,550,710	\$ 1,582,294,952	\$ 1,528,525,398	\$ 1,502,863,618	
Employee contributions	278,642,830	278,883,776	267,682,083	283,081,326	
Pension plan net investment income	1,994,310,048	17,043,679	503,199,957	2,667,900,403	
Benefit payments	(2,339,897,357)	(2,235,812,995)	(2,129,977,721)	(2,002,869,428)	
Refunds	(89,569,617)	(85,015,923)	(83,715,720)	(82,897,092)	
Pension plan administrative expense	(14,847,009)	(14,731,372)	(14,069,273)	(13,857,522)	
Other	-	-	-	-	
<b>Net change in plan fiduciary net position</b>	1,479,189,605	(457,337,883)	71,644,724	2,354,221,305	
<b>Plan fiduciary net position - beginning</b>	17,005,629,973	17,462,967,856	17,391,323,132	15,037,101,827	
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 18,484,819,578</u>	<u>\$ 17,005,629,973</u>	<u>\$ 17,462,967,856</u>	<u>\$ 17,391,323,132</u>	
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 25,481,105,995</u>	<u>\$ 25,965,271,744</u>	<u>\$ 23,756,361,087</u>	<u>\$ 21,790,983,139</u>	
<b>Plan fiduciary net position as a percentage of total pension liability</b>	42.04 %	39.57 %	42.37 %	44.39 %	
<b>Covered-employee payroll</b>	\$ 3,458,319,586	\$ 3,513,107,948	\$ 3,606,536,514	\$ 3,522,245,937	
<b>Net pension liability as a percentage of covered-employee payroll</b>	736.81 %	739.10 %	658.70 %	618.67 %	
<b>Single Discount Rate, Beginning of Year</b>	7.01 %	7.12 %	7.09 %	7.12 %	
<b>Single Discount Rate, End of Year</b>	7.09 %	7.01 %	7.12 %	7.09 %	7.12 %
<b>Long-Term Municipal Bond Rate</b>	3.56 %	2.85 %	3.80 %	4.29 %	4.63 %
<b>Long-Term Municipal Bond Rate Date</b>	June 30, 2017	June 30, 2016	June 25, 2015	June 26, 2014	June 27, 2013

10 fiscal years will be built prospectively.

Covered employee payroll is equal to defined benefit payroll from the actuarial valuation as of the same date and rolled forward with one year of wage inflation at 3.75%.

## Schedules of Required Supplementary Information

### Schedule of the Net Pension Liability Multiyear

Last 10 Fiscal Years (which may be built prospectively)

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 39,182,306,271	\$ 17,391,323,132	\$ 21,790,983,139	44.39 %	\$ 3,522,245,937	618.67 %
2015	41,219,328,943	17,462,967,856	23,756,361,087	42.37 %	3,606,536,514	658.70 %
2016	42,970,901,717	17,005,629,973	25,965,271,744	39.57 %	3,513,107,948	739.10 %
2017	43,965,925,573	18,484,819,578	25,481,105,995	42.04 %	3,458,319,586	736.81 %

*Covered employee payroll is equal to defined benefit payroll from the actuarial valuation as of the same date and rolled forward with one year of wage inflation at 3.75%.*

## Schedule of Contributions Multiyear Last 10 Fiscal Years (\$ in 000s)

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 707,537	\$ 344,900	\$ 362,637	\$ 3,303,220	10.44 %
2009	874,032	451,600	422,432	3,463,922	13.04 %
2010	1,003,331	696,600	306,731	3,491,071	19.95 %
2011	1,259,048	773,595	485,453	3,460,838	22.35 %
2012	1,443,348	985,815	457,533	3,477,166	28.35 %
2013	1,549,287	1,401,481	147,806	3,533,858	39.66 %
2014	1,560,524	1,502,864	57,660	3,522,246	42.67 %
2015	1,622,656	1,528,525	94,130	3,606,537	42.38 %
2016	1,811,060	1,582,295	228,765	3,513,108	45.04 %
2017	1,864,843	1,650,551	214,292	3,458,320	47.73 %

*For fiscal years 2015 and prior, the Actuarially Determined Contribution is equal to normal cost plus 30-year open period amortization of the unfunded actuarial accrued liability as a level percentage of total payroll.*

*For fiscal years 2016 and after, the Actuarially Determined Contribution is equal to normal cost plus 29-year closed period amortization of the unfunded actuarial accrued liability (from June 30, 2016) as a level percentage of pensionable (capped) payroll.*

*Covered employee payroll is equal to defined benefit payroll from the actuarial valuation as of the same date and rolled forward with one year of wage inflation at 3.75%.*

## Notes to Schedule of Contributions

**Valuation Date:** June 30, 2016  
**Notes** Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions will be made.

### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	The Statutory Contribution is equal to the level percentage of pay contribution determined so that the Plan attains a 90% funded ratio by the end of 2045.
Remaining Amortization Period	Not Applicable. An amortization payment is not directly calculated. The amortization payment is the difference between the total statutory contribution and the employer normal cost contribution.
Asset Valuation Method	5 Year smoothed market.
Inflation	2.75%.
Salary Increases	3.75% to 12.00% including inflation.
Investment Rate of Return	7.25% beginning with the actuarial valuation as of June 30, 2014.
Retirement Age	Experience-based table of rates. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	Non-disabled post-retirement mortality uses RP-2014 White Collar Healthy Annuitant, sex distinct with rates set forward 1 year for males and rates set forward 1 year for females. Disabled post-retirement mortality uses RP-2014 Disabled Annuitant, sex distinct with rates set forward 9 years for males and rates set forward 10 years for females. Pre-retirement mortality uses RP-2014 White Collar Employee, sex distinct with rates multiplied by 110% for males younger than 60, and multiplied by 80% for males 60 or older and rates multiplied by 90% for females for all ages.  The provision for future mortality improvement is based on the generational application of the MP-2014 improvement scales.
Cost-of-Living Adjustment	3.00% compound for members hired before January 1, 2011. The lesser of 1/2 of CPI-U or 3.00% simple for members hired on or after January 1, 2011.

### Other Information:

**Notes** The statutory contribution for fiscal year ending June 30, 2016 was determined in the actuarial valuation as of June 30, 2014 and the statutory contribution for fiscal year ending June 30, 2017 was determined in the actuarial valuation as of June 30, 2015. All other contributions are projected using current assumptions.

The GASB Statement Nos. 67 and 68 actuarial valuation is based on the statutes in effect as of the valuation date, and does not consider the impact of P.A. 100-0023 which became effective July 6, 2017.



## Schedule of Investment Returns Multiyear Last 10 Fiscal Years

<u>FY Ending June 30,</u>	<u>Annual Return<sup>1</sup></u>
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	

<sup>1</sup> Annual money-weighted rate of return, net of investment expenses.  
To be provided by SURS.

## SECTION D

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### NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Universities Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

## Single Discount Rate

A Single Discount Rate of 7.09% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56%. The projection of cash flows used to determine this Single Discount Rate were the amounts of contributions attributable to current plan members, and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

### **Sensitivity of Net Pension Liability to the Single Discount Rate Assumption**

<b>1% Decrease</b>	<b>Current Single Discount</b>	<b>1% Increase</b>
<b>6.09%</b>	<b>Rate Assumption</b>	<b>8.09%</b>
<b>6.09%</b>	<b>7.09%</b>	<b>8.09%</b>
\$ 30,885,146,279	\$ 25,481,105,995	\$ 20,997,457,586

## Summary of Population Statistics as of June 30, 2016

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	63,146
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	79,495
Active Plan Members	<u>66,245</u>
Total Plan Members	208,886

*Excludes SMP.*

# SECTION E

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## SUMMARY OF BENEFITS

**It should be noted that the purpose of this Section is to describe the benefit structures of SURS for which actuarial values have been generated. There is no description of the Self Managed Plan (SMP) and many portions of the defined plans are described in a manner which is not intended to be legally complete or precise.**

**It is not our intent to provide an exhaustive description of all benefits provided under SURS or the policies and procedures utilized by SURS staff. SURS benefits are determined by statute. A more precise description of the provisions of SURS is contained in the Member's Guide, published by SURS staff.**

# General

## Plans

There are two defined benefit plans available under SURS, the Traditional Plan and the Portable Plan, and one defined contribution plan, the Self Managed Plan (SMP). A Member must select one of these plans within the first six months of participation. If no choice is made in that time, the Traditional Plan is deemed chosen. A new tier of benefits was established for members hired on or after January 1, 2011. Members hired before January 1, 2011, ("Tier 1 members") are not subject to a pay cap. Members hired on or after January 1, 2011, ("Tier 2 members") are eligible to choose one of the benefit plans. Tier 2 members that participate in the Traditional and Portable Plans are subject to the pay cap established under Public Act 96-0889. The pay cap history is as follows:

Year	CPI-U	½ CPI-U	Pensionable Pay Cap
2011			\$106,800.00
2012	3.90%	1.95%	\$108,882.60
2013	2.00%	1.00%	\$109,971.43
2014	1.20%	0.60%	\$110,631.26
2015	1.70%	0.85%	\$111,571.63
2016	0.00%	0.00%	\$111,571.63

The pay cap is calculated annually by the Illinois Department of Insurance.

The Self Managed Plan is a defined contribution plan under which members contribute 8.0% of compensation and the State contributes 7.6% of compensation. A portion of the employer contribution is used to fund disability benefits for SMP participants. Members hired on or after January 1, 2011, who participate in the SMP are not subject to the pay cap established under Public Act 96-0889.

The provisions of the defined benefit plans are identical in many areas. The description below is primarily of the Traditional Plan. Where different, the Portable plan provisions will be described in *italics*.

## Member Contributions

Most members contribute a total of 8% of compensation. Police officers and firefighters contribute a total of 9.5% of compensation, with the additional 1.5% allocated to the retirement annuity.

The total contribution is broken down as follows:

	<u>Police/Fire</u>	<u>All Others</u>
Retirement Annuity	8.0%	6.5%
Survivor Benefits	1.0%	1.0%
Annual Increases in Retirement	0.5%	0.5%
Total Contribution	9.5%	8.0%

*Portable Plan members contribute a total of 8% of compensation, but the breakdown set out above does not apply.*

The retirement annuity portion of the total contribution (8.0% of compensation for police officers and firefighters and 6.5% of compensation for all others) is annuitized for the money purchase formula (Rule 2) calculation.

Contributions for members hired on or after January 1, 2011, are assumed not to be made on pay in excess of \$106,800 in 2011 (\$111,572 in 2016), increased by the lesser of 3% and 1/2 of the increase in CPI-U as measured in the preceding 12-month calendar year.

Since January 1, 1981, the member contributions under SURS have been “picked up” by employers.

## Effective Rate of Interest

The Effective Rate of Interest (“ERI”) is the interest rate that is applied to member contribution balances. Effective for the 2006 fiscal year, the ERI for the purpose of determining the money purchase benefit is established by the State Comptroller annually. The ERI for other purposes such as the calculation of purchases of service credit, refunds for excess contributions, portable plan refunds and lump sum portable retirements is determined by the SURS Board annually and certified to the Governor. For purposes of the actuarial valuation, the assumed ERI is 7.00%.

For the purposes of withdrawal of contributions at termination or death by Traditional Plan Members, this rate is not greater than 4.5% by statute.

## RETIREMENT BENEFITS

### Normal Retirement:

#### Eligibility

For police officers and firefighters, separation from service on or after the attainment of the earlier of:

1. Age 55 with 20 years of service, or
2. Age 50 with 25 years of service.

For other members hired before January 1, 2011, separation from service on or after attainment of the earlier of:

1. Age 62 with 5 years of service,
2. Age 60 with 8 years of service, and
3. 30 years of service regardless of age.

For members hired on or after January 1, 2011, separation from service on or after attainment age 67 with 10 years of service.



## Initial Benefit Amount

There are three alternate formulae. The initial benefit is the largest produced by one of the three:

1. General Formula: The following percentages of high four consecutive year average compensation for each year of service:

<u>Year of Service</u>	<u>General</u>	<u>Police/Fire</u>
1 <sup>st</sup> 10 Years	2.20 %	2.25 %
Next 10 Years	2.20	2.50
Over 20	2.20	2.75

For members hired on or after January 1, 2011, the above percentages of high final eight consecutive year average compensation within the last 10 years of service for each year of service. The pay cap for 2010 through 2013 is shown in the table on the previous page. We have assumed the limit applies to individual pay amounts that are used to develop the final average compensation.

2. Money Purchase Formula:
  - a) The member contributions for retirement benefits (8.0% of compensation for police officers and firefighters and 6.5% of compensation for all others) accumulated with interest at the ERI, plus
  - b) An imputed employer contribution match at \$1.40 per dollar of member contribution accumulated with interest at the ERI.
  - c) The total of the accumulations in (a) and (b) is converted into an annuity using a life annuity factor that takes into account neither the automatic 50% spousal survivor benefit nor the automatic annual increases.

Members hired on or after July 1, 2005, no longer receive the Money Purchase Formula under the plan.

3. Minimum Benefit – A benefit for each year of service, up to 30, based on final annual pay, as follows:

Under 3,500	\$ 8
\$3,500 - \$4,500	9
\$4,500 - \$5,500	10
\$5,500 - \$6,500	11
\$6,500 - \$7,500	12
\$7,500 - \$8,500	13
\$8,500 - \$9,500	14
Over \$9,500	15

Minimum Retirement Annuity – No retiree shall receive a retirement annuity less than \$25 per month for each year of service up to 30. The comparable benefit for survivor benefit recipients is \$17.50 per month for each year of service up to 30.

### **Maximum Benefit**

80% of high 4-year average compensation for members hired before January 1, 2011, and 80% of final 8-year average for members hired on or after January 1, 2011.

Contribution waivers are applicable to members whose benefits are capped at 80% of final average compensation. Member contributions made once the maximum benefit is achieved are refunded to the member with interest (at the Effective Rate of Interest).

The present value of the benefits for pay increases in excess of 6% during the last four years prior to retirement will be paid by the employer. The employer will pay this amount in a lump sum to the Retirement System.

### **Benefit Duration**

The Normal Retirement benefit is payable for the lifetime of the retired member. If the retiree under the Traditional Plan has a spouse at date of retirement and if that spouse survives the retiree the spouse will receive, upon the death of the retiree, a survivor benefit equal to 50% of the monthly benefit being paid to the retiree as of the date of death. Such benefit will continue for the lifetime of the surviving spouse.

The survivor benefit for members hired on or after January 1, 2011, is equal to 66 2/3% of the monthly benefit being paid to the retiree as of the date of death.

*For retirees under the Portable Plan, the normal form of benefit is a single-life annuity for unmarried participants and a reduced 50% joint and survivor benefit for married participants. With spousal consent, a member may designate a contingent annuitant to receive a joint and survivor annuity or elect a single-life annuity or lump sum distribution. Those providing a joint and survivor annuity will have their benefit reduced to cover the cost of the option. The available joint and survivor options are 50%, 75% and 100%. A member may elect the 75% or 100% spousal joint and survivor annuity without consent.*

*Portable Plan members may also elect to receive their retirement benefit as a lump sum equal to member contributions with an equal employer match (if have at least five years of service), accumulated with interest (at the Effective Rate of Interest that is certified annually by the SURS Board).*

### **Annual Increases**

For members hired before January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional based on the portion of the year retired.

For members hired on or after January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased fifty percent of the Consumer Price Index (“CPI”) up to a maximum of 3% applied to the original benefit. The first increase will be granted upon the later of the attainment of age 67 or the first anniversary of the commencement of the annuity.

The historical development of the Annual Increase as determined by the Illinois Department of Insurance for members hired on or after January 1, 2011 can be found in the following table.

<b>Year</b>	<b>CPI-U</b>	<b>½ CPI-U</b>	<b>Annual Increase</b>
2011			3.00%
2012	3.90%	1.95%	1.95%
2013	2.00%	1.00%	1.00%
2014	1.20%	0.60%	0.60%
2015	1.70%	0.85%	0.85%
2016	0.00%	0.00%	0.00%

## Early Retirement

### Eligibility

For members hired before January 1, 2011, other than police and fire employees, separation from service on or after attainment of age 55 with 8 years of service but not eligible for Normal Retirement. For members hired on or after January 1, 2011, separation from service on or after attainment of age 62 with 10 years of service but not eligible for Normal Retirement.

### Benefits

The benefit amounts and all terms of benefit payment are the same as that for Normal Retirement, except that the benefit amounts calculated under the General Formula and the Minimum Formula shall be reduced by .5% for each month by which the retirement date precedes the 60<sup>th</sup> birthday for members hired before January 1, 2011. The Minimum Formula shall be reduced by .5% for each month by which the retirement date precedes the 67<sup>th</sup> birthday for members hired on or after January 1, 2011.

## BENEFITS ON DEATH BEFORE RETIREMENT

### Survivor Benefits

#### Traditional Plan

##### Eligibility

Payable to eligible survivor(s) (spouse, child or dependent parent) for the death of an active member with at least 1.5 years of service or a terminated member with at least 10 years of service. For this purpose, service under the State Employees’ Retirement System, the Teachers’ Retirement System of the State of Illinois and the Public School Teachers’ Pension Fund of Chicago is recognized.

## Benefits

For members hired before January 1, 2011, an annuity to the eligible survivor(s) equal to the greater of:

1. 50% of the benefit accrued to the date of the death of the member, and
2. The lowest applicable benefit from the following list:
  - a) \$400 per month to a single eligible survivor or \$600 per month to two or more eligible survivors.
  - b) 30% (one survivor), or 60% (two survivors), or 80% (three or more survivors) of the member's final rate of earnings.
  - c) If member inactive, 80% of base retirement annuity.

For members hired on or after January 1, 2011, an annuity to the survivor(s) equal to 66 2/3% of the benefit accrued to the date of the death of the member.

## Benefit Duration

### *Surviving spouse*

May receive a lifetime benefit commencing at the later of the member's date of death and the spouse's attainment of age 50. May be payable at the date of death if a dependent child in their care is also receiving benefits.

### *Dependent child*

Payable to unmarried child(ren) under age 18 (over 18 if disabled prior to age 18), and children age 18-22 if a qualified full-time student.

### *Dependent parent*

Payable until dependency conditions are not met, so long as they were dependent upon the member at the time of their death.

## Annual Increases

For members hired before January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each survivor annuity recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

For members hired on or after January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each survivor annuity recipient shall be increased fifty percent of the Consumer Price Index ("CPI") up to a maximum of 3% of the originally granted survivor annuity. The first increase will be granted upon January 1 following the first anniversary of the commencement of the annuity.

## Portable Plan

### Eligibility

Payable to an eligible spouse for the death of an active or inactive member with at least 1.5 years of SURS service.

## Benefits

An annuity to the eligible spouse equal to 50% of the member's earned retirement benefit after the reductions to pay for the cost of providing the pre-retirement survivor annuity. (Applicable to both Tier 1 and Tier 2 members.)

## Benefit Duration

### *Surviving spouse*

May receive a lifetime benefit commencing at the member's earliest retirement age.

## Annual Increases

For members hired before January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each survivor annuity recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

For members hired on or after January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each survivor annuity recipient shall be increased fifty percent of the Consumer Price Index ("CPI") up to a maximum of 3% of the originally granted survivor annuity. The first increase will be granted upon January 1 following the first anniversary of the commencement of the annuity.

## Lump Sum Death Benefit

### Eligibility

Death of member prior to retirement.

## Traditional Plan

### Benefit

#### With Eligible Survivor

- Refund of accumulated member contributions for retirement and annual adjustment at 4.5% interest

#### Without Eligible Survivor

- Refund of the total accumulated member contribution at 4.5% interest, and
- \$5,000 to a dependent beneficiary or \$2,500 to a non-dependent beneficiary

## Portable Plan

### Benefit

#### With Eligible Spouse

- Refund of total accumulated member contributions at the full Effective Rate of Interest, plus, if the member has at least 1.5 years of service at death, a like amount of imputed employer contributions – less the actuarial equivalent of the Pre-Retirement Survivor Annuity.

#### Without Eligible Spouse

- Refund of total accumulated member contributions at the full Effective Rate of Interest, plus, if the member has at least 1.5 years of service at death, a like amount of imputed employer contributions.

## BENEFITS ON DEATH AFTER RETIREMENT

In addition to survivor/spouse benefits payable from the System, the following death benefit is payable if a member does not have an eligible survivor/spouse/contingent annuitant:

- The greater of the total accumulated member contributions or \$1,000.

## BENEFITS FOR DISABILITY

### Disability Benefit

#### Eligibility

Disablement after completing two years of service. The service requirement is waived if the disablement is accidental.

Disability definition – inability to perform the duties of “own occupation.”

Pregnancy and childbirth are, by definition, disablement.

#### Benefit

50% of the basic compensation paid at date of disablement. This base benefit level is offset dollar for dollar by each of the following:

1. Earnings while disabled in excess of the disability benefit.
2. Other disability insurance either fully or partially employer provided.
3. Worker’s compensation benefits.

## Duration of Benefit

Benefits become payable on the later of the termination of salary and sick leave, or the 61<sup>st</sup> day after disablement and continue to the earlier of the following:

1. Recovery or death.
2. Benefits paid equal 50% of total compensation during the period of SURS service.
3. If disablement occurs prior to age 65, the disability benefit may not continue past the August 31 following 70<sup>th</sup> birthday.
4. If disablement occurs at or after attainment of age 65, completion of 5 years in disablement.

Survivor and death benefits are payable if a member dies while receiving disability benefits.

If, at discontinuance of the disability benefit, the member is eligible for a retirement benefit (based on service, which includes the period of disability and may also include time receiving a disability retirement annuity), the member may retire and receive that benefit. The member may commence the retirement benefit once age and service requirements are met. The early retirement reduction does not apply for members that began first participating prior to January 1, 2011 (Tier 1). The benefit is based on the greatest of three formulas (General Formula, Money Purchase and Minimum Benefit), subject to applicable maximums. Contributions are not made during the disability period. However, accumulated contributions continue to accrue interest.

## Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

## Disability Retirement Annuity

### Eligibility

Continuing disablement after discontinuation of the disability benefit as a result of reaching the "50% of total earnings" limitation. Disability is defined in accordance with the Social Security disability definition.

### Benefit

35% of the compensation being earned at disablement.

### Duration of Benefit

Benefits become payable upon discontinuance of the disability benefit and continue to the earlier of the following:

1. Recovery or death
2. Election to receive a retirement benefit

Survivor and death benefits are payable if a member dies while receiving a disability retirement annuity.

### **Annual Increases**

Each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

For members hired on or after January 1, 2011, if the member converts to a service retirement annuity (item 2 above), each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased fifty percent of the Consumer Price Index (“CPI”) up to a maximum of 3% of the originally granted benefit. The first increase will be granted upon the later of the attainment of age 67 or the first anniversary of the commencement of the annuity.

## **BENEFITS FOR DEFERRED MEMBERS**

### **Eligibility**

For members hired before January 1, 2011, separation from employment with at least 5 years of service and separation from employment with at least 10 years of service for members hired on or after January 1, 2011.

### **Benefit**

Benefit as defined for normal retirement purposes, but calculated based on final average compensation and service at date of termination.

### **Commencement of Benefit**

Benefits commence when member reaches the age condition for either normal or early retirement.

### **Annual Increases**

For members hired before January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

For members hired on or after January 1, 2011, each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased fifty percent of the Consumer Price Index (“CPI”) up to a maximum of 3% applied to the original benefit. The first increase will be granted upon the later of the attainment of age 67 or the first anniversary of the commencement of the annuity.



## SECTION F

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### ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

# Valuation Methods – Calculation of the Total Pension Liability

## Entry Age Normal Method

**Actuarial Cost Method** – Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an Individual Entry-Age Actuarial Cost Method having the following characteristics:

- (i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

## Valuation Methods – Calculation of Contributions

### Projected Unit Credit Method

The Projected Unit Credit Method is mandated under Section 15-155 as the funding method to be used for all purposes under SURS.

The concept of this method is that funding of benefits should occur as benefits are accrued (earned) by active members of SURS.

The Normal Cost ("NC") for a fiscal year under this method is the actuarial present value of all benefits expected to be accrued during the fiscal year adjusted for future expected salary increases. The Actuarial Accrued Liability ("AAL") under this method is the actuarial present value of all benefits accrued to the valuation date. To the extent that the assets of the fund are insufficient to cover the AAL, an Unfunded Actuarial Accrued Liability ("UAAL") develops. Under the classical application of this method, the contribution for a year is the NC for that year plus an amount to amortize the UAAL.

Under Section 15-155, the employer/State contribution is determined such that the assets of SURS reach 90% of the AAL by the end of FY 2045.

This contribution is determined as a level percentage of pay for all years except that the contribution rates through 2010 shall grade in equal steps to the desired level contribution rate. *We have assumed the contribution would be based on pensionable (capped) payroll for members hired on or after January 1, 2011 ("Tier 2 members").* Pensionable pay does not include amounts in excess of the pay cap (\$111,572 in 2016, increased by the lesser of 3% and 1/2 of the increase in CPI-U as measured in the preceding 12-month calendar year) that is applicable to members hired on or after January 1, 2011, participating in the defined benefit plans.

## Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation)

Under statute 15-155(a), the Board adopts the assumptions after consultation with the actuary. All actuarial assumptions are expectations of future experience and are not market measures. The rationale for the assumption may be found in the 2010-2014 experience study report issued to the Board of Trustees on January 16, 2015.

**Rate of Investment Return.** For all purposes under the system the rate of investment return is assumed to be 7.25% per annum beginning with the **June 30, 2014**, valuation. This assumption is net of investment expenses.

**Price Inflation (Increase in Consumer Price Index "CPI").** The assumed rate is 2.75% per annum.

**Effective Rate of Interest.** The actuarial valuation assumed rate credited to member accounts is 7.00% per annum, beginning with the June 30, 2013 actuarial valuation.

**Cost of Living Adjustment "COLA."** The assumed rate is 3.00% per annum for members hired before January 1, 2011, based on the benefit provision of 3.00% annual compound increases. The assumed rate is 1.375% for members hired on or after January 1, 2011, based on the benefit provision of increases equal to ½ of the increase in CPI with a maximum increase of 3.00%.

**Annual Compensation Increases.** Each member's compensation is assumed to increase by 3.75% each year, 2.75% reflecting salary inflation and 1.00% reflecting standard of living increases. That rate is increased for members with less than 34 years of service. The total assumed increase follows:

<u>Service Year</u>	<u>Total Increase</u>
0	15.00%
1	12.00%
2	9.00%
3	7.25%
4	6.50%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11	4.50%
12-13	4.25%
14-33	4.00%
34+	3.75%

**Payroll Growth.** The assumed rate of total payroll growth is 3.75%.

## Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation) (Continued)

**Mortality.** The mortality assumptions are as follows:

Base Table with 2014 Base Year	Male Set Forward	Female Set Forward	Male Multiplier	Female Multiplier
RP-2014 White Collar Employee, sex distinct (pre-retirement)	None	None	110% pre 60, 80% at ages 60+	90% pre 60, 90% at ages 60+
RP-2014 White Collar Healthy Annuitant, sex distinct (non-disabled post-retirement)	1 year	1 year	100%	100%
RP-2014 Disabled Annuitant, sex distinct (disabled post-retirement)	9 years	10 years	100%	100%

The provision for future mortality improvement is based on the generational application of the MP-2014 improvement scales.

Sample Mortality Rates

Age	Future Life Expectancy (years) in 2016				Future Life Expectancy (years) in 2030			
	Postretirement		Disabled - Retiree		Postretirement		Disabled - Retiree	
	Male	Female	Male	Female	Male	Female	Male	Female
35	51.99	54.08	29.64	34.42	53.33	55.36	31.72	36.32
40	46.75	48.86	26.21	30.34	48.08	50.14	28.14	32.12
45	41.61	43.71	23.01	26.55	42.91	44.97	24.74	28.18
50	36.57	38.63	19.95	22.89	37.84	39.86	21.50	24.37
55	31.67	33.63	16.96	19.26	32.90	34.82	18.33	20.61
60	26.91	28.71	14.06	15.74	28.07	29.87	15.25	16.97
65	22.29	23.99	11.28	12.51	23.38	25.09	12.34	13.60
70	17.89	19.49	8.72	9.70	18.91	20.53	9.63	10.65
75	13.82	15.29	6.49	7.35	14.76	16.25	7.24	8.13

## Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation) (Continued)

**Disability.** A table of disability incidence with rates follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.042%	0.060%	50	0.206%	0.249%
21	0.043%	0.064%	51	0.219%	0.257%
22	0.044%	0.067%	52	0.231%	0.264%
23	0.045%	0.071%	53	0.244%	0.272%
24	0.046%	0.074%	54	0.256%	0.279%
25	0.047%	0.078%	55	0.264%	0.287%
26	0.048%	0.081%	56	0.271%	0.294%
27	0.049%	0.085%	57	0.279%	0.302%
28	0.050%	0.088%	58	0.286%	0.309%
29	0.051%	0.092%	59	0.294%	0.317%
30	0.054%	0.099%	60	0.301%	0.324%
31	0.056%	0.107%	61	0.309%	0.332%
32	0.059%	0.114%	62	0.316%	0.339%
33	0.061%	0.122%	63	0.324%	0.347%
34	0.064%	0.129%	64	0.331%	0.354%
35	0.067%	0.137%	65	0.339%	0.362%
36	0.071%	0.144%	66	0.346%	0.369%
37	0.074%	0.152%	67	0.354%	0.377%
38	0.078%	0.159%	68	0.361%	0.384%
39	0.081%	0.167%	69	0.369%	0.392%
40	0.091%	0.174%	70	0.369%	0.392%
41	0.101%	0.182%	71	0.369%	0.392%
42	0.111%	0.189%	72	0.369%	0.392%
43	0.121%	0.197%	73	0.369%	0.392%
44	0.131%	0.204%	74	0.369%	0.392%
45	0.144%	0.212%	75	0.369%	0.392%
46	0.156%	0.219%	76	0.369%	0.392%
47	0.169%	0.227%	77	0.369%	0.392%
48	0.181%	0.234%	78	0.369%	0.392%
49	0.194%	0.242%	79	0.369%	0.392%

Disability rates apply during the retirement eligibility period.

## Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation) (Continued)

**Retirement.** Upon eligibility, active members are assumed to retire as follows:

Age	Members Hired Before January 1, 2011, and Eligible for		Members Hired on or after January 1, 2011, and Eligible for	
	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement
Under	50.0%	-	-	-
50	45.0	-	-	-
51	45.0	-	-	-
52	45.0	-	-	-
53	40.0	-	-	-
54	40.0	-	-	-
55	38.0	7.5%	-	-
56	36.0	6.0	-	-
57	30.0	4.5	-	-
58	30.0	5.5	-	-
59	30.0	6.0	-	-
60	11.0	-	-	-
61	11.0	-	-	-
62	13.0	-	-	35.0%
63	13.0	-	-	15.0
64	13.0	-	-	15.0
65	17.0	-	-	15.0
66	17.0	-	-	15.0
67	15.0	-	50.0%	-
68	15.0	-	35.0	-
69	15.0	-	30.0	-
70-74	15.0	-	15.0	-
75-79	20.0	-	20.0	-
80+	100.0	-	100.0	-

Members that retire are assumed to elect the most valuable option on a present value basis – refund of contributions (or portable lump sum retirement, if applicable) or a retirement annuity.

## Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation) (Continued)

**General Turnover.** A table of termination rates based on experience in the 2010-2014 period. The assumption is a table of turnover rates by years of service. A sample of these rates follows:

<u>Years of Service</u>	<u>All Members</u>
0	20.00%
1	20.00
2	15.00
3	14.00
4	12.00
5	10.00
6	9.00
7	7.50
8	6.75
9	6.00
10	5.25
11	4.50
12	4.00
13	3.70
14	3.20
15	3.00
16	3.00
17	3.00
18	3.00
19	3.00
20	2.50
21	2.50
22	2.50
23	2.50
24	2.50
25	2.00
26	2.00
27	2.00
28	2.00
29	2.00

Part-time members with less than 3 years of service (all members classified as part time for valuation purposes) are assumed to terminate at the valuation date.

Members that terminate with at least 5 years of service (10 years of service for Tier 2 members) are assumed to elect the most valuable option on a present value basis – refund of contributions or a deferred benefit.

Termination rate for 29 years of service used for Tier 2 members until retirement eligibility is met.

## Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation) (Continued)

**Operational Expenses.** The amount of operational expenses for administration incurred in the latest fiscal year are supplied by SURS staff and incorporated in the Normal Cost.

**Marital Status.** Members are assumed to be married in the following proportions:

Age	Males	Females
20	25 %	40 %
30	70	75
40	80	80
50	85	80
60	85	70

**Spouse Age.** The female spouse is assumed to be 3 years younger than the male spouse.

**Benefit Commencement Age.** Inactive members eligible for a deferred benefit are assumed to commence benefits at their earliest normal retirement age. For Tier 1 members this is age 62 with at least 5 years of service, age 60 with at least 8 years of service, or immediately if at least 30 years of service. For Tier 2 members, this is age 67 with 10 or more years of service.

**Load on Final Average Salary.** No load is assumed to account for higher than assumed pay increases in final years of employment before retirement.

**Load on Liabilities for Service Retirees With Non-finalized Benefits.** A load of 10% on liabilities for service retirees whose benefits have not been finalized as of the valuation date is assumed to account for finalized benefits that on average are 10% higher than 100% of the preliminary estimated benefit. A load of 5% is used if a “best formula” benefit was provided in the data by Staff.

**Valuation of Inactives.** An annuity benefit is estimated based on information provided by staff for Tier 1 inactive members with five or more years of service and Tier 2 members with 10 or more years of service.

**Assumption for Missing Data.** Members with an unknown gender are assumed to be female. Active and inactive members with an unknown date of birth are assumed to be 37 years old at the valuation. An assumed spouse date of birth is calculated for current service retirees in the traditional plan for purposes of calculating future survivor benefits. The female spouse is assumed to be 3 years younger than the male spouse. 70% of current total male retirees and 80% of current total female retirees in the traditional plan that have not elected a survivor refund are assumed to have a spouse at the valuation date.



# Actuarial Assumptions (Most Adopted Effective with the June 30, 2015 Actuarial Valuation) (Continued)

**Reciprocal Service.** Reciprocal service is included for current inactive members for purposes of determining vesting eligibility and eligibility age to commence benefits.

The recently updated actuarial assumptions (including retirement and termination rates) were based on SURS service only. Therefore, reciprocal service was not included for current active members. Reciprocal service will be collected and analyzed in the future and will be considered in the next experience review.

**Projection Assumptions.** The number of total active members throughout the projection period will remain the same as the total number of active members in the defined benefit plans and the SMP in the current valuation.

30% of total future hires will elect to participate in the Self Managed Plan.

New entrants have an average age of 37.1 and average capped pay of \$37,154 and average uncapped pay of \$38,672 (2016 dollars). These values are based on the average age and average pay of current members. The range profile is based on the age at hire and assumed pay at hire (using the actuarial assumptions, inflated to 2016 dollars) of current active members with service between one and four years.

Age	Number Males	Average Pay		Number Females	Average Pay		Total Number	Average Pay	
		Capped Male	Uncapped Male		Capped Female	Uncapped Female		Capped Total	Uncapped Total
<20	59	\$16,107	\$16,107	60	\$13,789	\$13,789	119	\$14,938	\$14,938
20 - 24	767	27,799	27,799	1,220	26,320	26,320	1,987	26,891	26,891
25 - 29	1,786	37,574	38,109	2,383	34,770	34,912	4,169	35,971	36,282
30 - 34	1,661	44,499	46,305	2,149	38,199	39,143	3,810	40,946	42,265
35 - 39	1,082	45,535	48,736	1,465	37,749	38,783	2,547	41,057	43,011
40 - 44	770	45,334	48,078	1,165	35,853	37,082	1,935	39,626	41,457
45 - 49	677	41,933	45,689	966	34,100	35,173	1,643	37,328	39,506
50 - 54	664	40,479	45,533	826	31,392	32,777	1,490	35,442	38,462
55 - 59	463	38,280	44,087	578	32,982	35,007	1,041	35,338	39,045
60 - 64	277	35,870	41,096	271	30,569	33,360	548	33,249	37,271
65 - 69	11	22,899	22,899	10	17,973	17,973	21	20,553	20,553
Total	8,217	40,239	42,621	11,093	34,378	35,227	19,310	36,872	38,373

**SMP Contribution Assumptions.** The projected SMP contributions are equal to 7.6% of SMP payroll, plus estimated SMP expenses minus SMP employer forfeitures. Estimated SMP expenses for FY 2017 are \$488,530 and SMP employer forfeitures used to reduce the certified contributions for FY 2018 are \$5,284,434. Estimated SMP expenses for FY 2018 and after are assumed to increase by 2.75%. Estimated SMP employer forfeitures used to reduce the certified contributions for FY 2019 and after are assumed to be 7.5% of the gross SMP employer contribution.

**Actuarial Assumptions**  
**(Most Adopted Effective with the June 30, 2015**  
**Actuarial Valuation)**  
**(Continued)**

***Pensionable Earnings Greater than 6%.*** No additional assumption was made for earnings used in the calculation of the final average compensation. The participant's employer is required to pay the present value of the increase in benefits resulting from the portion of the increase in excess of 6.00%.

## **SECTION G**

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### **CALCULATION OF THE SINGLE DISCOUNT RATE**

## Calculation of the Single Discount Rate

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the Fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 7.09%.

The tables in this section provide detailed information on the development of the Single Discount Rate.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

As shown on Page 44, the sum of the present value of (1) the funded portion of projected benefit payments using the expected 7.25% rate of return on assets plus (2) the present value of the unfunded projected benefit payments using a tax-exempt municipal bond rate of 3.56% is equal to the present value of all projected benefit payments using a single equivalent discount rate of 7.09%.

# Single Discount Rate Development

## Projection of Contributions ending June 30 for 2017 to 2066

Year	Projected Contributions from Current Employees	Projected Service Cost and Expense Contributions	Projected UAL Contributions	Projected Total Contributions
0				
1	\$ 265,238,053	\$ 373,035,140	\$ 1,293,394,135	\$ 1,931,667,328
2	249,262,322	350,439,635	1,383,751,599	1,983,453,556
3	234,876,779	329,342,137	1,434,025,395	1,998,244,311
4	222,168,852	309,538,192	1,497,072,169	2,028,779,214
5	210,814,073	291,061,475	1,586,348,203	2,088,223,752
6	200,011,065	273,933,630	1,660,814,027	2,134,758,723
7	189,675,286	257,435,831	1,715,831,558	2,162,942,675
8	179,659,880	241,511,322	1,768,873,423	2,190,044,625
9	169,979,184	226,062,660	1,823,642,728	2,219,684,572
10	160,698,614	211,154,713	1,884,991,510	2,256,844,836
11	151,692,098	196,835,390	1,948,962,171	2,297,489,659
12	143,084,889	182,988,969	2,009,909,755	2,335,983,613
13	134,658,421	169,758,924	2,073,891,419	2,378,308,764
14	126,251,763	156,873,025	2,135,286,097	2,418,410,886
15	117,892,230	144,156,061	2,198,860,129	2,460,908,420
16	109,654,392	131,671,609	2,270,002,240	2,511,328,240
17	101,819,768	119,599,904	2,348,348,482	2,569,768,153
18	94,280,544	108,260,517	2,461,531,963	2,664,073,023
19	86,889,866	97,557,703	2,539,343,710	2,723,791,279
20	79,664,381	87,427,208	2,618,534,854	2,785,626,443
21	72,544,499	77,879,289	2,699,320,374	2,849,744,162
22	65,719,866	68,781,453	2,781,383,727	2,915,885,045
23	59,352,985	60,305,878	2,865,397,910	2,985,056,773
24	53,449,495	52,591,924	2,952,067,555	3,058,108,974
25	48,400,448	45,645,859	3,039,893,218	3,133,939,525
26	43,953,208	39,862,108	3,131,287,567	3,215,102,883
27	39,922,133	34,936,295	3,225,353,067	3,300,211,494
28	36,129,623	30,663,339	3,322,142,883	3,388,935,845
29	32,603,480	26,855,255	3,420,604,162	3,480,062,896
30	29,207,804	23,515,430	447,756,277	500,479,511
31	25,950,645	20,469,178	448,626,871	495,046,694
32	22,808,037	17,714,503	449,322,093	489,844,633
33	19,729,058	15,226,508	450,052,778	485,008,344
34	16,795,569	12,917,692	450,680,843	480,394,103
35	14,056,900	10,811,417	451,470,815	476,339,132
36	11,622,675	8,896,529	452,393,712	472,912,916
37	9,418,589	7,269,617	453,686,675	470,374,882
38	7,499,500	5,843,196	455,329,288	468,671,985
39	5,848,666	4,625,144	457,380,599	467,854,410
40	4,507,723	3,575,489	459,683,639	467,766,852
41	3,435,107	2,728,685	462,257,936	468,421,728
42	2,582,766	2,055,418	465,139,818	469,778,003
43	1,927,755	1,523,932	468,379,212	471,830,900
44	1,437,909	1,115,393	471,962,918	474,516,220
45	1,081,163	808,771	475,891,155	477,781,088
46	818,138	588,765	480,190,339	481,597,242
47	619,848	429,572	484,866,651	485,916,070
48	466,814	312,510	489,904,142	490,683,466
49	349,855	225,867	495,276,140	495,851,863
50	257,494	163,894	500,975,196	501,396,585

Year 1 is the year beginning June 30, 2016, and ending June 30, 2017.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Single Discount Rate Development

## Projection of Plan Fiduciary Net Position ending June 30 for 2017 to 2066

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.250%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 17,005,629,973	\$ 1,931,667,328	\$ 2,443,277,756	\$ 15,053,307	\$ 1,214,150,644	\$ 17,693,116,882
2	17,693,116,882	1,983,453,556	2,541,001,452	14,573,090	1,262,374,451	18,383,370,347
3	18,383,370,347	1,998,244,311	2,645,449,614	14,091,168	1,309,241,774	19,031,315,649
4	19,031,315,649	2,028,779,214	2,752,116,756	13,648,401	1,353,522,071	19,647,851,776
5	19,647,851,776	2,088,223,752	2,856,567,871	13,237,498	1,396,632,631	20,262,902,791
6	20,262,902,791	2,134,758,723	2,962,955,579	12,828,020	1,439,106,713	20,860,984,628
7	20,860,984,628	2,162,942,675	3,070,163,861	12,414,816	1,479,667,851	21,421,016,477
8	21,421,016,477	2,190,044,625	3,176,632,016	11,989,870	1,517,458,608	21,939,897,824
9	21,939,897,824	2,219,684,572	3,284,591,539	11,560,117	1,552,303,400	22,415,734,140
10	22,415,734,140	2,256,844,836	3,389,543,869	11,130,140	1,584,402,381	22,856,307,350
11	22,856,307,350	2,297,489,659	3,495,867,369	10,695,489	1,614,020,223	23,261,254,374
12	23,261,254,374	2,335,983,613	3,597,343,301	10,262,066	1,641,151,168	23,630,783,787
13	23,630,783,787	2,378,308,764	3,695,599,392	9,821,095	1,665,965,733	23,969,637,797
14	23,969,637,797	2,418,410,886	3,792,449,710	9,364,297	1,688,527,788	24,274,762,465
15	24,274,762,465	2,460,908,420	3,886,028,769	8,892,707	1,708,846,816	24,549,596,224
16	24,549,596,224	2,511,328,240	3,917,510,757	8,411,097	1,729,463,901	24,864,466,512
17	24,864,466,512	2,569,768,153	3,993,076,858	7,938,182	1,751,698,878	25,184,918,503
18	25,184,918,503	2,664,073,023	4,060,206,781	7,468,732	1,775,916,224	25,557,232,237
19	25,557,232,237	2,723,791,279	4,120,691,408	6,993,699	1,802,898,593	25,956,237,002
20	25,956,237,002	2,785,626,443	4,174,174,021	6,514,389	1,832,140,992	26,393,316,026
21	26,393,316,026	2,849,744,162	4,220,624,888	6,026,839	1,864,475,804	26,880,884,265
22	26,880,884,265	2,915,885,045	4,258,877,121	5,545,934	1,900,834,905	27,433,181,159
23	27,433,181,159	2,985,056,773	4,286,129,076	5,085,826	1,942,385,821	28,069,408,850
24	28,069,408,850	3,058,108,974	4,301,893,470	4,648,858	1,990,568,240	28,811,543,737
25	28,811,543,737	3,133,939,525	4,304,590,376	4,269,650	2,046,991,236	29,683,614,471
26	29,683,614,471	3,215,102,883	4,290,933,995	3,931,172	2,113,605,496	30,717,457,683
27	30,717,457,683	3,300,211,494	4,267,392,817	3,620,066	2,192,439,854	31,939,096,149
28	31,939,096,149	3,388,935,845	4,232,703,496	3,322,262	2,285,414,721	33,377,420,957
29	33,377,420,957	3,480,062,896	4,187,551,865	3,040,726	2,394,556,965	35,061,448,227
30	35,061,448,227	500,479,511	4,135,302,897	2,763,885	2,412,399,565	33,836,260,522
31	33,836,260,522	495,046,694	4,075,692,749	2,492,518	2,325,512,688	32,578,634,637
32	32,578,634,637	489,844,633	4,009,604,226	2,224,504	2,236,512,875	31,293,163,416
33	31,293,163,416	485,008,344	3,940,268,540	1,954,927	2,145,623,007	29,981,571,299
34	29,981,571,299	480,394,103	3,866,293,037	1,691,537	2,053,012,314	28,646,993,143
35	28,646,993,143	476,339,132	3,789,397,245	1,439,498	1,958,858,655	27,291,354,187
36	27,291,354,187	472,912,916	3,708,139,448	1,210,567	1,863,355,015	25,918,272,104
37	25,918,272,104	470,374,882	3,624,199,950	998,182	1,766,713,303	24,530,162,157
38	24,530,162,157	468,671,985	3,537,446,445	809,027	1,669,111,211	23,129,689,882
39	23,129,689,882	467,854,410	3,447,851,983	642,487	1,570,744,759	21,719,794,581
40	21,719,794,581	467,766,852	3,353,245,162	504,402	1,471,898,643	20,305,710,511
41	20,305,710,511	468,421,728	3,253,059,015	391,661	1,372,973,093	18,893,654,656
42	18,893,654,656	469,778,003	3,147,814,920	300,150	1,274,398,955	17,489,716,545
43	17,489,716,545	471,830,900	3,038,243,189	228,407	1,176,591,593	16,099,667,442
44	16,099,667,442	474,516,220	2,924,631,257	173,743	1,079,956,995	14,729,335,657
45	14,729,335,657	477,781,088	2,807,789,137	133,258	984,887,084	13,384,081,434
46	13,384,081,434	481,597,242	2,688,728,033	102,887	891,733,602	12,068,581,357
47	12,068,581,357	485,916,070	2,568,486,605	79,553	800,796,985	10,786,728,254
48	10,786,728,254	490,683,466	2,447,721,483	61,158	712,334,226	9,541,963,305
49	9,541,963,305	495,851,863	2,326,669,849	46,798	626,584,701	8,337,683,222
50	8,337,683,222	501,396,585	2,205,589,260	35,174	543,784,665	7,177,240,039

Year 1 is the year beginning June 30, 2016, and ending June 30, 2017.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Single Discount Rate Development

## Present Values of Projected Benefits ending June 30 for 2017 to 2066

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate of 7.25% (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate of 3.56% (vf)	Present Value of All Benefit Payments using Single Discount Rate (SDR) of 7.09%
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v <sup>n</sup> ((a)-.5)	(g)=(e)*vf <sup>n</sup> ((a)-.5)	(h)=((c)/((1+SDR) <sup>n</sup> (a-.5))
1	\$ 17,005,629,973	\$ 2,458,331,064	\$ 2,458,331,064	\$ 0	\$ 2,373,786,844	\$ 0	\$ 2,375,540,644
2	17,693,116,882	2,555,574,542	2,555,574,542	0	2,300,872,757	0	2,305,976,316
3	18,383,370,347	2,659,540,782	2,659,540,782	0	2,232,612,758	0	2,240,872,446
4	19,031,315,649	2,765,765,158	2,765,765,158	0	2,164,834,738	0	2,176,055,542
5	19,647,851,776	2,869,805,369	2,869,805,369	0	2,094,423,923	0	2,108,391,767
6	20,262,902,791	2,975,783,599	2,975,783,599	0	2,024,958,799	0	2,041,476,602
7	20,860,984,628	3,082,578,677	3,082,578,677	0	1,955,832,752	0	1,974,701,353
8	21,421,016,477	3,188,621,885	3,188,621,885	0	1,886,354,299	0	1,907,367,899
9	21,939,897,824	3,296,151,656	3,296,151,656	0	1,818,151,749	0	1,841,123,091
10	22,415,734,140	3,400,674,008	3,400,674,008	0	1,749,003,360	0	1,773,719,066
11	22,856,307,350	3,506,562,858	3,506,562,858	0	1,681,550,713	0	1,707,833,993
12	23,261,254,374	3,607,605,368	3,607,605,368	0	1,613,058,302	0	1,640,692,687
13	23,630,783,787	3,705,420,487	3,705,420,487	0	1,544,796,361	0	1,573,583,921
14	23,969,637,797	3,801,814,006	3,801,814,006	0	1,477,839,617	0	1,507,604,656
15	24,274,762,465	3,894,921,476	3,894,921,476	0	1,411,685,143	0	1,442,246,531
16	24,549,596,224	3,925,921,854	3,925,921,854	0	1,326,732,865	0	1,357,458,747
17	24,864,466,512	4,001,015,040	4,001,015,040	0	1,260,708,613	0	1,291,812,154
18	25,184,918,503	4,067,675,513	4,067,675,513	0	1,195,070,528	0	1,226,364,799
19	25,557,232,237	4,127,685,107	4,127,685,107	0	1,130,723,693	0	1,162,048,158
20	25,956,237,002	4,180,688,410	4,180,688,410	0	1,067,825,859	0	1,099,030,035
21	26,393,316,026	4,226,651,727	4,226,651,727	0	1,006,588,110	0	1,037,534,192
22	26,880,884,265	4,264,423,055	4,264,423,055	0	946,930,956	0	977,485,738
23	27,433,181,159	4,291,214,902	4,291,214,902	0	888,466,373	0	918,490,363
24	28,069,408,850	4,306,542,329	4,306,542,329	0	831,365,791	0	860,730,619
25	28,811,543,737	4,308,860,026	4,308,860,026	0	775,583,418	0	804,164,897
26	29,683,614,471	4,294,865,167	4,294,865,167	0	720,805,949	0	748,473,541
27	30,717,457,683	4,271,012,882	4,271,012,882	0	668,347,624	0	695,027,506
28	31,939,096,149	4,236,025,758	4,236,025,758	0	618,063,104	0	643,685,752
29	33,377,420,957	4,190,592,591	4,190,592,591	0	570,101,740	0	594,613,736
30	35,061,448,227	4,138,066,782	4,138,066,782	0	524,900,661	0	548,278,461
31	33,836,260,522	4,078,185,267	4,078,185,267	0	482,335,553	0	504,562,342
32	32,578,634,637	4,011,828,729	4,011,828,729	0	442,412,518	0	463,483,694
33	31,293,163,416	3,942,223,467	3,942,223,467	0	405,348,865	0	425,282,495
34	29,981,571,299	3,867,984,574	3,867,984,574	0	370,830,251	0	389,641,489
35	28,646,993,143	3,790,836,743	3,790,836,743	0	338,866,160	0	356,582,262
36	27,291,354,187	3,709,350,014	3,709,350,014	0	309,167,358	0	325,811,690
37	25,918,272,104	3,625,198,132	3,625,198,132	0	281,728,165	0	297,334,146
38	24,530,162,157	3,538,255,472	3,538,255,472	0	256,383,696	0	270,985,729
39	23,129,689,882	3,448,494,470	3,448,494,470	0	232,987,945	0	246,621,514
40	21,719,794,581	3,353,749,564	3,353,749,564	0	211,269,714	0	223,962,985
41	20,305,710,511	3,253,450,676	3,253,450,676	0	191,096,856	0	202,877,572
42	18,893,654,656	3,148,115,069	3,148,115,069	0	172,410,064	0	183,309,344
43	17,489,716,545	3,038,471,596	3,038,471,596	0	155,156,471	0	165,208,877
44	16,099,667,442	2,924,805,000	2,924,805,000	0	139,256,132	0	148,497,556
45	14,729,335,657	2,807,922,395	2,807,922,395	0	124,653,711	0	133,122,567
46	13,384,081,434	2,688,830,920	2,688,830,920	0	111,297,729	0	119,034,888
47	12,068,581,357	2,568,566,159	2,568,566,159	0	99,132,547	0	106,180,734
48	10,786,728,254	2,447,782,641	2,447,782,641	0	88,084,818	0	94,486,990
49	9,541,963,305	2,326,716,647	2,326,716,647	0	78,068,243	0	83,866,178
50	8,337,683,222	2,205,624,433	2,205,624,433	0	69,002,555	0	74,236,777

Year 1 is the year beginning June 30, 2016, and ending June 30, 2017.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Single Discount Rate Development

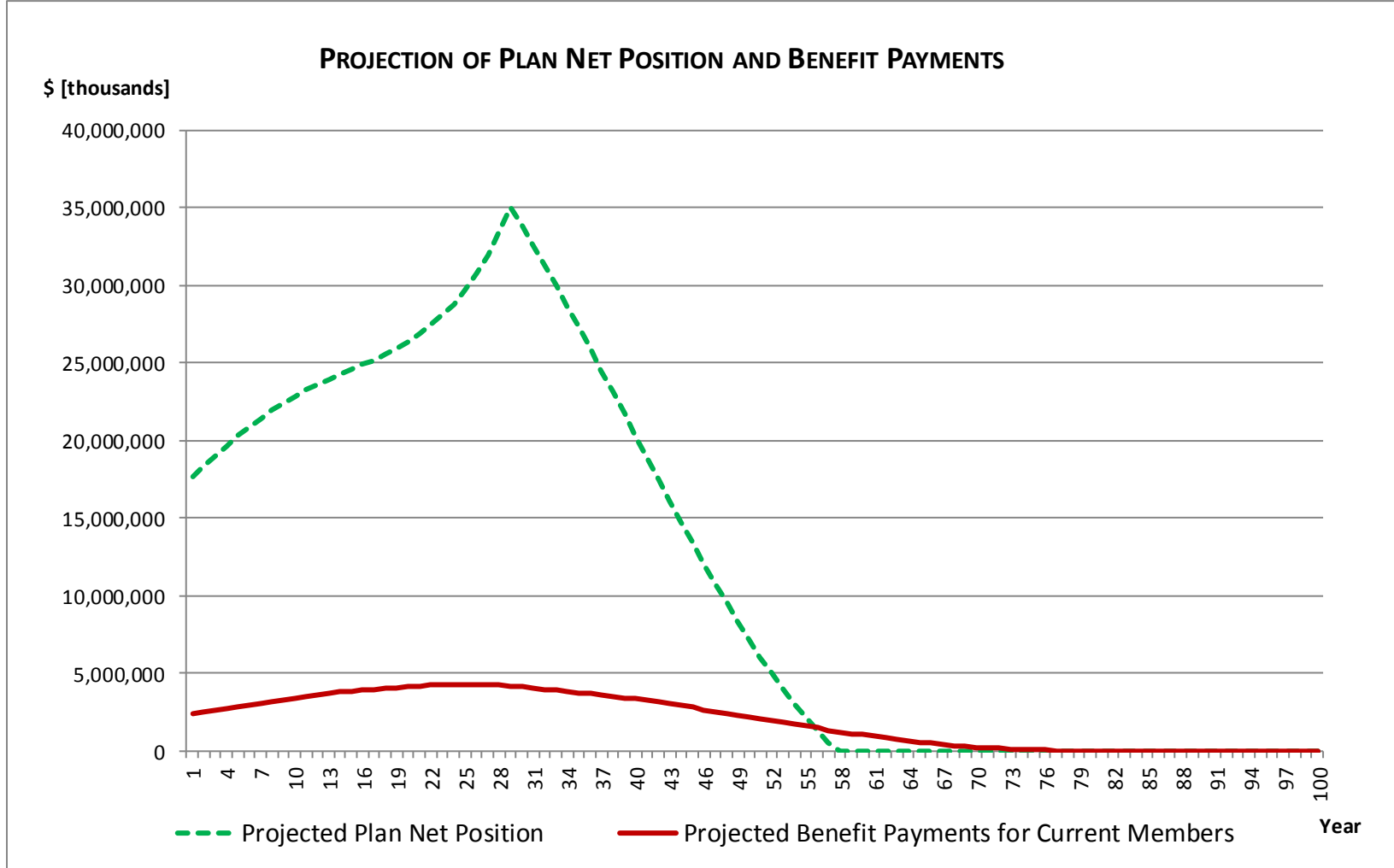
## Present Values of Projected Benefits ending June 30 for 2067 to 2116 (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate of 3.56% (vf)	Present Value of All Benefit Payments using Single Discount Rate (SDR) of 7.09%
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v <sup>a</sup> ((a)-.5)	(g)=(e)*vf <sup>a</sup> ((a)-.5)	(h)=((c)/(1+SDR))^((a)-.5)
51	\$ 7,177,240,039	\$ 2,084,730,142	\$ 2,084,730,142	\$ 0	\$ 60,811,561	\$ 0	\$ 65,521,161
52	6,063,968,531	1,964,198,368	1,964,198,368	0	53,422,518	0	57,644,952
53	5,001,254,971	1,844,224,777	1,844,224,777	0	46,768,728	0	50,539,853
54	3,992,520,122	1,725,056,597	1,725,056,597	0	40,789,441	0	44,143,592
55	3,041,174,574	1,607,031,045	1,607,031,045	0	35,430,018	0	38,400,137
56	2,150,524,834	1,490,507,798	1,490,507,798	0	30,639,668	0	33,257,298
57	1,323,742,365	1,375,902,961	1,323,742,365	52,160,596	25,372,074	7,227,568	28,667,162
58	0	1,263,671,774	0	1,263,671,774	0	169,079,862	24,585,292
59	0	1,154,274,665	0	1,154,274,665	0	149,133,332	20,969,808
60	0	1,048,190,450	0	1,048,190,450	0	130,771,683	17,781,552
61	0	945,909,935	0	945,909,935	0	113,954,442	14,983,851
62	0	847,904,105	0	847,904,105	0	98,636,163	12,541,937
63	0	754,630,161	0	754,630,161	0	84,767,924	10,423,083
64	0	666,508,362	0	666,508,362	0	72,295,448	8,596,306
65	0	583,909,535	0	583,909,535	0	61,158,788	7,032,278
66	0	507,144,177	0	507,144,177	0	51,292,363	5,703,298
67	0	436,449,136	0	436,449,136	0	42,624,850	4,583,239
68	0	371,975,990	0	371,975,990	0	35,079,395	3,647,522
69	0	313,784,095	0	313,784,095	0	28,574,331	2,873,149
70	0	261,838,342	0	261,838,342	0	23,024,295	2,238,745
71	0	216,009,500	0	216,009,500	0	18,341,460	1,724,600
72	0	176,074,787	0	176,074,787	0	14,436,642	1,312,674
73	0	141,725,517	0	141,725,517	0	11,220,831	986,625
74	0	112,582,601	0	112,582,601	0	8,607,087	731,846
75	0	88,210,457	0	88,210,457	0	6,511,979	535,442
76	0	68,130,910	0	68,130,910	0	4,856,742	386,172
77	0	51,842,646	0	51,842,646	0	3,568,584	274,390
78	0	38,841,760	0	38,841,760	0	2,581,759	191,966
79	0	28,638,062	0	28,638,062	0	1,838,097	132,164
80	0	20,767,795	0	20,767,795	0	1,287,132	89,496
81	0	14,804,668	0	14,804,668	0	886,011	59,574
82	0	10,368,824	0	10,368,824	0	599,209	38,961
83	0	7,131,215	0	7,131,215	0	397,942	25,021
84	0	4,813,870	0	4,813,870	0	259,393	15,772
85	0	3,187,878	0	3,187,878	0	165,872	9,753
86	0	2,069,780	0	2,069,780	0	103,993	5,913
87	0	1,316,801	0	1,316,801	0	63,886	3,513
88	0	820,602	0	820,602	0	38,444	2,044
89	0	500,667	0	500,667	0	22,649	1,165
90	0	298,774	0	298,774	0	13,051	649
91	0	174,163	0	174,163	0	7,346	353
92	0	99,101	0	99,101	0	4,037	188
93	0	55,020	0	55,020	0	2,164	97
94	0	29,746	0	29,746	0	1,130	49
95	0	15,617	0	15,617	0	573	24
96	0	7,970	0	7,970	0	282	11
97	0	3,963	0	3,963	0	136	5
98	0	1,918	0	1,918	0	63	2
99	0	894	0	894	0	29	1
100	0	0	0	0	0	0	0
<b>Totals</b>	\$ 46,714,700,760	\$ 1,143,436,967	\$ 47,858,137,727				

Year 1 is the year beginning June 30, 2016, and ending June 30, 2017.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.





Year 1 is the year beginning June 30, 2016, and ending June 30, 2017.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

## **SECTION H**

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### **GLOSSARY OF TERMS**

## Glossary of Terms

<b><i>Accrued Service</i></b>	Service credited under the system that was rendered before the date of the actuarial valuation.
<b><i>Actuarial Accrued Liability (AAL)</i></b>	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
<b><i>Actuarial Assumptions</i></b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b><i>Actuarial Cost Method</i></b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<b><i>Actuarial Equivalent</i></b>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
<b><i>Actuarial Gain (Loss)</i></b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b><i>Actuarial Present Value (APV)</i></b>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<b><i>Actuarial Valuation</i></b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
<b><i>Actuarial Valuation Date</i></b>	The date as of which an actuarial valuation is performed.
<b><i>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</i></b>	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.

## Glossary of Terms (Continued)

<b><i>Amortization Method</i></b>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<b><i>Amortization Payment</i></b>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<b><i>Cost-of-Living Adjustments</i></b>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<b><i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i></b>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<b><i>Covered-Employee Payroll</i></b>	The payroll of employees that are provided with pensions through the pension plan.
<b><i>Deferred Inflows and Outflows</i></b>	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
<b><i>Deferred Retirement Option Program (DROP)</i></b>	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
<b><i>Discount Rate</i></b>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none"><li>1. The benefit payments to be made while the pension plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and</li><li>2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.</li></ol>

## Glossary of Terms (Continued)

<b><i>Entry Age Actuarial Cost Method (EAN)</i></b>	The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
<b><i>Fiduciary Net Position</i></b>	The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.
<b><i>GASB</i></b>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<b><i>Long-Term Expected Rate of Return</i></b>	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
<b><i>Money-Weighted Rate of Return</i></b>	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
<b><i>Multiple-Employer Defined Benefit Pension Plan</i></b>	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<b><i>Municipal Bond Rate</i></b>	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
<b><i>Net Pension Liability (NPL)</i></b>	The NPL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan.
<b><i>Non-Employer Contributing Entities</i></b>	Non-employer contributing entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.
<b><i>Normal Cost</i></b>	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.

## Glossary of Terms (Concluded)

<b><i>Other Postemployment Benefits (OPEB)</i></b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
<b><i>Real Rate of Return</i></b>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<b><i>Service Cost</i></b>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<b><i>Total Pension Expense</i></b>	<p>The total pension expense is the sum of the following items that are recognized at the end of the employer’s fiscal year:</p> <ol style="list-style-type: none"><li>1. Service Cost</li><li>2. Interest on the Total Pension Liability</li><li>3. Current-Period Benefit Changes</li><li>4. Employee Contributions (made negative for addition here)</li><li>5. Projected Earnings on Plan Investments (made negative for addition here)</li><li>6. Pension Plan Administrative Expense</li><li>7. Other Changes in Plan Fiduciary Net Position</li><li>8. Recognition of Outflow (Inflow) of Resources due to Liabilities</li><li>9. Recognition of Outflow (Inflow) of Resources due to Assets</li></ol>
<b><i>Total Pension Liability (TPL)</i></b>	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<b><i>Unfunded Actuarial Accrued Liability (UAAL)</i></b>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<b><i>Valuation Assets</i></b>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 67 and 68, the valuation assets are equal to the market value of assets.