



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**State of Oklahoma
Public Employees Retirement System
Actuarial Valuation Report
as of July 1, 2018**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 8, 2018

Board of Trustees
Oklahoma Public Employees Retirement System
5400 N Grand Boulevard, Suite 400
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Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the State of Oklahoma Public Employees Retirement System (OPERS), prepared as of July 1, 2018.

The purpose of this report is to provide a summary of the funded status of the System as of July 1, 2018 and to provide the actuarially determined rate. While not verifying the data at the source, the actuary performed tests for consistency and reasonability. There have been no changes to the actuarial assumptions or methods since the last valuation.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. A five-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded actuarial accrued liability (UAAL) that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 3.50% annually.

As in the last valuation, liabilities have been calculated without considering future cost of living adjustments (COLAs) in keeping with House Bill 2132 (2011). In addition, House Bill 2630 (2014) closes the plan to most new employees hired after November 1, 2015.

House Bill 1340 (2018) provides a stipend for members of each system who have been retired for five years as of October 1, 2018. The stipend amount is based on the funding level of the system and will be funded by the system. OPERS members will receive the lesser of 2% of the gross annual retirement amount or \$1,200. The bill also provides a minimum payment of \$350 for members with 20 years of service. The effective date of the stipend is October 1, 2018.

Should funding of future COLAs and/or stipends be provided by the System, the COLAs and/or stipends should be included in the actuarial valuation.



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We have prepared the Schedule of Funding Progress and Employer Contribution Trend Information shown in the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to July 1, 2010 was prepared by the previous actuarial firm.

This is to certify that the independent consulting actuaries are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Because the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

We have also reviewed the supplemental medical benefits provided by the System under Section 401(h) of the Internal Revenue Code and have determined that these benefits are subordinate to the retirement benefits as required.

In our opinion, in order for the System to meet all the benefit obligations of the plan for current active and retired members, contributions equal to at least the actuarially determined rate are necessary for future fiscal years. Assuming these contributions are made to the System, from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated. Because the statutory contribution exceeds the actuarially determined rate in this valuation, we recommend the statutory contribution be used to pay the UAAL down faster than under the current schedule and to protect against future investment and experience losses.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Handwritten signature of Alisa Bennett in blue ink.

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

Handwritten signature of Brent Banister in blue ink.

Brent Banister, PhD, FSA, EA, FCA, MAAA
Chief Pension Actuary



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EXECUTIVE SUMMARY

OVERVIEW

The Oklahoma Public Employees Retirement System (“OPERS” or “System”) provides retirement benefits for most employees of the State of Oklahoma, for most County employees, and for employees of Local Employers who have elected to participate in OPERS.

This report presents the results of the July 1, 2018 actuarial valuation for the System. The primary purposes of performing an actuarial valuation are to:

- Determine the employer contribution rate required to fund the System on an actuarial basis;
- Evaluate the sufficiency of the statutory contribution rate;
- Disclose asset and liability measures as of the valuation date;
- Determine the experience of the System since the last valuation date; and
- Analyze and report on trends in System contributions, assets, and liabilities.

As in prior valuations, liabilities have been calculated without considering future COLAs due to the enactment of House Bill 2132 (2011). Should funding of future COLAs and/or stipends be provided by the System, the COLAs and/or stipends should be included in the actuarial valuation.

House Bill 1340 (2018) provides a stipend for members of each system who have been retired for five years as of October 1, 2018. The stipend amount is based on the funding level of the system and will be funded by the system. OPERS members will receive the lesser of 2% of the gross annual retirement amount or \$1,200. The bill also provides a minimum payment of \$350 for members with 20 years of service. The effective date of the stipend is October 1, 2018.

As described in the previous valuation report, the Plan has been amended by House Bill 2630, enacted in 2014, which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. Exemptions from the new defined contribution plan include hazardous duty members and district attorneys, assistant district attorneys and employees of the district attorney’s office. In order to reduce the liabilities of the defined benefit plan, each employer shall send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee’s contribution in the defined contribution plan, known as Pathfinder.

Senate Bill 2120, also enacted in 2014, amends House Bill 2630 to further exempt from the new defined contribution plan county elected officials and employees of a county, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates. Senate Bill 2120 also states that employees who participate in the defined contribution system are excluded from the \$105 health care subsidy.

New employees specifically exempted from the defined contribution plan will participate in the existing defined benefit plan.

Senate Bill 2120 and House Bill 2630 will, in combination, significantly reduce the number of new members entering the plan after November 1, 2015. While this has had an impact of the valuation results in the last two



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reports, the impact is still relatively small since it only concerns employees hired between November 1, 2015 and June 30, 2018. However, there are potential ramifications of this legislation that will affect on-going plan funding. In particular, the current amortization of the UAAL is based on the assumption of increasing payroll. The current provision of the new legislation should provide at least as much toward the UAAL as would have been expected otherwise, so we are comfortable with this methodology. We would encourage the Board to study the long-term impact of this legislation.

The valuation results provide a snapshot view of the System’s financial condition on July 1, 2018. The unfunded actuarial accrued liability for the System decreased by \$314.4 million due to various factors. A detailed analysis of the change in the unfunded actuarial accrued liability from July 1, 2017 to July 1, 2018 is shown on page 5.

The highlights of the valuation are shown below:

Funded Status \$(millions)	Actuarial Valuation Date	
	July 1, 2018	July 1, 2017
Actuarial Accrued Liability	\$9,884	\$9,782
Actuarial Value of Assets	\$9,658	\$9,241
Unfunded Actuarial Accrued Liability	\$ 226	\$ 540
Funded Ratio (Actuarial Value)	97.7%	94.5%
Market Value of Assets	\$9,702	\$9,229
Funded Ratio (Market Value)	98.2%	94.4%

There was a liability gain of \$120.9 million from demographic experience which resulted in an actuarial accrued liability that was lower than expected (1.21% of expected liability). The components of this net liability gain are identified on page 6.

The estimated net return on the market value of assets was 8.4% for the year ended June 30, 2018. The actuarial value of assets is determined using a method to smooth investment gains and losses in order to develop more stable contribution rates. The return on the actuarial value of assets was approximately 7.8% which resulted in an actuarial gain of \$67.8 million.



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The actuarial contribution rate for the employers decreased from 2017 to 2018:

Contribution Rate	Actuarial Valuation Date	
	July 1, 2018	July 1, 2017
Normal Cost	10.27%	10.24%
Amortization of UAAL*	1.66%	3.57%
Budgeted Expenses	<u>0.43%</u>	<u>0.40%</u>
Actuarially Determined Contribution Rate	12.36%	14.21%
Less Estimated Member Contribution Rate	<u>4.18%</u>	<u>4.14%</u>
Employer Actuarially Determined Contribution Rate	8.18%	10.07%
Less Employer Statutory Contribution Rate	16.50%	16.50%
Contribution Shortfall (Surplus)	(8.32%)	(6.43%)

*The amortization of UAAL contribution rate recognizes the employer contributions made on behalf of the defined contribution plan participant payroll.

Primarily due to the removal of the COLA assumption and reserve starting with the June 30, 2011 valuation, the employer actuarial contribution rate is less than the employer statutory contribution rate. It is recommended that the employer statutory contribution rate continue unchanged as this will decrease the unfunded actuarial accrued liability and accelerate progress on reaching long-term funding goals.

EXPERIENCE: July 1, 2017 to July 1, 2018

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is July 1, 2018. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process leads to a method of determining the contributions needed by members and employers in the future to balance the System assets and liabilities.

Changes in the System's assets and liabilities impacted the change in the actuarial contribution rates between July 1, 2017 and July 1, 2018. Each component is examined in the following discussion.

ASSETS

As of July 1, 2018, the System had total funds of \$9.70 billion when measured on a market value basis. This was an increase of \$473 million from the July 1, 2017 figure of \$9.23 billion. The market value of assets is not used directly in the calculation of the actuarial contribution rate. An asset valuation method, which smoothes the effect of market fluctuations, is used to determine the value of assets used in the valuation, called the "actuarial value of assets." Differences between the actual return on the market value of assets and the assumed return on the actuarial value of assets are phased in over a five-year period. The resulting value must be no less than 80% of the market value and no more than 120% of market value, referred to as "the corridor." See Table 3 for the detailed development of the actuarial value of assets as of July 1, 2018.

The actuarial value of assets as of July 1, 2018 was \$9.66 billion. The annualized dollar-weighted rate of return for fiscal year 2018, measured on the actuarial value of assets, was approximately 7.8%, which resulted in an actuarial gain of \$67.8 million. Measured on the market value of assets, the estimated rate of return was 8.4%, net of investment expenses.

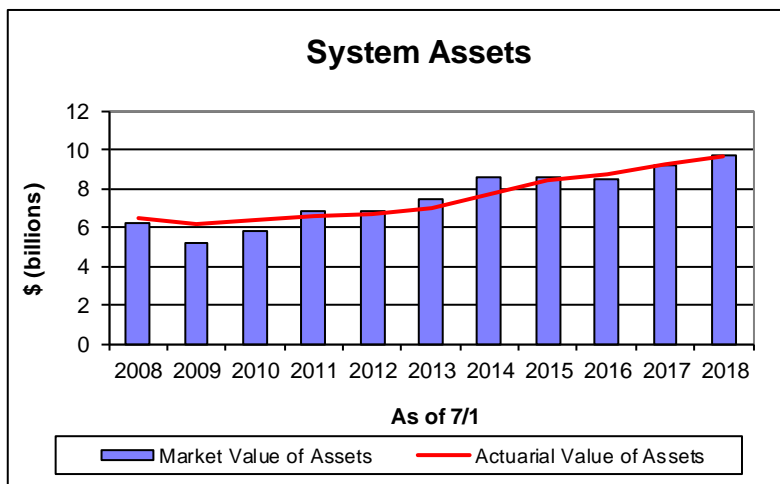


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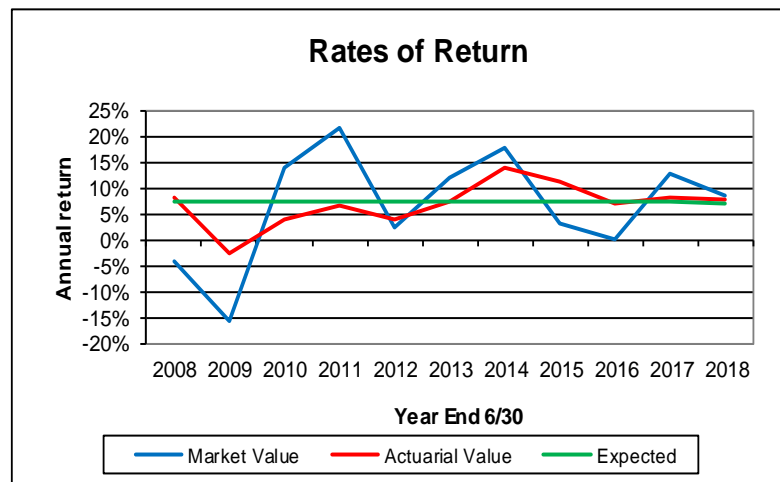
The components of the change in the market and actuarial value of assets for the System are set forth below:

	Market Value \$(millions)	Actuarial Value \$(millions)
Net Assets, July 1, 2017	\$9,229.5	\$9,241.3
<ul style="list-style-type: none"> • Employer and Member Contributions • Benefit Payments and Expenses • Investment Income/(Loss) 	344.9 (632.9) 760.5	344.9 (632.9) 704.8
Preliminary Value, July 1, 2018	9,702.0	9,658.1
Application of Corridor	N/A	N/A
Final Net Assets, July 1, 2018	\$9,702.0	\$9,658.1
Estimated Rate of Return	8.4%	7.8%

Due to the use of an asset smoothing method, there is approximately \$44 million of deferred investment gain that has not yet been recognized. This deferred investment experience will be reflected in the actuarial value of assets over the next few years.



There have been years during the last decade in which the actuarial value of assets has been both higher and lower than the market value, which is what would be expected using an asset smoothing method.



Rates of return on the market value of assets are very volatile. The more stable return on the actuarial value of assets illustrates the advantage of using an asset smoothing method.



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SYSTEM LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future normal costs. The difference between this liability and the asset value at the same date is referred to as the unfunded actuarial accrued liability (UAAL). The UAAL will be reduced if the employers' contributions exceed the employers' normal cost for the year, after allowing for interest earned on the previous years' balance of unfunded actuarial accrued liability. Benefit improvements, experience gains/losses, and changes in the actuarial assumptions and methods will also impact the total actuarial accrued liability and the unfunded portion thereof.

The unfunded actuarial accrued liability as of July 1, 2018 is:

Actuarial Accrued Liability	\$9,884,133,615
Actuarial Value of Assets	<u>9,658,126,021</u>
Unfunded Actuarial Accrued Liability	\$ 226,007,594

See Table 5 for the detailed development of the Actuarial Accrued Liability and Table 7 for the calculation of the Unfunded Actuarial Accrued Liability.

Other factors influencing the UAAL from year to year include actual experience versus that expected based on the actuarial assumptions (for assets and liabilities), changes in the actuarial assumptions, procedures or methods and changes in benefit provisions. Since the previous valuation, HB 1340 (2018) provided a stipend for members of each system who have been retired for five years as of October 1, 2018, which increased the UAAL by \$8.9 million. The actual experience measured in this valuation is that which occurred during the plan year ended June 30, 2018. There was an experience gain on both the actuarial value of assets and the liabilities. The net result was a decrease in the UAAL.

Between July 1, 2017 and July 1, 2018 the change in the unfunded actuarial accrued liability for the System was as follows (in millions):

	<u>\$(millions)</u>
Unfunded Actuarial Accrued Liability, July 1, 2017	\$540
• effect of contributions more than actuarial rate	(103)
• expected decrease due to amortization	(31)
• investment experience	(68)
• liability experience ¹	(121)
• other experience	0
• change in actuarial assumptions	0
• change due to stipend	<u>9</u>
Unfunded Actuarial Accrued Liability, July 1, 2018	\$ 226

¹Liability gain is about 1.29% of total expected actuarial accrued liability



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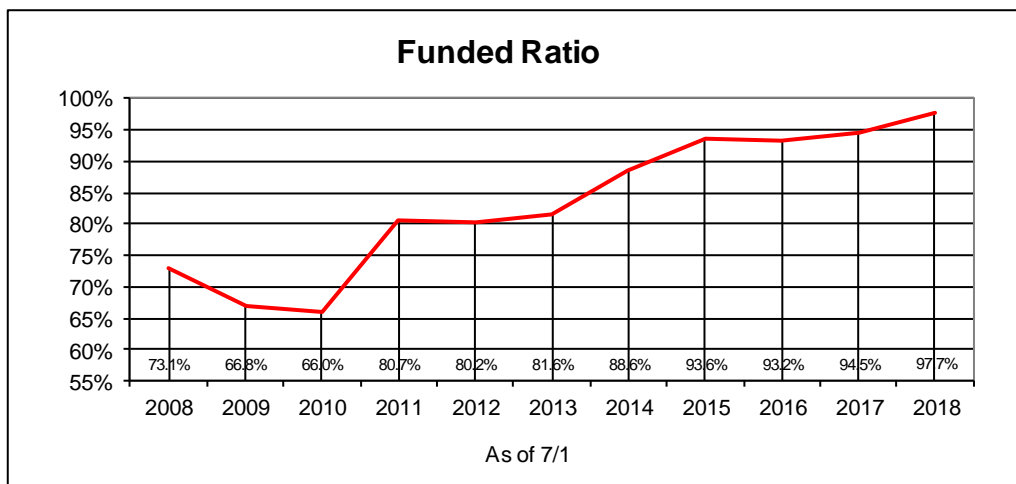
The liability gain for the System can be allocated to actual experience related to each actuarial assumption as follows:

Liability Source	Impact of AAL \$(millions)	% of Expected Liability
Salary Increases	(\$85.4)	(0.85)%
Mortality	(18.7)	(0.19)%
Termination of Employment	(11.7)	(0.12)%
Retirements	(4.1)	(0.04)%
Disability	1.0	0.01%
New Entrants and Rehires	16.4	0.16%
Miscellaneous/Data Changes	<u>(18.4)</u>	<u>(0.18)%</u>
Total (Gain)/Loss	(\$120.9)	(1.21)%

A detailed summary of the change in the UAAL is shown in Table 9.

An evaluation of the unfunded actuarial accrued liability on a pure dollar basis may not provide a complete analysis because only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, which is the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status information, on both an actuarial and market value basis, is shown below in \$(millions). These ratios do not indicate whether or not the plan could settle its liabilities with available assets, nor are they sufficient, on their own, to indicate the future funding needs of the System.

	7/1/13	7/1/14	7/1/15	7/1/16	7/1/17	7/1/18
Using Actuarial Value of Assets:						
Funded Ratio	81.6%	88.6%	93.6%	93.2%	94.5%	97.7%
Unfunded Actuarial Accrued Liability (UAAL)	\$1,577	\$ 994	\$ 576	\$ 637	\$ 540	\$ 226
Using Market Value of Assets:						
Funded Ratio	87.0%	97.9%	96.0%	89.5%	94.4%	98.2%
Unfunded Actuarial Accrued Liability (UAAL)	\$1,114	\$ 184	\$ 360	\$ 992	\$ 552	\$ 182



Through the first part of this period, the funded ratio was low and declining. Numerous factors contributed to the decline, including changes in the benefit provisions, contributions less than the actuarial rate, demographic experience and investment experience less favorable than expected based on the assumptions.

The increase in 2011 was primarily due to the elimination of the COLA assumption and reserve as a result of legislation in HB 2132 (2011).



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CONTRIBUTION RATES

The funding objective of the System is to pay the normal cost rate plus an amount that will pay off the unfunded actuarial accrued liability over a closed 20-year period commencing July 1, 2007.

Under the Entry Age Normal cost method, the actuarial contribution rate consists of:

- A “normal cost” for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date;
- An “unfunded actuarial accrued liability contribution” for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

Contributions to the System are made by the members and their employers. Most State employees pay 3.5% of compensation. Local government employees contribute from 3.5% to 8.5% of compensation, depending on the rate chosen by their employer. Starting in 2004, most participants were eligible to make an election to contribute an additional 2.91% of pay and to increase their benefit accrual multiplier for future years of service to 2.5%. Hazardous Duty employees and most elected officials have a different required contribution rate (see Summary of Provisions section of this report).

Effective July 1, 1999, the State’s contribution rate was reduced from 12.5% to 10.0% of payroll and stayed at that level until 2005. For the same period, the combined employer and employee contribution rates for the county and local employees were 13.5% of payroll. As of July 1, 2005, the State’s contribution rate increased to 11.5% of payroll with additional increases of 1.0% each July until reaching 16.5%. The 1.0% increase that was supposed to be effective July 1, 2010 was delayed one year by the 2010 Legislature and was effective July 1, 2011. For county and local employees, the combined contribution rate increased to 15.0% on July 1, 2005 and increased an additional 1.0% of payroll each year beginning July 1, 2006 until it reached 20.0% on July 1, 2010.

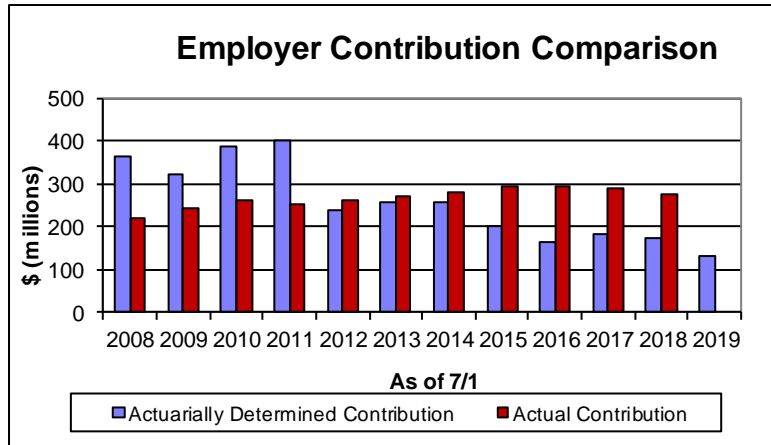
As described in the previous valuation report, the Plan has been amended by House Bill 2630, enacted in 2014, which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. In order to reduce the liabilities of the defined benefit plan, each employer shall send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee’s contribution in the defined contribution plan. The amortization of UAAL contribution rate in this valuation recognizes the employer contributions made on behalf of the defined contribution plan participant payroll.

The ultimate contribution rate of 16.5% for the State is greater than the employer actuarial contribution rate for fiscal year 2018 developed in this valuation. When contributions to the System are greater than the actuarial rate, the UAAL is expected to decrease and be paid down faster. As of the July 1, 2018 valuation, if the System receives the statutory rate and the expected employer contributions on behalf of the defined contribution member payroll and all assumptions are met, it is projected the UAAL will be paid off within the next five years, even though nine years remain in the amortization period.

The following graph shows the total actuarially determined employer contribution compared to the amount actually received in each year. The funding policy contribution equals the System’s normal cost, budgeted expenses, and an amortization of the unfunded actuarial accrued liability. For July 1, 1998 and prior years, the unfunded actuarial accrued liability was amortized over 25 years from July 1, 1987. For the July 1, 1999 valuation, the amortization period was changed to 40 years from July 1, 1987. For the July 1, 2008 valuation, the amortization period was changed to 20 years from July 1, 2007 (no change in the number of years remaining). As of July 1, 2018, nine years remain in the amortization period.



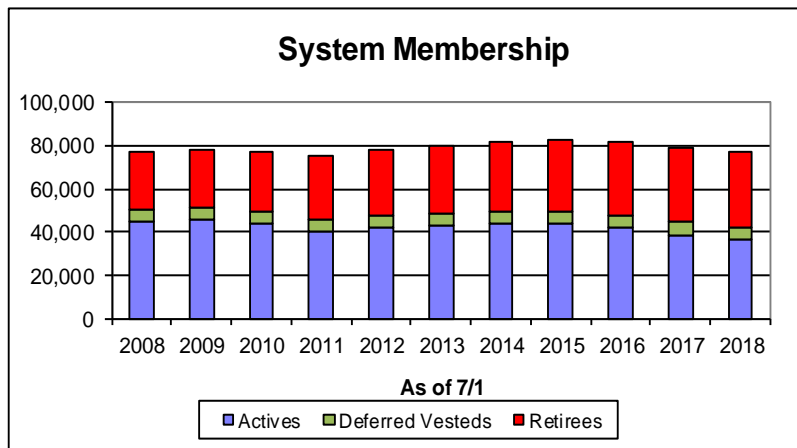
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MEMBER INFORMATION

The number of active members included in the valuation decreased by 7.0% from the 2016 to the 2017 valuation and then decreased by 6.5% from the 2017 to the 2018 valuation.

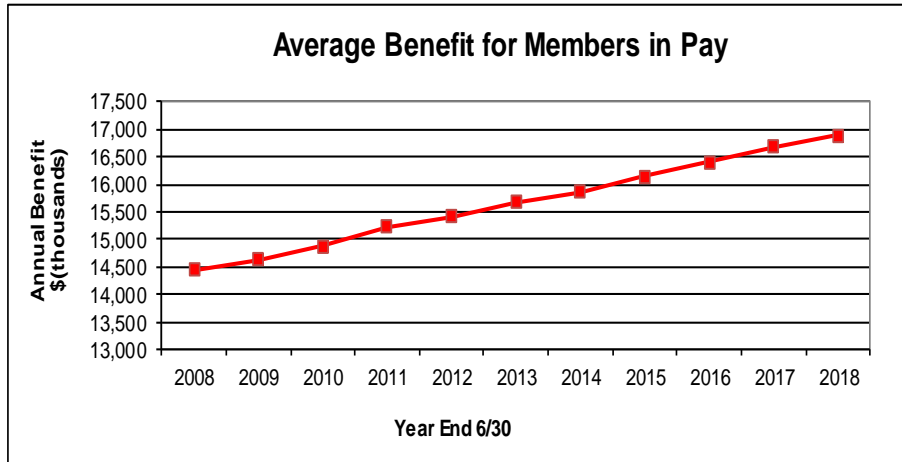
Retired member counts and average retirement benefit amounts continue to increase steadily. There were 35,260 retirees and beneficiaries in the 2018 valuation, with an average benefit of \$1,407 per month. This represents a 1.3% increase in the average monthly benefit from the previous year.



The number of active members has been fairly stable for most of the period, but is expected to decline in the future due to the defined benefit plan being closed to most new entrants. The number of terminated vested and retirees has increased which is to be expected in an ongoing retirement system.



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The average benefit for retirees has climbed steadily over the past 10 years as new retirees leave with higher salaries and therefore, higher benefits than those already retired. In addition, most of the members who die are older with smaller benefits.

COMMENTS

As the graph on page 4 shows, investment experience continues to be extremely volatile which creates significant challenges when funding retirement systems. The rate of return on the market value of assets for FY 2018 was about 8.4%, resulting in a net deferred gain. The asset smoothing mechanism will recognize the deferred \$44 million gain in future years. There was also an experience gain of \$120.9 million on liabilities, due to various factors shown on page 6.

The employer contribution rate increased according to a statutory schedule to an ultimate rate of 16.50% which was reached July 1, 2011. It must be noted that the portion of the actuarial contribution rate to be used to amortize the unfunded actuarial accrued liability was calculated as a level percentage of payroll assuming payroll grows by 3.50% per year, even though House Bill 2630 closes the plan effective November 1, 2015 to all but specifically exempted new employees. This is because House Bill 2630 requires each employer to send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee’s contribution in the defined contribution plan. It is important to note that this continued contribution stream payable on new employee payroll is incorporated into the actuarially determined rate calculated in this valuation, and any changes to reduce the funds received under this provision would negatively impact the actuarially determined rate either now or in the future.

As noted earlier in the report, mainly due to the removal of the COLA assumption and reserve starting in July 1, 2011, the actuarial contribution rate of 8.18% is less than what is currently being funded. Absent any future investment or experience losses, this will serve to decrease the UAAL and cause it to be paid down faster. As of the July 1, 2018 valuation, if the System pays the statutory rate and the plan continues to receive employer contributions on behalf of the defined contribution member payroll, it is projected that the UAAL will be paid off within the next five years. Paying the statutory rate also helps to protect against future investment and experience losses that may be more frequent and/or severe in this time of economic uncertainty.

Also, as noted earlier in the report, should funding of future COLAs and/or stipends be provided by the System, the COLAs and/or stipends should be included in the actuarial valuation.



SECTION 1- SUMMARY OF FINDINGS

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below.

COMPARISON OF PRINCIPAL VALUATION RESULTS

	7/1/2018 Valuation	7/1/2017 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	36,329	38,873	(6.5)
Retired and Disabled Members and Beneficiaries	35,260	34,579	2.0
Inactive Members	6,024	5,951	1.2
Total Members	<u>77,613</u>	<u>79,403</u>	(2.3)
Projected Annual Salaries of Active Members	\$ 1,601,074,591	\$ 1,688,543,856	(5.2)
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 595,301,608	\$ 576,548,059	3.3
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	\$ 9,884,133,615	\$ 9,781,617,070	1.0
Market Value of Assets	\$ 9,702,031,567	\$ 9,229,499,873	5.1
Actuarial Value of Assets	\$ 9,658,126,021	\$ 9,241,292,469	4.5
Unfunded Actuarial Accrued Liability	\$ 226,007,594	\$ 540,324,601	(58.2)
Funded Ratio	97.7%	94.5%	3.4
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	10.27%	10.24%	
Amortization of Unfunded Actuarial Accrued Liability	1.66%	3.57%	
Budgeted Expenses	0.43%	0.40%	
Total Actuarially Determined Contribution Rate	<u>12.36%</u>	<u>14.21%</u>	
Less Estimated Member Contribution Rate	<u>4.18%</u>	<u>4.14%</u>	
Employer Actuarially Determined Contribution Rate	8.18%	10.07%	
Less Statutory State Employer Contribution Rate	<u>16.50%</u>	<u>16.50%</u>	
Contribution Shortfall/(Surplus)	(8.32%)	(6.43%)	



Oklahoma Public Employees Retirement System

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, market values of assets provide the basis for measuring investment performance. As of July 1, 2018, the market value of assets for the System was \$9.7 billion. Table 1 is a comparison, at market values, of System assets as of June 30, 2018, and June 30, 2017, in total and by investment category. Table 2 summarizes the change in the market value of assets from July 1, 2017 to June 30, 2018.

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of System assets, nor the book value of assets, representing the cost of investments, may be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used, which dampens swings in the market value while still indirectly recognizing market values.

The actuarial value of assets is based on a five-year moving average of expected and actual market values determined as follows:

- at the beginning of each fiscal year, a preliminary expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous fiscal year;
- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous fiscal year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous fiscal years, but in no case more than 120% of the market value or less than 80% of the market value.

Table 3 shows the development of the actuarial value of assets (AVA) as of the valuation date.



SECTION 2 - ASSETS

Oklahoma Public Employees Retirement System

Table 1

Analysis of Net Assets at Market Value

	June 30, 2018		June 30, 2017	
	Amount \$(millions)	% of Total	Amount \$(millions)	% of Total
Cash & Equivalents	\$ 223.0	2.2%	\$ 119.2	1.3%
Short-term Investments	72.6	0.7%	126.6	1.3%
Government Obligations	1,997.5	20.2%	2,133.7	22.5%
Corporate Bonds	951.0	9.5%	836.1	8.8%
Domestic Equity	4,013.1	40.2%	3,713.2	39.2%
International Equity	2,701.2	27.1%	2,539.5	26.8%
Real Estate	12.6	0.1%	12.1	0.1%
Subtotal	\$ 9,971.0	100.0%	\$ 9,480.4	100.0%
Property (net)	0.2		0.4	
Other Assets	0.6		0.3	
Net Receivables/(Payables)	(269.8)		(251.6)	
Net Assets	\$ 9,702.0		\$ 9,229.5	



SECTION 2 - ASSETS

Oklahoma Public Employees Retirement System

Table 2

Statement of Changes in Net Assets

	Fiscal Year Ended June 30,	
	2018	2017
1. Market Value of Net Assets at Beginning of Year	\$ 9,229,499,873	\$ 8,435,578,907
2. Contributions		
a. Members	\$ 66,929,560	\$ 70,276,234
b. State and local agencies	277,987,270	288,338,941
c. Total contributions (2a) + (2b)	\$ 344,916,830	\$ 358,615,175
3. Net Investment Income		
a. Net appreciation (depreciation) in fair value of investments	\$ 622,572,641	\$ 925,746,414
b. Interest	77,403,961	68,682,329
c. Dividends	67,575,362	63,072,369
d. Securities lending activities	2,328,210	2,393,028
e. Real estate	221,915	363,287
f. Total investment income/(loss) (3a) + (3b) + (3c) + (3d) + (3e)	\$ 770,102,089	\$ 1,060,257,427
g. Investment expenses	(9,624,095)	(10,642,919)
h. Net investment income/(loss) (3f) + (3g)	\$ 760,477,994	\$ 1,049,614,508
i. Total additions/(subtractions) (2c) + (3h)	\$ 1,105,394,824	\$ 1,408,229,683
4. Deductions		
a. Retirement, death, and survivor benefits	\$ 611,565,882	\$ 592,961,277
b. Refunds and withdrawals	15,957,261	15,950,303
c. Administrative expenses	5,339,987	5,397,137
d. Total deductions (4a) + (4b) + (4c)	\$ 632,863,130	\$ 614,308,717
5. Net Change in Assets (3i) - (4d)	\$ 472,531,694	\$ 793,920,966
6. Market Value of Net Assets at End of Year (1) + (5)	\$ 9,702,031,567	\$ 9,229,499,873



SECTION 2 - ASSETS

Oklahoma Public Employees Retirement System

Table 3

Determination of Actuarial Value of Assets

1. Market Value as of July 1, 2017	\$ 9,229,499,873
2. Contributions	
a. Member	\$ 66,929,560
b. Employer	277,987,270
c. Total (a) + (b)	\$ 344,916,830
3. Decreases During Year	
a. Benefit payments	\$ (611,565,882)
b. Refunds and withdrawals	(15,957,261)
c. Administrative expenses	(5,339,987)
d. Total (a) + (b) + (c)	\$ (632,863,130)
4. Expected Return on Assets at 7.00%	\$ 636,157,322
5. Expected Market Value as of June 30, 2018 (1) + (2c) + (3d) + (4)	\$ 9,577,710,895
6. Actual Market Value as of June 30, 2018	\$ 9,702,031,567
7. Year End 2018 Asset Gain/(Loss) (6) - (5)	\$ 124,320,672

Schedule of Asset Gains/(Losses)

Year End	Original Amount	Recognized in Prior Years	Recognized in This Year	Recognized in Future Years
2014	\$ 766,830,212	\$ 613,464,170	\$ 153,366,042	\$ 0
2015	(371,179,751)	(222,707,851)	(74,235,950)	(74,235,950)
2016	(624,000,243)	(249,600,097)	(124,800,049)	(249,600,097)
2017	447,141,757	89,428,351	89,428,351	268,285,055
2018	124,320,672	0	24,864,134	99,456,538
Total	\$ 343,112,647	\$ 230,584,573	\$ 68,622,528	\$ 43,905,546

8. Asset Gain/(Loss) to be Recognized in the Future	\$ 43,905,546
9. Initial Actuarial Value as of June 30, 2018 (6) - (8)	\$ 9,658,126,021
10. Constraining Values:	
a. 80% of market value (6) x 0.8	\$ 7,761,625,254
b. 120% of market value (6) x 1.2	\$ 11,642,437,880
11. Actuarial Value as of June 30, 2018 (9), but not less than (10a), nor greater than (10b)	\$ 9,658,126,021



SECTION 3 - SYSTEM LIABILITIES

Oklahoma Public Employees Retirement System

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the System as of the July 1, 2018 valuation date. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 4 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries. The analysis is provided for each group.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits expected to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of the surviving beneficiaries.

The actuarial assumptions used to determine liabilities are based on the results of an experience study covering the three-year period ended June 30, 2016. This set of assumptions is shown in Appendix B. The liabilities reflect the benefit structure in place as of July 1, 2018.

Actuarial Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to “break down” the present value of future benefits into two components:

- (1) that which is attributable to the past; and
- (2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the “past service liability” or the “actuarial accrued liability.” The portion allocated to the future is known as the “present value of future normal costs,” with the specific piece of it allocated to the current year being called the “normal cost.” Table 5 contains the calculation of actuarial liabilities for all groups.

In valuations prior to July 1, 2011, the System used an assumption of a 2% annual COLA each year in developing liabilities and contribution rates. The System did not have an automatic COLA provision, but ad hoc COLAs had historically been granted by the Legislature. The 2011 Oklahoma Legislature passed House Bill 2132 which removed COLAs from the definition of “non-fiscal retirement bills” in the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA). The impact of this change was to make any COLA bill subject to all of the requirements of OPLAAA, including the requirement that such bills provide adequate funding to pay the cost. As a result, beginning with the July 1, 2011 actuarial valuation, the liabilities of the System have been calculated without a COLA assumption. Also, as noted earlier in the report, should funding of future COLAs and/or stipends be provided by the System, the COLAs and/or stipends should be included in the actuarial valuation.



SECTION 3 – SYSTEM LIABILITIES

Oklahoma Public Employees Retirement System

Table 4

Present Value of Future Benefits
As of July 1, 2018

	Regular	Elected Officials	Hazardous Duty	Total
1. Active Employees				
a. Retirement Benefit	\$ 3,734,531,082	\$ 200,599,607	\$ 194,460,405	\$ 4,129,591,094
b. Withdrawal Benefit	219,636,062	8,689,525	10,955,306	239,280,893
c. Pre-Retirement Death Benefit	90,681,693	2,677,347	2,905,968	96,265,008
d. Disability Benefit	83,519,189	3,540,854	3,651,285	90,711,328
e. Return of Member Contributions	40,877,920	496,448	5,583,516	46,957,884
f. Supplemental Medical Benefit	159,154,046	4,707,251	8,646,812	172,508,109
g. Subtotal	\$ 4,328,399,992	\$ 220,711,032	\$ 226,203,292	\$ 4,775,314,316
2. Inactive Nonvested Members				\$ 50,978,731
3. Inactive Vested Members				376,199,323
4. Return of Excess Contributions				363,802
5. Disabled Members				116,295,772
6. Retirees				5,202,027,326
7. Beneficiaries				358,824,994
8. Supplemental Medical Benefit for Retirees				199,173,295
9. October 2018 Stipend Due				<u>8,928,567</u>
10. Total Inactive Liability Sum of (2) through (9)				\$ <u>6,312,791,810</u>
11. Total PVFB (1g) + (10)				\$ 11,088,106,126



SECTION 3 – SYSTEM LIABILITIES

Oklahoma Public Employees Retirement System

Table 5

Actuarial Accrued Liability
As of July 1, 2018

	Regular	Elected Officials	Hazardous Duty	Total
1. Present Value of Future Benefits for Active Members				
a. Retirement Benefit	\$ 3,734,531,082	\$ 200,599,607	\$ 194,460,405	\$ 4,129,591,094
b. Withdrawal Benefit	219,636,062	8,689,525	10,955,306	239,280,893
c. Pre-Retirement Death Benefit	90,681,693	2,677,347	2,905,968	96,265,008
d. Disability Benefit	83,519,189	3,540,854	3,651,285	90,711,328
e. Return of Member Contributions	40,877,920	496,448	5,583,516	46,957,884
f. Supplemental Medical Benefit	159,154,046	4,707,251	8,646,812	172,508,109
g. Subtotal	\$ 4,328,399,992	\$ 220,711,032	\$ 226,203,292	\$ 4,775,314,316
2. Present Value of Future Normal Costs for Active Members				
a. Retirement Benefit	\$ 753,800,172	\$ 26,017,413	\$ 59,506,027	\$ 839,323,612
b. Withdrawal Benefit	130,972,612	5,880,168	6,313,914	143,166,694
c. Pre-Retirement Death Benefit	22,630,408	458,604	994,350	24,083,362
d. Disability Benefit	27,259,106	812,919	1,399,846	29,471,871
e. Return of Member Contributions	110,643,745	3,080,395	10,664,974	124,389,114
f. Supplemental Medical Benefit	39,708,971	1,083,243	2,745,644	43,537,858
g. Subtotal	\$ 1,085,015,014	\$ 37,332,742	\$ 81,624,755	\$ 1,203,972,511
3. Present Value of Future Benefits for Inactive Members (Table 4)				\$ 6,312,791,810
4. Total Actuarial Accrued Liability (1g) - (2g) + (3)				\$ 9,884,133,615



SECTION 4 – EMPLOYER CONTRIBUTIONS

Oklahoma Public Employees Retirement System

In the previous two sections, attention has been focused on the assets and the liabilities (present value of future benefits) of the System. A comparison of Tables 3 and 4 indicates there is a shortfall in current actuarial assets needed to meet the present value of all future benefits for current members and beneficiaries.

In an active system, there will always be a difference between the assets and the present value of all future benefits. An actuarial valuation determines a schedule of future contributions that will provide for this funding in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost; and (2) the payment on the unfunded actuarial accrued liability.

The term “fully funded” is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded and/or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated under the actuarial assumptions. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists.

Description of Rate Components

The actuarial cost method used by the System is the traditional Entry Age Normal (EAN) cost method as a level percent of pay. Under the EAN cost method, the actuarial present value of each member’s projected benefit is allocated on a level basis over the member’s compensation between the entry age of the member and the assumed exit age. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

Effective with the July 1, 2008 valuation, the UAAL is amortized as a level percent of payroll over a closed 20-year period commencing July 1, 2007, with 10 years remaining in the amortization period. For July 1, 1998 and prior years, the unfunded actuarial accrued liability was amortized over 25 years from July 1, 1987. For the July 1, 1999 valuation, the amortization period was changed to 40 years from July 1, 1987. For members participating in the Pathfinder defined contribution plan, the employer sends to OPERS the difference between the OPERS required rate (16.5% for state members) and the amount required for the employer match. These extra contributions to OPERS allow the use of the level percent of payroll amortization method since they are expected to produce a payment stream that is constant, if not increasing, as a percent of covered payroll.

Contribution Rate Summary

The normal cost rate is developed in Table 6. Table 7 illustrates the development of the contribution rate for amortization of the unfunded actuarial accrued liability. Table 8 explains the development of the total actuarial contribution rate.



SECTION 4 – EMPLOYER CONTRIBUTIONS

Oklahoma Public Employees Retirement System

Table 6

Normal Cost Contribution Rates
As a Percentage of Salary

	Regular	Elected Officials	Hazardous Duty	Total	% of Pay
1. Normal Cost					
a. Retirement Benefit	\$ 102,288,331	\$ 4,782,059	\$ 8,309,146	\$ 115,379,536	7.20%
b. Withdrawal Benefit	15,807,236	993,218	912,683	17,713,137	1.11%
c. Pre-Retirement Death Benefit	2,906,915	82,850	148,723	3,138,488	0.20%
d. Disability Benefit	3,327,072	131,670	203,580	3,662,322	0.23%
e. Return of Member Contributions	14,781,302	567,643	1,533,733	16,882,678	1.05%
f. Supplemental Medical Benefit	6,991,373	230,882	423,806	7,646,061	0.48%
g. Total	\$ 146,102,229	\$ 6,788,322	\$ 11,531,671	\$ 164,422,222	10.27%
2. Estimated Payroll for the Year	\$ 1,483,094,982	\$ 39,621,943	\$ 78,357,666	\$ 1,601,074,591	
3. Normal Cost Rate (1g)/(2)	9.85%	17.13%	14.72%	10.27%	



SECTION 4 – EMPLOYER CONTRIBUTIONS

Oklahoma Public Employees Retirement System

Table 7

Unfunded Actuarial Accrued Liability Contribution Rate

1. Actuarial Present Value of Future Benefits	\$	11,088,106,126
2. Actuarial Present Value of Future Normal Costs		<u>1,203,972,511</u>
3. Actuarial Accrued Liability (1) - (2)	\$	9,884,133,615
4. Actuarial Value of Assets		<u>9,658,126,021</u>
5. Unfunded Actuarial Accrued Liability (UAAL) (3) - (4)	\$	226,007,594
6. Amortization of UAAL over 20 years from July 1, 2007 (assumed mid-year) ¹	\$	29,562,841
7. Total Estimated Payroll for Year Ending June 30, 2019 ²	\$	1,776,165,445
8. Amortization as a Percent of Payroll		1.66%

¹ The UAAL is amortized as a level percent of payroll, assuming payroll increases 3.50% per year.

² Includes \$175,090,854 in payroll on behalf of DC plan participants.



SECTION 4 – EMPLOYER CONTRIBUTIONS

Oklahoma Public Employees Retirement System

Table 8

Actuarial Contribution Rate

	<u>July 1,</u>	
	2018	2017
1. Total Normal Cost Rate	10.27%	10.24%
2. Amortization of UAAL ¹	1.66%	3.57%
3. Budgeted Expenses ²	<u>0.43%</u>	<u>0.40%</u>
4. Total Actuarial Contribution Rate (1) + (2) + (3)	12.36%	14.21%
5. Estimated Member Contribution Rate	<u>4.18%</u>	<u>4.14%</u>
6. Employer Actuarial Contribution Rate (4) - (5)	8.18%	10.07%

¹ Amortization of UAAL is a level percent of payroll. Recognizes contributions received on behalf of defined contribution plan members.

² Provided by the System.



SECTION 4 – EMPLOYER CONTRIBUTIONS

Oklahoma Public Employees Retirement System

Table 9

Calculation of Actuarial Gain/(Loss)

1. Expected Actuarial Accrued Liability		
a. Actuarial accrued liability at July 1, 2017	\$	9,781,617,070
b. Normal cost at mid-year		172,907,904
c. Benefit payments for fiscal year ending June 30, 2018		(627,523,143)
d. Interest on (a), (b), and (c)		669,070,774
e. Impact of assumption changes		0
f. Impact of benefit changes (Stipend)		8,928,567
g. Expected actuarial accrued liability as of July 1, 2018	\$	<u>10,005,001,172</u>
(a) + (b) + (c) + (d) + (e) + (f)		
2. Actuarial Accrued Liability at July 1, 2018	\$	9,884,133,615
3. Actuarial Accrued Liability Gain/(Loss) (1g) - (2)	\$	120,867,557
4. Expected Actuarial Value of Assets		
a. Actuarial value of assets at July 1, 2017	\$	9,241,292,469
b. Contributions for fiscal year ending June 30, 2018		344,916,830
c. Benefit payment and administrative expenses for fiscal year ending June 30, 2018		(632,863,130)
d. Interest on (a), (b), and (c)		636,982,804
e. Expected actuarial value of assets as of July 1, 2018	\$	<u>9,590,328,973</u>
(a) + (b) + (c) + (d)		
5. Actuarial Value of Assets at July 1, 2018	\$	9,658,126,021
6. Actuarial Value of Assets Gain/(Loss) (5) - (4e)	\$	67,797,048
7. Net Actuarial Gain/(Loss) (3) + (6)	\$	188,664,605



SECTION 4 – EMPLOYER CONTRIBUTIONS

Oklahoma Public Employees Retirement System

Table 10

Summary of Contribution Requirements

	Actuarial Valuation as of		Percent Change
	July 1, 2018	July 1, 2017	
1. Expected Annual Payroll	\$ 1,601,074,591	\$ 1,688,543,856	(5.2%)
2. Total Normal Cost	\$ 164,422,222	\$ 172,907,904	(4.9%)
3. Unfunded Actuarial Accrued Liability	\$ 226,007,594	\$ 540,324,601	(58.2%)
4. Amortization of Unfunded Actuarial Accrued Liability over 20 Years from July 1, 2007*	\$ 29,562,841	\$ 64,619,331	(54.3%)
5. Budgeted Expenses (Provided by the System)	\$ 6,893,257	\$ 6,693,277	3.0%
6. Total Required Contribution (2) + (4) + (5)	\$ 200,878,320	\$ 244,220,512	(17.7%)
7. Estimated Member Contributions	\$ 66,890,568	\$ 69,940,845	(4.4%)
8. Required Employer Contribution (6) - (7)	\$ 133,987,752	\$ 174,279,667	(23.1%)
9. Previous Year's Actual Contribution			
a. Member	\$ 66,929,560	\$ 70,276,234	(4.8%)
b. Employer	277,987,270	288,338,941	(3.6%)
c. Total	\$ 344,916,830	\$ 358,615,175	(3.8%)

*Amortization of UAAL is a level percent of payroll.



SECTION 5– ACCOUNTING AND OTHER INFORMATION

Oklahoma Public Employees Retirement System

Governmental Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans as amended by GASB 50, (referred to as GASB 25), establishes financial reporting standards for defined benefit pension plans. Beginning with fiscal years ending after June 15, 2014, a new standard, GASB 67, replaces GASB 25 for Plan reporting. A separate report will provide this information.

In this section we also provide exhibits showing the funding progress, present value of accumulated benefits, and an exhibit showing the expected benefit payments for the System.



SECTION 5— ACCOUNTING AND OTHER INFORMATION

Oklahoma Public Employees Retirement System

Table 11

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b) - (a))/(c)
7/1/2009	\$6,208,245,334	\$9,291,457,837	\$3,083,212,503	66.8%	\$1,732,975,532	177.9%
7/1/2010	6,348,416,407	9,622,627,833	3,274,211,426	66.0%	1,683,697,139	194.5%
7/1/2011	6,598,627,939	8,179,767,661	1,581,139,722	80.7%	1,570,500,148	100.7%
7/1/2012	6,682,200,296	8,334,637,900	1,652,437,604	80.2%	1,633,837,374	101.1%
7/1/2013	6,978,873,421	8,556,121,906	1,577,248,485	81.6%	1,695,347,809	93.0%
7/1/2014	7,759,257,716	8,753,669,153	994,411,437	88.6%	1,744,041,536	57.0%
7/1/2015	8,420,306,645	8,996,125,901	575,819,256	93.6%	1,808,972,785	31.8%
7/1/2016	8,790,886,036	9,427,809,623	636,923,587	93.2%	1,790,809,603	* 35.6%
7/1/2017	9,241,292,469	9,781,617,070	540,324,601	94.5%	1,688,543,856	* 32.0%
7/1/2018	9,658,126,021	9,884,133,615	226,007,594	97.7%	1,601,074,591	* 14.1%

*Covered Payroll shown is for the defined benefit plan members only although employer contributions toward the UAAL are being received on behalf of defined contribution plan members.



SECTION 5– ACCOUNTING AND OTHER INFORMATION

Oklahoma Public Employees Retirement System

Table 12

Actuarial Present Value of Accumulated Benefits

The actuarial present value of vested and non-vested accumulated benefits is computed on an ongoing System-wide basis in order to provide information on benefit liabilities for historical purposes. In this calculation, a determination is made of all benefits earned by current participants as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Future salary or accrual of future benefit service are not considered. This information may not be useful as an indication of the funds needed to settle liabilities.

Table with 3 columns: Description, July 1, 2018, and July 1, 2017. Rows include Vested benefits (Active members, Terminated vested members, Unclaimed contributions, Limited benefit, Retirees and beneficiaries, Supplemental medical insurance premiums, October 2018 Stipend), Total vested benefits, Nonvested benefits for active members, Total accumulated benefits, Market value of assets available for benefits, Funded ratio, Number of members (Vested members: Active, Terminated, Retirees; Total vested; Nonvested active; Total members).



SECTION 5— ACCOUNTING AND OTHER INFORMATION

Oklahoma Public Employees Retirement System

Table 12 (continued)

Actuarial Present Value of Accumulated Benefits

A statement of changes in the actuarial present value of accumulated System benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Present value of accrued benefit as of July 1, 2017	\$ 8,633,721,006
Increase/(decrease) during the year attributable to:	
Benefits accrued and (gains)/losses	169,800,845
Increase due to interest	582,768,627
Benefits paid	(627,523,143)
October 2018 Stipend	8,928,567
Net increase/(decrease)	\$ 133,974,896
Present value of accrued benefit as of July 1, 2018	\$ 8,767,695,902



SECTION 5– ACCOUNTING AND OTHER INFORMATION

Oklahoma Public Employees Retirement System

Table 13

Projected Benefit Payments*

The table below shows estimated benefits expected to be paid over the next ten years, based on the assumptions used in this valuation. The “Actives” column shows the benefits expected to be paid to members currently active on July 1, 2018. The “Retirees” column shows benefits expected to be paid to members receiving benefit payments as of July 1, 2018 or to members who have terminated employment and are entitled to a deferred vested benefit.

Retirement, Survivor and Withdrawal Benefits

Table with 5 columns: Year Ending June 30, Actives, Retirees, Total. Rows for years 2019-2028.

Supplemental Medical Premium Benefits

Table with 5 columns: Year Ending June 30, Actives, Retirees, Total. Rows for years 2019-2028.

*Does not include payouts due to the Stipend payable in October 2018.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Following is a summary of the major System provisions used in the actuarial valuation of the System.

Effective date and fiscal year The System became effective January 1, 1964. The fiscal year is July 1 to June 30.

Administration The System is administered by the Oklahoma Public Employees Retirement System Board of Trustees. The Board acts as the fiduciary for the investment and administration of the System.

Employees included All permanent employees of the State of Oklahoma, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city or town participates and is the primary beneficiary, are eligible to join if:

- a) the employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and is not participating in the U.S. Civil Service Retirement System; and
- b) the employee is scheduled for at least 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for State employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees).

Membership is mandatory for new eligible employees on the first of the month following employment. Effective November 1, 2015, the Plan is closed to most new State employees. Any employee with service in the System prior to November 1, 2015 will continue to be a member or will join the System upon re-employment with a participating employer.

Employer and employee contributions Most State employees except Hazardous Duty employees and most elected officials:

Employee:	3.5%
Employer:	16.5%
Total:	20.0%



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Employer and employee contributions (continued)

Prior to July 1, 2006 the employee contribution rate varied on pay above/below \$25,000 as shown in the chart at the end of this section. This plan provision was changed by the 2006 Legislature.

Before November 1, 2010, elected officials selected a contribution rate of 4.5%, 6%, 7.5%, 8.5%, 9% or 10% which determined the computation factor used in calculating their benefit. Elected officials elected or appointed on or after November 1, 2010 (but before November 1, 2011) were limited to selecting either the 4.5% contribution rate or the 10% contribution rate. Those elected after November 1, 2011 contribute at 3.5% like most non-elected members.

Contributions for Hazardous Duty employees are summarized at the end of this appendix.

Local government employees contribute from 3.5% to 8.5% of pay, depending on the rate chosen by their employers.

Starting in 2004, regular members may make an election to contribute an additional 2.91% of pay and increase their accrual rate for future years of service to 2.5% (referred to as Step-Up Option). Elected officials elected on or after November 1, 2011 may also elect Step-Up.

Contributions are based on compensation defined by the Board.

Contribution Summary: Regular State Contributions (By Statute) For Pay Under \$25,000

Table with 5 columns: Fiscal Year, Employer Contribution, Employee Contribution, Total Contribution, Applicable Salary Cap. Rows show data from 1994-1995 to 2005-2006.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Employer and employee contributions
(continued)

For Pay Between \$25,000 and Cap				
Fiscal Year	Employer Contribution	Employee Contribution	Total Contribution	Applicable Salary Cap
1994-1995	11.5%	3.5%	15.0%	\$50,000
1995-1996	11.5%	3.5%	15.0%	\$60,000
1996-1997	12.0%	3.5%	15.5%	\$70,000
1997-1998	12.5%	3.5%	16.0%	\$80,000
1998-1999	12.5%	3.5%	16.0%	No Cap
1999-2005	10.0%	3.5%	13.5%	No Cap
2005-2006	11.5%	3.5%	15.0%	No Cap

For All Pay			
Fiscal Year	Employer Contribution	Employee Contribution	Total Contribution
2006-2007	12.5%	3.5%	16.0%
2007-2008	13.5%	3.5%	17.0%
2008-2009	14.5%	3.5%	18.0%
2009-2011	15.5%	3.5%	19.0%
2011-2018	16.5%	3.5%	20.0%

Years of Service

Prior Service

All service of the employee prior to the employer’s entry date is credited prior service providing the participating employer joined on or before January 1, 1975. Prior service for employees of employers who join after January 1, 1975, may be purchased by the employee. Prior service is allowed for certain active wartime military service (maximum 5 years credit) for members employed prior to July 1, 2000 and for employment with public schools or Board of Regents for Higher Education prior to July 1943. Service need not be continuous employment to be credited.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Years of Service

Participating Service

After the employer’s entry date, a member’s participating service is credited for all periods of employment for which required contributions are made. Service is prorated according to hours worked per month on and after July 1, 1979. Certain active wartime military service is credited, provided the contribution accumulation is not withdrawn. Active and retired members are credited with additional participating service based on their accumulated contributions prior to June 30, 1977 (if not withdrawn prior to retirement), according to the following:

<u>Member Accumulation</u>		<u>Additional Years</u>
\$ 1	to \$ 500	1
501	to 1,000	2
1,001	to 1,500	3
1,501	to 2,000	4
2,001	to More	5

A member who has withdrawn his or her contributions and later returns to membership may repay the amount withdrawn plus interest as determined by the Board to reinstate participating service which was canceled by his or her withdrawal.

A member may receive credit for those years of service as an elected official if the member is not receiving credit for that service in any other public retirement system. The member must pay an amount equal to the actuarial cost to fund the difference between the member’s projected benefits with and without the additional service credit.

The total participating service of a member who retires or terminates employment and elects a vested benefit shall include up to one hundred thirty (130) days of unused sick leave accumulated subsequent to August 1, 1959, during the member’s employment with any participating employer. Such credit shall be added in terms of whole months. If unused sick leave entitles the member to an additional year of service, the additional cost is borne by the employer. For members joining on or after November 1, 2012, any additional months of unused sick leave credit will be added to the service credit without rounding the total service up to the next higher year. Any cost to the employer will be based on the actual number of months of unused sick leave.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Years of Service

Participating Service (continued)

A member may receive credit for those years of credited service accumulated while a member of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, or the Teachers' Retirement System of Oklahoma, if the member is not receiving or eligible to receive retirement credit or benefits from this service in any other public retirement system. The member may receive credit for this service by paying the amount actuarially determined to cover the cost of the previous service.

Credited Service

Credited service equals prior service plus participating service. The result is rounded up to the next year if the number of remaining months is equal to or greater than six. Credited service of members joining on or after November 1, 2012 will not be rounded up. Members will be credited with, and their benefit calculation will be computed on, the actual number of years and months of credited service.

Compensation

The member's basic salary and wages as defined by the Board of Trustees, including amounts contributed to deferred compensation plans. Overtime and moving expenses are excluded.

Final average compensation

The average of the thirty-six (36) highest months of compensation earned within the last ten (10) years of participating service. For members hired on or after July 1, 2013, final average compensation is the average of the sixty (60) highest months of compensation earned within the last ten (10) years of participating service. Final average compensation will be subject to any applicable salary caps and based on salary on which contributions have been made.

For all members hired prior to July 1, 1995, the minimum final average compensation is \$13,800. For members hired on or after July 1, 1995, no minimum is applied until the member has fifteen (15) years of service. For members with between fifteen (15) and twenty (20) years of service, the minimum final average compensation is \$6,900. For a member with more than twenty (20) years of service, the minimum is \$13,800.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Normal retirement date

Normal retirement is the earliest of: (1) first day of the month coinciding with or next following the 62nd birthday; or, (2) the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total eighty (80) if the member was hired prior to July 1, 1992; or (3) following the date at which the sum of member's age and number of years of credited service total ninety (90) if the member was hired after July 1, 1992. Members employed after January 1, 1983 must complete at least six (6) years of full-time equivalent employment with a participating employer before receiving any retirement benefits.

For regular employees hired on or after November 1, 2011, the retirement age is 65. Alternatively, they may retire under the "Rule of 90" if they are at least age 60.

The normal retirement date for elected officials is the first of the month coinciding with or following the official's 60th birthday or the first day of the month coinciding with or following the date at which the sum of the member's age and years of credited service total eighty (80).

For elected officials appointed or elected on or after November 1, 2011, the retirement age is 65 with a minimum of eight (8) years of elected service, or age 62 if they have ten (10) years of elected service.

Normal retirement benefit

The benefit on or after normal retirement, payable monthly for life to non-elected members, is as follows:

2% of final average compensation multiplied by years of credited service.

For members who have elected the Step-Up Option, a 2.5% multiplier is applied to the "stepped-up" full years. Elected officials appointed or elected on or after November 1, 2011, are also eligible for the Step-Up Option.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Normal retirement benefit
(continued)

The benefit payable monthly for life to elected officials is the greater of 1) the preceding benefit, or 2) the benefit calculated using highest annual compensation as an elected official times credited service multiplied by the following applicable computation factor:

<u>% of Compensation Contributed</u>	<u>% of Highest Annual Compensation</u>
4.5%	1.9%
6.0%	2.5%
7.5%	3.0%
8.5%	3.4%
9.0%	3.6%
10.0%	4.0%

Elected officials who became members after July 1, 1990 must participate in the System as elected officials for at least six (6) years to qualify for the elected official benefit formula on all years of previous non-elected participating service. For elected officials elected or appointed on or after November 1, 2011, the vesting period is eight (8) years.

OPERS members who are elected after August 21, 2008 have a benefit cap of 100% of their highest annual salary. Elected officials who become members after August 21, 2008 (but before November 1, 2011) receive a benefit that consists of two separate calculations. Their non-elected years are multiplied by 2% and their elected years are multiplied by the applicable percentage selected and paid for by the members.

Elected officials who are appointed or elected on or after November 1, 2010 (but before November 1, 2011) have two benefit multiplier options: 1.9% and 4.0%. Those elected after November 1, 2011 contribute at 3.5% like most non-elected members, and have a multiplier of 2%. In addition, they must be age 62 with at least ten (10) years as an elected official, or age 65 with at least eight (8) years as an elected official, to qualify for retirement.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Early retirement benefit

A member with at least ten (10) years of participating service may retire as early as age 55. The benefit is determined by the normal retirement formula based on years of credited service and Final Average Compensation (highest annual compensation for elected officials) at termination. The percentage payable at early retirement age is:

<u>Elected Officials</u>		<u>Other Members</u>	
Age	Percentage	Age	Percentage
60	100%	62	100.00%
59	94	61	93.33
58	88	60	86.67
57	82	59	80.00
56	76	58	73.33
55	70	57	66.67
		56	63.33
		55	60.00

The following tables apply to regular and hazardous duty employees employed, or elected officials appointed or elected, on or after November 1, 2011:

<u>Elected Officials</u>		<u>Other Members</u>	
Age	Percentage	Age	Percentage
62	100.00%	65	100.00%
61	93.33	64	93.33
60	86.67	63	86.67
		62	80.00
		61	73.33
		60	66.67



Oklahoma Public Employees Retirement System

Disability benefit

A member with at least eight (8) years of credited service is eligible for a disability benefit provided the member qualifies for disability benefits as certified by the Social Security Administration or the Railroad Retirement Board and having a date of disability within one year after the date last physically on the job. The benefit is determined by the normal retirement formula based on service and salary history at date of disability. The benefit is payable immediately without actuarial reduction. Option A is the only available form of survivor payment for non-elected members.

Vested benefit

A member who terminates after eight (8) years of credited service (six years for most elected officials) is eligible for a vested benefit determined by the normal retirement formula, based on service and compensation to date of termination.

The benefit is payable at age 62 (or age 60 for most elected officials), provided the member's contribution accumulation is not withdrawn and the member has at least six (6) years of full-time equivalent employment. A member with ten (10) or more years of service also has the option of reduced benefits at early retirement age.

Members terminating with less than eight (8) years (or six years for most elected officials) of credited service may elect to receive a refund of their member contribution accumulation.

A limited additional retirement service benefit of \$200 per month is payable up to the total of excess contributions paid by the member for those vested members as of July 1, 1998. This is not applicable for active members who received a transfer of excess contributions or retired members as of July 1, 1998.

For regular employees employed on or after November 1, 2011, a vested benefit is not payable for Normal Retirement until age 65. For elected officials appointed or elected on or after November 1, 2011, a vested benefit requires at least eight (8) years of elected service and is not payable for normal retirement until age 65.



Oklahoma Public Employees Retirement System

Pre-retirement death benefit

For a deceased active member who had met normal, early or vested retirement provisions, the spouse may elect a spouse's benefit. This spouse's benefit is the amount that would have been paid if the member had instead retired and elected the joint and 100% survivor option (Option B). If named as the designated beneficiary, the spouse may elect a refund of the deceased member's contribution accumulation in lieu of the Option B monthly benefit.

In addition to the provision above, the eligible spouse of a deceased elected official with at least six (6) years of elected service or eight (8) years if elected on or after November 1, 2011, and married at least three (3) years immediately preceding death, may elect to receive 50% of the maximum benefit the member would have been eligible to receive. The starting date of benefits is the date the deceased member would have been eligible for early or normal retirement. Benefits cease upon death or remarriage of the surviving spouse.

Any other designated beneficiary of a member other than an eligible spouse will receive a refund of the deceased member's contribution accumulation.

Post-retirement death benefit

Upon the death of a retired member, a \$5,000 lump-sum death benefit will be paid to the member's beneficiary, or estate if there is no beneficiary.



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Optional form of retirement benefits	<p>The normal form of benefit for an unmarried member, other than an elected official, is a single life monthly annuity with a guaranteed refund of the unpaid employee contribution accumulation. The normal form for a married member is a 50% joint and survivor annuity benefit. Optional forms of payment with actuarial reduction are available to all members retiring under the normal retirement, early retirement or vested retirement provision. These options are:</p> <p>Option A – Joint and 50% Survivor Annuity with a return to the unreduced amount if the joint annuitant dies.</p> <p>Option B – Joint and 100% Survivor Annuity with a return to the unreduced amount if the joint annuitant dies.</p> <p>Option C – Life Annuity with a minimum of 120 monthly payments.</p> <p>For married members, spousal consent is required for any option other than Option A, or a joint annuitant other than the spouse.</p> <p>Medicare Gap Benefit Option allows members under age 65 to receive a higher benefit before age 65 (to help pay health insurance premiums) and a permanently lower benefit after age 65.</p>
Post-retirement medical benefit	<p>The System will contribute the lesser of \$105 per month or the Medicare Supplement Premium to the Office of Management and Enterprise Services, Employees Group Insurance Division (or other eligible employer health plans) for members receiving retirement benefits.</p>
Expenses	<p>The expenses of administering the System are paid from the retirement trust fund.</p>



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

Hazardous Duty Members (Department of Corrections Officers, Oklahoma Military Department Firefighters) Benefits

Members covered by the Hazardous Duty Provisions have the retirement eligibility requirements, contribution rates and benefit formula described below.

Department of Corrections:

The normal retirement age is the earliest of: twenty (20) years of service as a member covered by the Department of Corrections Hazardous Duty Provisions; or, the first day of the month coinciding with or next following the 62nd birthday; or, the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total eighty (80), if the member was hired prior to July 1, 1992, or following the date at which the sum of a member's age and number of years of credited service total ninety (90) if the member was hired after July 1, 1992. Members employed after January 1, 1983 must complete at least six (6) years of full-time equivalent employment with a participating employer before receiving any retirement benefits. The benefit formula is 2.5% of final average compensation, multiplied by the number of years of service as an eligible officer for service, not exceeding twenty (20) years. For service in excess of twenty (20) years, the benefit formula is 2% of final average compensation.

For hazardous duty employees hired on or after November 1, 2011, the normal retirement age is age 65. Alternatively, they may retire under the earliest of (i) the "Rule of 90" if they are at least age 60 or (ii) twenty (20) years of service as a member covered by hazardous duty provisions.

Members eligible for these benefits with at least five (5) years of experience in their positions on or after June 30, 2004 remain eligible to retire after twenty (20) years even if they transfer to positions within DOC that are not eligible to retire after twenty (20) years.

Special Surviving Spouse and Child benefits for any member employed by the Department of Corrections (DOC) killed or mortally wounded during the performance of duty are equal to 2.5% of final average monthly compensation multiplied by the greater of the member's actual service or twenty (20) years.

In addition, an amount of \$400 per month will be paid as long as a child of the deceased member is under the age of 18 (or 22 if enrolled full time at an institution of higher education).



APPENDIX A – SUMMARY OF SYSTEM PROVISIONS

Oklahoma Public Employees Retirement System

**Hazardous Duty Members
(Department of Corrections Officers,
Oklahoma Military Department
Firefighters) Benefits**
(continued)

Contributions for members covered by the Department of Corrections Hazardous Duty Provisions are:

<u>Year</u>	<u>Up to \$25,000</u>	<u>Above \$25,000</u>
1994/1995	6.5%	8.0%
1995/1996	6.5%	8.0%
1996/1997	7.0%	8.0%
1997/1998	7.5%	8.0%

	<u>First 20 Years of Service</u>	<u>Service Beyond 20 Years</u>	
		<u>Up to \$25,000</u>	<u>Above \$25,000</u>
		July 1998 – June 1999	8.0%
July 1999 – June 2000	8.0%	N/A	N/A
July 2000 – June 2010	8.0%	N/A	N/A
July 2010 and after	8.0%	3.5%	3.5%

Oklahoma Military Department Firefighters:

The benefit for Oklahoma Military Department firefighters who began employment July 1, 2002 and after is based on a 2.5% benefit multiplier. They are also eligible for full benefits after twenty (20) years as a firefighter and their employee contribution rate is 8%. Oklahoma Military Department firefighters employed prior to July 1, 2002 were given a one-time option to: (a) have their benefit formula, retirement eligibility, and employee contribution rate remain unchanged; (b) apply the new provisions (including the new contribution rate) to service after January 1, 2003; or (c) apply the new benefit formula and retirement eligibility to all of the member's service, apply the 8% contribution rate for service after July 1, 2002, and make a contribution equal to the increase in the actuarial value of the member's retirement benefit.

In contrast to DOC members, the 2.5% formula and 8% contribution rate applies to service after twenty (20) years.



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding. Sometimes called the “funding method,” this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the System is comprised of (1) the normal cost; and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each member would have been eligible to join the System had it existed (thus entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the System.

The **Actuarial Accrued Liability** under this method, at any point in time, is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of System assets on the valuation date.

Under this method, experience gains or losses, i.e. decreases or increases in actuarial accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial value of assets is based on a five-year moving average of expected and actual market values determined as follows:

- at the beginning of each fiscal year, a preliminary expected actuarial asset value is calculated as the sum of the previous year’s actuarial value increased with a year’s interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous fiscal year;
- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous fiscal years, but in no case more than 120% of the market value or less than 80% of the market value.



Oklahoma Public Employees Retirement System

Amortization Method

Effective July 1, 2008, the unfunded actuarial accrued liability is amortized as a level percent of payroll over a 20-year closed period commencing July 1, 2007. For the defined contribution members, the employer sends to OPERS the difference between the OPERS required rate (16.5% for state members) and the amount required for the employer match in Pathfinder. These extra contributions to OPERS allow the use of the level percent of payroll amortization method since they are expected to produce a payment stream that is constant, if not increasing, as a percent of covered payroll.

Valuation Procedures

The actuarial accrued liability held for nonvested, inactive members who have a break in service, or for nonvested members who have quit or been terminated, even if a break in service has not occurred as of the valuation date, is equal to the amount of the individual's unclaimed contributions.

The wages used in the projection of benefits and liabilities are considered earnings for the year ending June 30, 2018, increased by the salary scale to develop expected earnings for the current valuation year. Earnings are annualized for new members assumed to have less than twelve months of reported earnings.

The calculations for the required employer contribution are determined as of mid-year. This is a reasonable estimate because contributions are made on a monthly basis throughout the year.

We did not value the 415 limit for active participants. The impact was assumed to be *de minimus*.

The compensation limitation under IRC Section 401(a)(17) is considered in this valuation.

Liability is included for members who appear to be deferred vested, but who have not yet submitted certain paperwork and therefore are not in the vested data provided. An estimated benefit was provided by the System. A corrected benefit and status will be provided by the System when the actual benefit and status have been finalized.

Members who are contributing to the System, but have not yet filled out an enrollment application, are included as active members. Where data elements are missing, reasonable estimates are used. Age is based on average entry age for other members. Gender is assigned in proportion to the overall group.

A liability is included for contribution amounts due to be refunded to terminated vested members who made voluntary contributions to increase the maximum compensation limit prior to July 1, 1998. The System supplied the included amounts.



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

SUMMARY OF ACTUARIAL ASSUMPTIONS

Economic Assumptions

Investment Return: 7.0% net of investment expenses per annum, compounded annually

Salary Increases: Sample rates below (midpoint of range shown):

<u>Nearest Age</u>	<u>% Increase</u>
20 - 24	9.50
25 - 29	7.80
30 – 34	6.30
35 – 39	5.50
40 – 44	5.20
45 – 49	4.80
50 – 54	4.50
55 – 59	4.30
60 – 64	3.80
65+	3.50

Payroll Growth: 3.50% per year

Ad hoc benefit increase assumptions

Monthly benefits No increases assumed
Medical Supplement No increases assumed

Projection of 401(a)(17) compensation limit: Projected with inflation at 2.75%



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions

Annual Rates of Retirement Per 100 Eligible Regular Non-Elected Members

<u>Age</u>	<u>Hired Prior to 11/1/2011</u>		<u>Hired on or After 11/1/2011</u>	
	<u>Those Eligible For Unreduced Retirement</u>	<u>Those Eligible For Reduced Retirement</u>	<u>Those Eligible For Unreduced Retirement</u>	<u>Those Eligible For Reduced Retirement</u>
50	15	N/A	N/A	N/A
51	15	N/A	N/A	N/A
52	15	N/A	N/A	N/A
53	15	N/A	N/A	N/A
54	15	N/A	N/A	N/A
55	10	3	N/A	N/A
56	10	4	N/A	N/A
57	11	4	N/A	N/A
58	12	5	N/A	N/A
59	13	6	N/A	N/A
60	14	6	30/15*	7
61	20	15	30/15*	7
62	25	N/A	30/15*	20
63	15	N/A	30/15*	15
64	15	N/A	30/15*	15
65	30	N/A	30/15*	N/A
66	25	N/A	20	N/A
67	25	N/A	20	N/A
68	25	N/A	20	N/A
69	25	N/A	25	N/A
70	100	N/A	100	N/A

*30 when first eligible to retire and 15 thereafter



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions (continued)

Annual Rates of Retirement Per 100 Eligible Elected Members

Age	Elected Prior to 11/1/2011		Elected on or After 11/1/2011	
	Those Eligible For Unreduced Retirement	Those Eligible For Reduced Retirement	Those Eligible For Unreduced Retirement	Those Eligible For Reduced Retirement
50	25	N/A	N/A	N/A
51	25	N/A	N/A	N/A
52	25	N/A	N/A	N/A
53	25	N/A	N/A	N/A
54	25	N/A	N/A	N/A
55	20	7.0	N/A	N/A
56	20	7.0	N/A	N/A
57	20	7.0	N/A	N/A
58	20	7.0	N/A	N/A
59	20	7.0	N/A	N/A
60	20	N/A	N/A	10
61	20	N/A	N/A	10
62	20	N/A	20	N/A
63	20	N/A	20	N/A
64	20	N/A	20	N/A
65	20	N/A	20	N/A
66	20	N/A	20	N/A
67	35	N/A	35	N/A
68	35	N/A	35	N/A
69-74	35	N/A	35	N/A
75	100	N/A	100	N/A



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions (continued)

Annual Rates of Retirement Per 100 Eligible Hazardous Duty Members

<u>Hired Prior to 11/1/2011</u>				<u>Hired on or After 11/1/2011</u>			
<u>Less Than 20</u>		<u>At Least 20</u>		<u>Less Than 20</u>		<u>At Least 20</u>	
<u>Years of Service</u>		<u>Years of Service</u>		<u>Years of Service</u>		<u>Years of Service</u>	
Age		Service*		Age		Service*	
50	N/A	20	25	50	N/A	20	25
51	N/A	21	25	51	N/A	21	25
52	N/A	22	20	52	N/A	22	20
53	N/A	23-24	15	53	N/A	23-24	15
54	N/A	25-29	23	54	N/A	25-29	23
55	4	30-34	25	55	N/A	30-34	25
56	5	35+	100	56	N/A	35+	100
57	5			57	N/A		
58	5			58	N/A		
59	5			59	N/A		
60	5			60	7		
61	20			61	20		
62	40			62	20		
63	22			63	20		
64	25			64	20		
65	40			65	40		
66	25			66	25		
67	25			67	23		
68	25			68	22		
69	25			69	21		
70	100			70	100		

*Applicable at all ages with 100% rate at age 70.



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions (continued)

Mortality Rates

Active participants and
non-disabled pensioners

RP-2014 Blue Collar Active/Retiree Healthy Mortality Table with base rates projected to 2025 using Scale MP-2016. For retirees, male rates are multiplied by 95% under age 70 and 105% over age 70, while female rates are multiplied by 90% and 115%. (For the multipliers, 5-year geometric smoothing is applied at age 70.)

Disabled pensioners

Nondisabled retiree mortality set forward 12 years for disabled experience.

Hazardous Duty members

For Department of Corrections officers, we assumed the mortality rate is 10% higher than the above table while the participant is active. This 10% is assumed to be in-line-of-duty.

Disability Rates:

Graduated rates

Disabled rates per 100 members

Nearest	Regular/Elected	Hazardous
<u>Age</u>		<u>Duty</u>
20	0.009	0.009
30	0.009	0.027
40	0.022	0.072
50	0.139	0.225
60	0.300	0.500



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions (continued)

Withdrawal Rates:

<u>Service</u>	<u>Rate</u>
0	24.00%
1	22.00%
2	18.00%
3	14.00%
4	12.00%
5	10.50%
6	9.00%
7	8.00%
8	7.00%
9	6.50%
10	6.00%
11	5.50%
12	5.00%
13	4.75%
14	4.50%
15	4.25%
16	4.00%
17	3.75%
18	3.50%
19	3.25%
20	3.00%
21	2.75%
22	2.50%
23	2.25%
24	2.00%
25	1.75%
26	1.50%
27	1.25%
28+	1.00%



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions (continued)

Probability of Electing Vested Benefit:

Regular Members Only	
<u>Duration</u>	<u>Rate</u>
8	80%
13	85%
18	90%
23	95%
28	100%

Marital Status:

Percentage Married	85%
Age difference	Males are assumed to be four years older than spouses.

Children:

Special death benefits are provided upon the in-line-of-duty death of Department of Corrections employees who have young children. We have assumed the average age of the youngest child of such employees is nine and that 50% of such children will attend an institution of higher education to age 22.

Form of Payment:

Participants are assumed to elect a life-only form of payment, except elected members who receive an automatic 50% survivor benefit for an eligible spouse.



APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Oklahoma Public Employees Retirement System

Demographic Assumptions (continued)

**Assumed age for commencement
of deferred benefits:**

Currently active members assumed to terminate in the future prior to retirement eligibility are assumed to commence benefits at age 62 (non-elected members) or age 60 (elected members).

Currently active members hired on or after 11/1/2011 assumed to terminate in the future prior to retirement eligibility are assumed to commence benefits at age 65.

Currently inactive members with deferred benefits are assumed to commence benefits on a date provided by OPERS.

Provision for expenses:

Administrative expenses, as budgeted by the Oklahoma Public Employees Retirement System.



APPENDIX C – DATA

**Oklahoma Public Employees Retirement System
Valuation Data Distribution – Actives – Regular Membership**

Age	Years of Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	830	18								848
Avg. Pay	\$24,874	\$33,490								\$25,057
25 to 29	1,535	553	10							2,098
Avg. Pay	\$31,780	\$36,796	\$34,265							\$33,114
30 to 34	1,367	1,316	305	5						2,993
Avg. Pay	\$34,071	\$42,990	\$43,124	\$36,663						\$38,919
35 to 39	1,316	1,284	995	191	3					3,789
Avg. Pay	\$33,911	\$42,392	\$48,232	\$46,718	\$59,175					\$41,211
40 to 44	940	1,076	887	604	159	4				3,670
Avg. Pay	\$35,004	\$41,842	\$46,838	\$50,842	\$52,813	\$60,039				\$43,275
45 to 49	877	1,023	922	620	563	141	7			4,153
Avg. Pay	\$35,058	\$42,344	\$46,040	\$48,529	\$52,042	\$49,474	\$63,700			\$44,142
50 to 54	770	932	796	555	606	515	177	9		4,360
Avg. Pay	\$34,493	\$40,534	\$43,925	\$47,311	\$48,552	\$54,343	\$55,551	\$55,973		\$44,336
55 to 59	736	920	931	685	605	459	445	246	13	5,040
Avg. Pay	\$34,439	\$40,404	\$42,502	\$45,519	\$47,236	\$54,390	\$58,300	\$55,848	\$56,573	\$45,085
60 to 64	482	773	750	593	492	373	306	211	83	4,063
Avg. Pay	\$36,492	\$40,635	\$43,549	\$45,612	\$47,681	\$51,824	\$54,559	\$57,052	\$55,907	\$45,501
65 to 69	184	351	308	213	205	128	102	77	72	1,640
Avg. Pay	\$32,293	\$45,203	\$43,719	\$49,063	\$48,800	\$54,276	\$55,268	\$58,112	\$58,200	\$46,938
70 & up	101	123	136	98	70	47	39	24	19	657
Avg. Pay	\$31,398	\$41,382	\$40,595	\$43,719	\$46,870	\$48,392	\$46,905	\$62,656	\$62,392	\$42,832
Total	9,138	8,369	6,040	3,564	2,703	1,667	1,076	567	187	33,311
Avg. Pay	\$33,146	\$41,536	\$44,977	\$47,453	\$49,064	\$53,221	\$56,119	\$56,893	\$57,495	\$42,509



APPENDIX C – DATA

**Oklahoma Public Employees Retirement System
Valuation Data Distribution – Actives – Elected Membership**

Age	Years of Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25 Avg. Pay										0 \$0
25 to 29 Avg. Pay	5 \$40,946	1 \$38,400								6 \$40,521
30 to 34 Avg. Pay	11 \$41,864	3 \$35,452	3 \$50,711							17 \$42,294
35 to 39 Avg. Pay	6 \$49,440	15 \$48,818	8 \$52,833	9 \$46,981						38 \$49,327
40 to 44 Avg. Pay	11 \$46,123	18 \$59,781	13 \$53,442	9 \$54,328	9 \$49,237					60 \$53,504
45 to 49 Avg. Pay	11 \$46,679	14 \$47,350	20 \$59,655	23 \$58,042	21 \$66,803	8 \$50,459				97 \$56,814
50 to 54 Avg. Pay	12 \$53,165	13 \$52,279	23 \$53,682	21 \$49,280	20 \$61,319	15 \$54,176	10 \$53,160			114 \$54,016
55 to 59 Avg. Pay	16 \$58,378	34 \$51,922	16 \$56,156	25 \$55,791	16 \$54,136	18 \$55,083	13 \$62,052	5 \$51,940		143 \$55,362
60 to 64 Avg. Pay	18 \$52,194	23 \$46,002	17 \$60,606	12 \$46,453	18 \$51,771	13 \$63,388	9 \$63,598	6 \$65,105	4 \$51,168	120 \$54,241
65 to 69 Avg. Pay	7 \$41,053	17 \$52,951	20 \$49,968	8 \$59,756	12 \$49,552	4 \$89,795	5 \$54,286	2 \$92,624	1 \$47,555	76 \$54,250
70 & up Avg. Pay	2 \$47,963	12 \$52,049	9 \$44,590	5 \$52,107	2 \$42,642	1 \$45,539	1 \$114,713		1 \$45,900	33 \$50,721
Total Avg. Pay	99 \$49,268	150 \$50,958	129 \$54,471	112 \$53,325	98 \$56,636	59 \$58,247	38 \$60,442	13 \$64,275	6 \$49,688	704 \$53,889



APPENDIX C – DATA

**Oklahoma Public Employees Retirement System
Valuation Data Distribution – Actives – Hazardous Duty Membership**

Age	Years of Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25 Avg. Pay	251 \$25,965									251 \$25,965
25 to 29 Avg. Pay	384 \$27,891	57 \$31,957								441 \$28,417
30 to 34 Avg. Pay	276 \$27,185	99 \$36,263	34 \$35,736							409 \$30,093
35 to 39 Avg. Pay	123 \$27,424	76 \$35,601	85 \$37,827	23 \$39,869						307 \$33,261
40 to 44 Avg. Pay	85 \$28,105	49 \$33,306	71 \$36,031	86 \$42,950	16 \$46,861					307 \$35,904
45 to 49 Avg. Pay	68 \$30,771	36 \$34,414	54 \$37,696	68 \$42,028	25 \$48,292	5 \$48,334				256 \$37,788
50 to 54 Avg. Pay	38 \$27,822	19 \$35,535	29 \$33,239	48 \$40,150	21 \$44,360	12 \$49,965				167 \$36,854
55 to 59 Avg. Pay	27 \$29,198	19 \$32,842	23 \$34,872	17 \$38,466	15 \$41,369	7 \$41,724	4 \$53,632			112 \$35,674
60 to 64 Avg. Pay	8 \$28,515	3 \$24,162	13 \$34,818	14 \$37,894	6 \$44,204	4 \$49,223				48 \$36,372
65 to 69 Avg. Pay	3 \$26,407	3 \$32,301	3 \$35,669	3 \$39,205	2 \$39,825					14 \$34,314
70 & up Avg. Pay				2 \$42,656						2 \$42,656
Total Avg. Pay	1,263 \$27,504	361 \$34,506	312 \$36,377	261 \$41,315	85 \$45,342	28 \$47,507	4 \$53,632			2,314 \$32,293



APPENDIX C – DATA

**Oklahoma Public Employees Retirement System
Valuation Data Distribution – Actives – All Membership Groups**

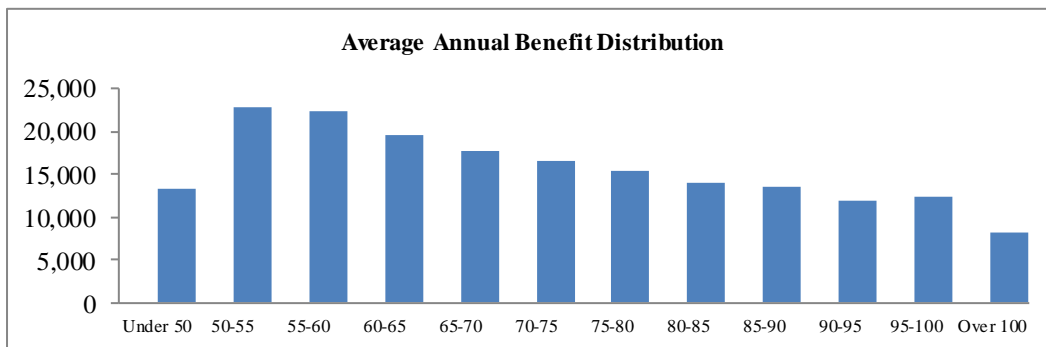
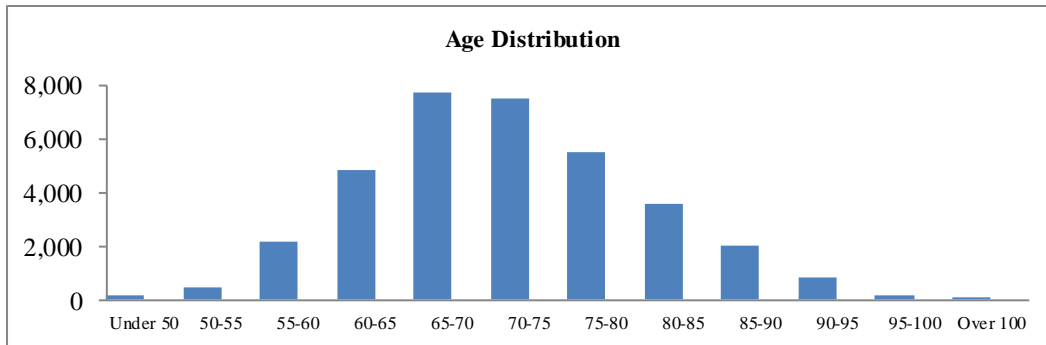
Age	Years of Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	1,081	18								1,099
Avg. Pay	\$25,128	\$33,490								\$25,265
25 to 29	1,924	611	10							2,545
Avg. Pay	\$31,027	\$36,348	\$34,265							\$32,317
30 to 34	1,654	1,418	342	5						3,419
Avg. Pay	\$32,974	\$42,504	\$42,456	\$36,663						\$37,880
35 to 39	1,445	1,375	1,088	223	3					4,134
Avg. Pay	\$33,423	\$42,087	\$47,453	\$46,022	\$59,175					\$40,695
40 to 44	1,036	1,143	971	699	184	4				4,037
Avg. Pay	\$34,556	\$41,759	\$46,136	\$49,916	\$52,120	\$60,039				\$42,866
45 to 49	956	1,073	996	711	609	154	7			4,506
Avg. Pay	\$34,887	\$42,143	\$45,861	\$48,215	\$52,397	\$49,488	\$63,700			\$44,054
50 to 54	820	964	848	624	647	542	187	9		4,641
Avg. Pay	\$34,457	\$40,594	\$43,824	\$46,826	\$48,811	\$54,241	\$55,423	\$55,973		\$44,304
55 to 59	779	973	970	727	636	484	462	251	13	5,295
Avg. Pay	\$34,750	\$40,659	\$42,547	\$45,707	\$47,271	\$54,233	\$58,365	\$55,770	\$56,573	\$45,164
60 to 64	508	799	780	619	516	390	315	217	87	4,231
Avg. Pay	\$36,923	\$40,728	\$43,775	\$45,454	\$47,783	\$52,182	\$54,818	\$57,275	\$55,689	\$45,646
65 to 69	194	371	331	224	219	132	107	79	73	1,730
Avg. Pay	\$32,518	\$45,454	\$44,024	\$49,313	\$48,759	\$55,352	\$55,222	\$58,986	\$58,054	\$47,157
70 & up	103	135	145	105	72	48	40	24	20	692
Avg. Pay	\$31,720	\$42,330	\$40,843	\$44,098	\$46,753	\$48,333	\$48,600	\$62,656	\$61,567	\$43,207
Total	10,500	8,880	6,481	3,937	2,886	1,754	1,118	580	193	36,329
Avg. Pay	\$32,619	\$41,409	\$44,752	\$47,213	\$49,211	\$53,299	\$56,257	\$57,059	\$57,253	\$42,079



APPENDIX C – DATA

**Oklahoma Public Employees Retirement System
Valuation Data Distribution – Retired Members**

Age	Number			Annual Benefits		
	Male	Female	Total	Male	Female	Total
Under 50	108	92	200	\$ 1,764,135	\$ 891,422	\$ 2,655,557
50-55	278	213	491	6,866,803	4,335,295	11,202,098
55-60	936	1,217	2,153	22,247,012	25,887,623	48,134,635
60-65	1,837	3,037	4,874	37,453,832	57,396,310	94,850,142
65-70	3,188	4,550	7,738	59,419,308	77,016,137	136,435,445
70-75	3,277	4,266	7,543	59,957,280	65,514,450	125,471,730
75-80	2,346	3,194	5,540	40,056,870	45,653,159	85,710,029
80-85	1,438	2,184	3,622	22,838,035	27,867,039	50,705,074
85-90	730	1,313	2,043	11,116,586	16,422,204	27,538,790
90-95	255	585	840	3,642,301	6,402,894	10,045,195
95-100	46	141	187	703,414	1,613,893	2,317,307
Over 100	2	27	29	25,377	210,229	235,606
Total	14,441	20,819	35,260	\$266,090,953	\$329,210,655	\$595,301,608



**APPENDIX C – DATA****Oklahoma Public Employees Retirement System**

	Actuarial Valuation as of		% Change
	7/1/2018	7/1/2017	
1. Active members			
a. Number	36,329	38,873	(6.5%)
b. Annual compensation	\$ 1,601,074,591	\$ 1,688,543,856	(5.2%)
c. Average annual compensation	44,072	43,437	1.5%
d. Average age	47.0	46.6	0.9%
e. Average service	11.1	10.6	4.7%
2. Accumulated member contributions			
a. Active members	\$ 550,806,124	\$ 549,211,369	0.3%
b. Unclaimed contribution amounts	50,978,731	46,782,203	9.0%
c. Total	\$ 601,784,855	\$ 595,993,572	1.0%
3. Vested terminated members			
a. Number	2,943	3,039	(3.2%)
b. Annual deferred benefits	\$ 29,922,483	\$ 29,268,331	2.2%
c. Average annual deferred benefit	10,167	9,861	3.1%
d. Annual supplemental medical insurance premiums	\$ 3,708,180	\$ 3,829,140	(3.2%)
4. Assumed deferred vested - count	3,081	2,912	5.8%
5. Retired members			
a. Number	29,824	29,259	1.9%
b. Annual retirement benefits	\$ 536,103,656	\$ 519,277,463	3.2%
c. Average annual retirement benefit	17,976	17,748	1.3%
d. Annual supplemental medical insurance premiums	\$ 17,860,500	\$ 17,159,940	4.1%
6. Beneficiaries			
a. Number	4,003	3,860	3.7%
b. Annual retirement benefits	\$ 44,773,451	\$ 42,659,911	5.0%
c. Average annual retirement benefit	11,185	11,052	1.2%
7. Disabled members			
a. Number	1,433	1,460	(1.8%)
b. Annual retirement benefits	\$ 14,424,501	\$ 14,610,685	(1.3%)
c. Average annual retirement benefit	10,066	10,007	0.6%
d. Annual supplemental medical insurance premiums	\$ 771,120	\$ 810,180	(4.8%)
8. Total members included in valuation	77,613	79,403	(2.3%)



APPENDIX C – DATA

Oklahoma Public Employees Retirement System

	Actuarial Valuation as of	
	7/1/2018	7/1/2017
Regular Members		
Number	33,311	35,846
Average annual compensation	\$ 42,509	\$ 41,756
Average age	47.6	47.0
Average service	11.3	10.8
Elected officials		
Number	704	720
Average annual compensation	\$ 53,889	\$ 51,612
Average age	54.3	53.5
Average service	14.8	14.0
Hazardous Duty		
Number	2,314	2,307
Average annual compensation	\$ 32,293	\$ 33,522
Average age	37.1	37.5
Average service	6.6	6.8
Total		
Number	36,329	38,873
Average annual compensation	\$ 42,079	\$ 41,450
Average age	47.0	46.6
Average service	11.1	10.6



Oklahoma Public Employees Retirement System

	Actuarial Valuation as of	
	7/1/2018	7/1/2017
Retirees		
Number	29,824	29,259
Average annual benefit	\$ 17,976	\$ 17,748
Average age	71.4	71.2
Disability Retirees		
Number	1,433	1,460
Average annual benefit	\$ 10,066	\$ 10,007
Average age	65.5	65.0
Beneficiaries		
Number	4,003	3,860
Average annual benefit	\$ 11,185	\$ 11,052
Average age	74.2	73.8
Total		
Number	35,260	34,579
Average annual benefit	\$ 16,884	\$ 16,673
Average age	71.5	71.3
Vested Members		
Number	6,024	5,951
Average annual benefit	\$ 10,195	\$ 9,900
Average age	52.2	52.2



APPENDIX C – DATA

	Receiving Benefits					Total Members
	Active Members	Vested Terminated	Retirees	Disability Retirees	Benefici- aries	
As of July 1, 2017	38,873	5,951	29,259	1,460	3,860	79,403
Age retirements	(1,247)	(351)	1,598	0	0	0
Disability retirements	(23)	(23)	0	46	0	0
Deaths without payments continuing	(67)	(15)	(766)	(55)	(183)	(1,086)
Deaths with payments continuing	(19)	(19)	(271)	(21)	330	0
Nonvested terminations/refund of contributions	(3,599)	(92)	0	0	0	(3,691)
Vested terminations	(733)	733	0	0	0	0
Transfers	(3)	(11)	0	0	0	(14)
Data adjustments	0	(21)	7	3	(4)	(15)
Rehires	840	(128)	(3)	0	0	709
New entrants during the year	2,307	0	0	0	0	2,307
Net change	(2,544)	73	565	(27)	143	(1,790)
As of July 1, 2018	36,329	6,024	29,824	1,433	4,003	77,613

	Active	Retired	Terminated Vested	Total
	Records submitted on data file	35,928	61,843	2,948
Remove deceased retirees	0	(26,574)	0	(26,574)
Remove unusable data	(6)	0	0	(6)
Remove those with another status	(15)	(9)	(5)	(29)
Add those with no application	422	0	0	422
Add assumed vesteds	0	0	3,081	3,081
Total valued	36,329	35,260	6,024	77,613



Oklahoma Public Employees Retirement System

Accrued Benefit

The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.

Actuarial Accrued Liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation, rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Actuarially Equivalent

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Amortization Payment

That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.



APPENDIX D - GLOSSARY

Deferred Vested Participant

A vested member who has terminated employment prior to early or normal retirement age who does not withdraw his or her contributions and is, therefore, due a retirement benefit at a later date.

Entry Age Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called 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 called the Actuarial Accrued Liability.

Market Value of Assets

The fair value of cash, investments and other property belonging to a pension plan that could be acquired by exchanging them on the open market.

Normal Cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method Projected Benefits.

Projected Benefits

Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unaccrued Benefit

The excess of an individual's Projected Benefits over the Accrued Benefits as of a specified date.

Unfunded Actuarial Accrued Liability

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Withdrawal Liability

The liability due to an active member terminating employment with a deferred vested benefit.