

Maryland Transit Administration  
Pension Plan  
Actuarial Valuation  
as of July 1, 2021





October 7, 2021

Maryland Transit Administration Pension Plan  
6 St. Paul Street, 8th Floor  
Baltimore, Maryland 21202

The results of the June 30, 2021 annual actuarial valuation of the Maryland Transit Administration Pension Plan ("MTA") are presented in this report. This report was prepared at the request of the Board and is intended for use by the Plan and those designated or approved by the Board. This report may be provided to parties other than the Plan only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

This report contains an update to our draft report dated September 15, 2021 following a discussion with Plan staff in which the future Cost of Living Adjustment (COLA) increases were clarified. The draft report assumed a 2.10% COLA for the Local 1300 union and Local 2 union as of August 1, 2021. This report reflects the actual 3.00% COLA granted for the Local 1300 union and Local 2 union as of August 1, 2021. Reflecting this change increased the Actuarial Accrued Liability (AAL) and Computed Employer Contribution shown in our draft report

The purposes of the valuation are to measure the Plan's funding progress and to determine an employer contribution rate for the next fiscal year. The results of the valuation may not be applicable for other purposes. Information required by the Governmental Accounting Standard Board (GASB) Statement Nos. 67 and No. 68 will be provided in a separate report.

The valuation was based upon information, furnished by the MTA staff, concerning Pension Plan benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency, but was not audited. We are not responsible for the accuracy or completeness of the data provided.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals.

This valuation assumes the continuing ability of the employer to make the contributions necessary to fund this system. A determination regarding whether or not the employer is actually able to do so is outside our scope of expertise. Consequently, we did not perform such an analysis.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

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

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. We certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice as promulgated by the Actuarial Standards Board.

This report should not be relied on for any purpose other than the purposes previously described. Determinations of the financial values associated with benefits described in this report for a purpose other than the intended purpose may produce results that differ significantly from those presented in this report.

The signing actuaries are independent of the plan sponsor.

Brad Lee Armstrong and Jamal Adora are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, FCA, MAAA



Jamal Adora, ASA, EA, MAAA

BLA/JA:sc



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## SECTION A

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### EXECUTIVE SUMMARY

## Executive Summary

Valuation Date:	July 1, 2021	July 1, 2020
Fiscal Year Ending:	June 30, 2022	June 30, 2021
Actuarially Determined Employer Contributions:		
Annual Amount	\$ 53,638,723	\$ 58,841,684
Percentage of Covered Payroll	32.60 %	37.30 %
Membership		
Number of		
Active Members	2,532	2,642
Service Retirees, Beneficiaries and QDRO's	1,600	1,480
Disability Retirees	433	449
Inactive, Nonretired Members	525	550
Total	5,090	5,142
Reported Payroll	\$ 164,552,701	\$ 157,761,162
Assets		
Market Value	\$ 447,377,971	\$ 335,912,260
Actuarial Value	\$ 418,741,764	\$ 362,292,739
Return on Market Value	25.84 %	3.14 %
Return on Actuarial Value	9.27 %	5.83 %
Ratio – Actuarial Value to Market Value	93.60 %	107.85 %
Actuarial Information		
Employer Normal Cost \$	\$ 6,265,323	\$ 8,644,208
Actuarial Accrued Liability (AAL)	\$ 844,099,366	\$ 836,613,531
Unfunded Actuarial Accrued Liability (UAAL)	\$ 425,357,602	\$ 474,320,792
Funded Ratio	49.61 %	43.30 %
UAAL as % of Reported Payroll	258.49 %	300.66 %
Equivalent Single Amortization Period	14 years	15 years

## **SECTION B**

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### **VALUATION RESULTS**

## Principal Valuation Results as of July 1

Valuation Date: Covered Group	July 1, 2021	July 1, 2020
A. Number of Participants		
Active Members	2,532	2,615
Participants Receiving a Benefit	2,033	2,005
Terminated Vested Participants	525	518
Total	5,090	5,138
Annual Base Pay of Active Members	\$ 164,552,701	\$ 157,761,162

Development of Contribution For Fiscal Year Ending: Assumed Payment Date:	June 30, 2022 September 1, 2021	June 30, 2021 September 1, 2020
B. Normal Cost		
Total	\$ 12,882,674	\$ 11,448,348
Member	6,691,456	2,906,382
Employer	\$ 6,191,218	\$ 8,541,966
Interest to Assumed Payment Date	74,105	102,242
Employer Total	\$ 6,265,323	\$ 8,644,208
C. Unfunded Actuarial Accrued Liabilities (UAAL)		
Actuarial Accrued Liability	\$ 844,099,366	\$ 836,613,531
Actuarial Value of Assets	418,741,764	362,292,739
UAAL	\$ 425,357,602	\$ 474,320,792
Payment Required to Amortize the UAAL	\$ 47,373,400	\$ 50,197,476
D. Total Computed Employer Contribution	\$ 53,638,723	\$ 58,841,684



## Actuarial Liabilities as of July 1, 2021

Actuarial Present Value of	Total Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities (1) – (2)
Age and service allowances based on total service likely to be rendered by present active members	\$ 432,578,055	\$ 65,053,159	\$ 367,524,896
Disability benefits likely to be paid to present active members	69,938,694	18,009,239	51,929,455
Death-in-service benefits likely to be paid on behalf of present active members	11,572,093	1,707,605	9,864,488
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active members	12,234,994	8,611,072	3,623,922
Benefits likely to be paid to vested inactive members	22,699,842	0	22,699,842
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	388,456,763	0	388,456,763
<b>Total</b>	<b>\$ 937,480,441</b>	<b>\$ 93,381,075</b>	<b>\$ 844,099,366</b>
Actuarial Value of Assets	\$ 418,741,764	\$ 0	\$ 418,741,764
Liabilities to be covered by Future Contributions	\$ 518,738,677	\$ 93,381,075	\$ 425,357,602

## Unfunded Actuarial Accrued Liability Amortization Bases

Date	Source	Amortization Period		Unfunded Actuarial Accrued Liability (UAAL)		September 1, 2021
		Initial	Remaining	Initial Amount	Current Amount	Amortization Payment
7/1/2019	Initial	25	23	\$ 391,292,358	\$ 379,221,436	\$ 32,789,611
7/1/2019	Plan Amendment (COLA Award)	3	1	29,831,247	10,663,800	10,791,439
7/1/2019	Assumption Change	20	18	208,201	198,144	19,100
7/1/2019	Plan Amendment	12	10	261,181	231,645	31,653
7/1/2019	Experience Loss	20	18	28,448,294	27,074,300	2,609,760
7/1/2020	Assumption Change (lowering DR to 7.40%)	20	19	4,675,175	4,566,022	428,830
7/1/2020	Plan Amendment (COLA Award)	3	2	1,059,019	730,893	383,016
7/1/2020	Plan Amendment (EE Cont Inc)	12	11	49,174	46,489	5,958
7/1/2020	Experience Loss	20	19	34,212,140	33,413,375	3,138,107
7/1/2021	Experience Gain	20	20	(30,788,502)	(30,788,502)	(2,824,074)
					\$ 425,357,602	\$ 47,373,400

## Unfunded Actuarial Accrued Liability Amortization Schedule

Year	Expected UAAL after 2021
2021	\$ 425,357,599
2022	406,556,818
2023	397,817,700
2024	388,838,382
2025	379,194,593
2030	319,154,484
2035	233,529,751
2040	114,026,000
2043	32,401,781
2044	0

The Expected Unfunded Actuarial Accrued Liability (UAAL) on this page assumes that future experience will match assumed experience. It does not consider any experience gains/losses, benefit changes, or assumption/method changes.

# Actuarial Balance Sheet as of July 1

## Assets and Present Value of Expected Future Contributions

**Valuation Date:** **2021**

A. Present Actuarial Value of Assets	
1. Net Assets from System Financial Statements	\$ 447,377,971
2. Adjustment for Valuation Assets	<u>(28,636,207)</u>
3. Actuarial Value of Assets	418,741,764
B. Actuarial Present Value of Expected Future Employer Contributions	
1. For Normal Costs	32,040,258
2. For Unfunded Actuarial Accrued Liability	<u>425,357,602</u>
3. Total	457,397,860
C. Actuarial Present Value of Expected Future Member Contributions	
	<u>61,340,817</u>
D. Total Present and Expected Future Resources	<u>\$ 937,480,441</u>

## Present Value of Expected Future Benefit Payments

A. To Retirees and Beneficiaries	\$ 388,456,763
B. To Vested Terminated Members	22,699,842
C. To Present Active Members	
1. Allocated to Service Rendered Prior to Valuation Date – Actuarial Accrued Liability	432,942,761
2. Allocated to Service Likely to be Rendered After Valuation Date	<u>93,381,075</u>
3. Total	526,323,836
D. Total Actuarial Present Value of Expected Future Benefit Payments	<u>\$ 937,480,441</u>



## Experience Gain/(Loss) as of July 1

Plan Year Ending	2021
A. Derivation of Experience Gain/(Loss)	
1. Unfunded Actuarial Accrued Liability (UAAL)	
Previous Valuation	\$474,320,792
2. Normal Cost (NC) at July 1	11,448,348
3. Expected Contributions	(61,782,854)
4. Interest Accrual	<u>32,159,818</u>
5. Expected UAAL before Changes: 1. + 2. + 3. + 4.	456,146,104
6. Change in Benefit Provisions	-
7. Change in Methods and Assumptions	<u>-</u>
8. Expected UAAL After Changes: 5. + 6. + 7.	456,146,104
9. Actual UAAL Current Year	<u>425,357,602</u>
10. Experience Gain/(Loss): (8) – (9)	30,788,502
B. Gain/(Loss) by Source	
1. Gain/(Loss) due to Actual vs. Expected Contribution	<b>4,920,327</b>
2. Gain/(Loss) due to Actual vs. Expected Rate of Return on Assets	5,510,272
3. Gain/(Loss) due to Demographic Experience	<u>20,357,903</u>
	30,788,502
C. Gain/(Loss) as a % of Beginning of Year Actuarial Liability	3.09%

### Gain\ (Loss) History

Plan Year Ending July 1	Experience Gain\ (Loss) as % of Beginning Accrued Liability
2020	(4.34)%
2021	3.09%

# Comments, Recommendations and Conclusion

## Experience

Overall there was an actuarial gain of \$30.8 million during the year ended June 30, 2021 (see page 7). On a market value basis, this year's investments dramatically exceeded the assumption of 7.40% (see page 16); the result of this and the phase-ins of prior investment gains and losses yielded an asset gain on a funding value basis of \$5.5 million.

Liability gains due to demographic experience totaled \$20.4 million. This is primarily a result of a lower estimate of liabilities compared to the prior actuary, offset somewhat by the increase in salaries compared to expectations.

There was also a \$4.9 million employer/employee contribution gain.

## Funded Status

The funded status for the Plan as a whole is 50.1%, based on the Actuarial Value of Assets. On the basis of the Market Value of Assets, the funded status is 53.6%. This indicates that deferred asset gains should increase the funded status as they become recognized (absent future losses).

## Amortization Schedule

Effective July 1, 2019, all existing amortization bases were consolidated to be paid over 25 years. Gains and losses due to experience and assumption changes will be amortized over 20 years. The remaining amortization periods are shown on page 5. As amortization schedules wind down in the future (around 5 to 10 years), the computed contributions may become more volatile. In an effort to mitigate the potential adverse effects of this scenario, we suggest maintaining this "layered" amortization schedule, and consider actively managing them when appropriate to avoid unnecessary contribution volatility.

## Valuation Assumptions

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations). Actuarial assumptions were last reviewed in connection with a study conducted by the prior actuary of 2014-2018 experience in the Experience Study report dated August 16, 2019, which includes the rationale for the assumptions. The assumptions were adopted by the Board on August 20, 2019. There were no changes in actuarial assumptions or methods for this valuation. We anticipate incorporating new economic assumptions in the June 30, 2022 valuation. The next Experience Study will be started after the June 30, 2022 valuation to first impact the June 30, 2023 valuation.

# Comments, Recommendations and Conclusion

## Benefit Changes

There were no benefit changes during the year.

## GASB Reporting Standards

The GASB Statement Nos. 67 and 68 reporting disclosures required for the plan this year will be issued in a separate report.

## Conclusion

The Pension Plan's financial objective is to meet long-term benefit obligations through contributions that remain approximately level as a percent of active member payroll. Continued receipt of these contributions is the best guarantee that the Plan will be able to pay all promised benefits when due.

The Plan's funded ratio relies, in part, on timely receipt of employer contributions. This valuation assumes that the plan sponsor will be able to make future contributions on a timely basis. Failure to receive employer contributions on a timely basis could jeopardize the sustainability of the fund. We did not perform an analysis of the ability of the plan sponsor to make future contributions.

## Other Observations

### General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Contributions and Funded Status

Given the System's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the Retirement System earning 7.40% on the Market Value of Assets), it is expected that:

1. The employer normal cost is sufficient to cover the cost of benefits accruing each year;
2. The Unfunded Actuarial Accrued Liabilities (UAAL) will be fully amortized after the respective amortization periods end; and
3. The funded status of the Retirement System will continue to increase gradually towards a 100% funded ratio.

### Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the Actuarial Accrued Liability (AAL) and the Actuarial Value of Assets (AVA). Unless otherwise indicated, with regard to any funded status measurements presented in this report:

1. The measurement is inappropriate for assessing the sufficiency of Retirement System assets to cover the estimated cost of settling the Retirement System's benefit obligations, for example: transferring the liability to an unrelated third party in a market value type transaction.
2. The measurement is dependent upon the Actuarial Cost Method which, in combination with the Retirement System's amortization policy, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. Even if the funded status were over 100%, the Retirement System would still require future normal cost contributions (i.e., contributions to cover the cost of active membership accruing an additional year of service credit).
3. The measurement would produce a different result if the Market Value of Assets (MVA) were used instead of the FVA, unless the MVA is used in the measurement.

### Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entities to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.



## Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; 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. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch Risk** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

# Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

## Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	2020	2019
Ratio of the Market Value of Assets to Total Payroll	2.72	2.13
Ratio of Actuarial Accrued Liability to Payroll	5.13	5.30
Ratio of Actives to Retirees and Beneficiaries	1.25	1.30
Ratio of Net Cash Flow to Market Value of Assets	4.08%	0.23%

### Ratio of Market Value of Assets to Total Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

### Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll, a change in liability 2% other than assumed would equal 5% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

### Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

# Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

## Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

## Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

## SECTION C

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### ASSETS

# Statement of Plan Assets

(Assets at Market or Fair Value)

	July 1,	
	2021	2020
Cash and Cash Equivalents	\$ 9,384,439	\$ 3,316,459
Investments		
U.S. Government Obligations	\$ 47,557,179	\$ 40,687,681
Domestic Corporate Obligations	29,963,899	26,378,909
International Obligations	17,140,513	13,513,614
Domestic Stocks	70,948,627	54,279,795
International Stocks	89,586,592	67,250,939
Mortgage and Mortgage Related	8,216,959	7,128,401
Alternative Investments	174,579,763	123,356,462
Total Investments	\$ 437,993,532	\$ 332,595,801
Liabilities		
Accounts Payable - Purchase of Investments	\$ 0	\$ 0
Accrued Expenses	0	0
Accounts Payable - Other	0	0
Total Liabilities	0	0
<b>Total Market Value of Assets</b>	<b>\$ 447,377,971</b>	<b>\$ 335,912,260</b>
Allocation of Assets		
U.S. Government Obligations	10.63 %	12.11 %
Domestic Corporate Obligations	6.70 %	7.85 %
International Obligations	3.83 %	4.02 %
Domestic Stocks	15.86 %	16.16 %
International Stocks	20.02 %	20.02 %
Mortgage and Mortgage Related	1.84 %	2.12 %
Alternative Investments	39.02 %	36.72 %
Cash and Cash Equivalents	2.10 %	0.99 %
Total Investments	100.00 %	100.00 %

## Reconciliation of Plan Assets

	July 1,	
	2021	2020
Market Value of Assets at Beginning of Year	\$ 335,912,260	\$ 322,304,417
Revenues		
Contributions		
Employer Contributions	\$ 59,279,675	\$ 43,249,926
Member Contributions	7,311,254	4,609,744
Other	0	0
Total	\$ 66,590,929	\$ 47,859,670
Investment Income		
Net Appreciation of Investments	\$ 48,772,832	\$ (7,293,444)
Interest, Dividends, and Other Income	44,439,892	20,125,256
Investment Expenses	0	0
Net Investment Income	\$ 93,212,724	\$ 12,831,812
Expenditures		
Benefits and Refunds		
Benefit Payments	\$ 44,735,513	\$ 44,432,068
Refunds	0	0
Administrative Expenses	3,602,429	2,651,571
Other Distributions	0	0
Total	\$ 48,337,942	\$ 47,083,639
<b>Market Value of Assets at End of Year</b>	<b>\$ 447,377,971</b>	<b>\$ 335,912,260</b>

## Development of the Actuarial Value of Assets

Valuation Date – July 1	2020	2021	2022	2023	2024	2025
A. Actuarial Value of Assets Beginning of Year	\$ 339,002,828	\$ 362,292,739				
B. Market Value End of Year	335,912,260	447,377,971				
C. Market Value Beginning of Year	322,304,417	335,912,260				
D. Non-Investment Net Cash Flow						
D1. Employer Contributions	43,249,926	59,279,675				
D2. Member Contributions	4,609,744	7,311,254				
D3. Retirement Benefits including Refunds	(44,432,068)	(44,735,513)				
D4. Administrative Expenses	0	0				
D5. Total Net Cash Flow: D1+D2+D3+D4	3,427,602	21,855,416				
E. Investment Income						
E1. Actual Market Total: B-C-D5	10,180,241	89,610,295				
E2. Assumed Rate of Return	7.45 %	7.40 %				
E3. Assumed Amount of Return	26,457,429	29,083,337				
E4. Amount Subject to Phase-In: E1-E3	(32,975,599)	60,526,958				
F. Phase-In Recognition of Investment Income						
F1. Current Year: 20% x E4	(6,595,120)	12,105,392				
F2. First Prior Year	0	(6,595,120)	\$ 12,105,392			
F3. Second Prior Year	0	0	(6,595,120)	\$ 12,105,392		
F4. Third Prior Year	0	0	0	(6,595,120)	\$ 12,105,392	
F4. Third Prior Year	0	0	0	0	(6,595,119)	\$ 12,105,390
F5. Total Phase-Ins	\$ (6,595,120)	\$ 5,510,272	\$ 5,510,272	\$ 5,510,272	\$ 5,510,273	\$ 12,105,390
G. Actuarial Value of Assets End of Year						
G1. Preliminary Actuarial Value of Assets End of Year: A+D5+E3+F5	\$ 362,292,739	\$ 418,741,764				
G2. Actuarial Value of Assets End of Year	362,292,739	418,741,764				
H. Difference between Market & Actuarial Value of Assets	\$ (26,380,479)	\$ 28,636,207				
<b>I. Actuarial Rate of Return</b>	<b>5.83 %</b>	<b>9.27 %</b>				
<b>J. Market Rate of Return</b>	<b>3.14 %</b>	<b>25.84 %</b>				
<b>K. Ratio of Actuarial Value of Assets to Market Value</b>	<b>107.85 %</b>	<b>93.60 %</b>				

## SECTION D

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### MEMBERSHIP INFORMATION



## Retirees and Beneficiaries by Type of Benefit Being Paid

Type of Benefit Being Paid	No.	Benefits	Average Benefits
Age and Service Benefits			
Straight Life -- Terminating at Death of Retiree	776	\$ 18,956,128	\$ 24,428
Certain and Life	26	529,587	20,369
Joint and Survivor Benefit	545	14,598,773	26,787
Survivor Beneficiary of Deceased Retiree	253	3,602,027	14,237
<b>Total Age and Service Benefits</b>	<b>1,600</b>	<b>\$ 37,686,515</b>	<b>\$ 23,554</b>
Casualty Benefits			
Duty Disability	433	5,959,898	13,764
<b>Total Casualty Benefits</b>	<b>433</b>	<b>\$ 5,959,898</b>	<b>\$ 13,764</b>
<b>Total Benefits Being Paid</b>	<b>2,033</b>	<b>\$ 43,646,413</b>	<b>\$ 21,469</b>

## Inactive Member Age Distribution

Age Last Birthday	Age and Service		Casualty		Vested Terminated		Total	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 45	12	\$ 189,967	17	\$ 142,673	90	\$ 678,539	119	\$ 1,011,179
45-49	8	111,265	19	155,334	45	395,161	72	661,760
50-54	10	95,417	31	371,355	78	743,355	119	1,210,127
55-59	49	1,405,054	54	668,769	113	1,048,084	216	3,121,907
60-64	148	4,244,559	86	1,250,607	125	985,051	359	6,480,217
65-69	347	8,296,768	88	1,421,744	46	318,285	481	10,036,797
70-74	433	10,658,658	73	1,126,669	18	106,857	524	11,892,184
75-79	281	6,424,640	43	605,083	6	27,759	330	7,057,482
80-84	178	3,696,985	20	231,448	4	19,546	202	3,947,979
85-89	83	1,772,078	7	83,546	0	0	90	1,855,624
90 & Over	44	676,985	2	16,808	0	0	46	693,793
<b>Totals</b>	<b>1,593</b>	<b>\$ 37,572,376</b>	<b>440</b>	<b>\$ 6,074,036</b>	<b>525</b>	<b>\$ 4,322,637</b>	<b>2,558</b>	<b>\$ 47,969,049</b>

## Active Member Age and Service Distribution

Nearest Whole Age	Nearest Whole Years of Service on the Valuation Date							Total Number	Total Valuation Payroll
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 or more		
Under 20	-	-	-	-	-	-	-	-	\$ -
20 - 24	12	-	-	-	-	-	-	12	625,144
25 - 29	46	6	-	-	-	-	-	52	2,589,059
30 - 24	105	72	47	-	-	-	-	224	13,094,101
35 - 29	98	58	114	23	-	-	-	293	18,180,748
40 - 24	55	56	90	68	31	1	-	301	19,245,295
45 - 29	50	55	70	43	71	10	-	299	19,405,604
50 - 24	57	48	90	66	89	28	11	389	25,690,278
55 - 29	29	31	90	63	94	53	63	423	28,975,994
60	5	7	12	10	23	8	20	85	5,677,403
61	7	6	10	14	16	7	20	80	5,361,059
62	2	7	12	11	17	3	19	71	4,789,430
63	5	6	10	12	11	6	17	67	4,547,585
64	1	5	8	4	13	4	15	50	3,516,028
65	1	2	9	7	7	5	18	49	3,459,530
66	-	2	6	4	7	6	11	36	2,550,293
67	-	2	6	4	6	3	9	30	2,039,725
68	-	1	5	4	2	-	6	18	1,259,035
69	-	-	1	3	-	1	1	6	376,891
70	-	-	1	2	2	1	5	11	723,884
Over 70	1	2	6	4	5	3	15	36	2,445,615
<b>Total</b>	<b>474</b>	<b>366</b>	<b>587</b>	<b>342</b>	<b>394</b>	<b>139</b>	<b>230</b>	<b>2,532</b>	<b>\$164,552,701</b>

## **SECTION E**

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### **ACTUARIAL ASSUMPTIONS AND METHODS**

## Actuarial Assumptions and Methods

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

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

Actuarial gains/(losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

**Unfunded Actuarial Accrued Liabilities** were amortized by level dollar payments over:

- Effective July 1, 2019, all existing amortization bases were consolidated to be paid over 25 years.
- 20 years for experience gains and losses after 2002.
- 20 years for assumption and method changes.
- COLA awards are amortized over the life of the contract in which they are negotiated.
- Benefit awards and plan changes are amortized over the expected future working lifetime of the entire active population.

**The Asset Valuation Method** – Last year's valuation assets are increased by contributions and reduced by refunds, benefit payments and expenses. An amount equal to the assumed investment return for the year is then added. Differences between actual return on a market value basis and an assumed return are phased-in over a five-year period.

## Actuarial Assumptions and Methods

Actuarial assumptions were developed in connection with a study conducted by the prior actuary of 2014-2018 experience in the Experience Study report dated August 16, 2019, which includes the rationale for the assumptions. The assumptions were adopted by the Board on August 20, 2019. Actuarial assumptions are based on a combination of future expectations and historical data. Specific assumptions are shown below.

The **investment return rate** assumed in the valuation is 7.40% per year, compounded annually (net of investment expenses).

Although not explicitly used in the valuation, the economic assumptions are consistent with a **price inflation rate** assumption of 2.40% per year.

The **wage inflation rate** assumed in this valuation was 3.10% per year. The wage inflation rate is defined to be the portion of total pay increases for an individual that are due to macro-economic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects.

The assumed **real rate of return** over wage inflation is defined to be the portion of total investment return that is more than the assumed wage inflation rate. Considering other economic assumptions, the 7.40% investment return rate translates to an assumed real rate of return over wage inflation of 4.30%.

The **rates of merit and seniority salary increase** used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based.

Year of Service	Merit & Seniority Salary Increases		
	Management	Maintenance/ Operators	All Others
0	0.50 %	6.00 %	4.00 %
5	0.50 %	6.00 %	4.00 %
10	0.50 %	0.25 %	3.00 %
15	0.50 %	0.25 %	3.00 %
20	0.50 %	0.25 %	3.00 %
25	0.50 %	0.25 %	1.00 %
30	0.50 %	0.00 %	0.50 %

If the number of active members remains constant, then the total active member payroll will increase 3.10% annually, the base portion of the individual salary increase assumptions.

## Actuarial Assumptions and Methods

*The mortality tables* used to measure post-retirement mortality are as follows:

<b>Pre-retirement</b>	RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvements from 2006 using scale MP-2018.
<b>Post-retirement Healthy lives</b>	RP-2014 Blue Collar Healthy Retiree mortality table, sex distinct, with generational mortality improvements from 2006 using scale MP-2018.
<b>Post-retirement Disabled lives</b>	RP-2014 Disabled Retiree mortality table, sex distinct, with generational mortality improvements from 2006 using scale MP-2018.

Sample values for healthy retirees follow:

Sample Ages in 2021	Single Life Retirement Value					
	Actuarial Present Value of \$1 Monthly for Life		Percent Dying Next Year		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	\$141.89	\$147.04	0.5645%	0.4052%	32.46	35.78
55	134.84	141.00	0.7383%	0.5259%	27.90	31.04
60	125.94	133.33	1.0433%	0.7294%	23.52	26.46
65	115.34	123.73	1.5163%	0.9901%	19.41	22.07
70	102.93	111.64	2.1876%	1.4650%	15.61	17.87
75	88.49	97.12	3.3541%	2.3916%	12.11	13.96
80	72.66	80.85	5.4684%	4.0266%	9.02	10.48

## Actuarial Assumptions and Methods

**The rates of retirement** used to measure the probability of eligible members retiring during the next year were as follows:

Ages	Annual Rates of Retirement		
	Management	Maintenance	All Others
52	15 %	5 %	8 %
53	15 %	5 %	8 %
54	15 %	5 %	8 %
55	15 %	5 %	8 %
56	15 %	5 %	8 %
57	20 %	5 %	8 %
58	20 %	5 %	8 %
59	20 %	5 %	8 %
60	20 %	10 %	10 %
61	20 %	10 %	20 %
62	25 %	15 %	20 %
63	25 %	15 %	20 %
64	25 %	20 %	20 %
65	25 %	25 %	20 %
66	25 %	25 %	25 %
67	25 %	25 %	25 %
68	25 %	25 %	25 %
69	25 %	25 %	25 %
70	100 %	25 %	25 %
71	100 %	25 %	15 %
72	100 %	20 %	15 %
73	100 %	20 %	15 %
74	100 %	20 %	15 %
75	100 %	100 %	100 %



## Actuarial Assumptions and Methods

**Rates of separation from active membership** are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Years of Service	Annual Rates of Withdrawal from Active Service			
	Management	Maintenance	Operators	All Others
0	33.00 %	15.00 %	17.00 %	20.00 %
1	25.00 %	7.00 %	12.00 %	20.00 %
2	18.00 %	5.00 %	5.50 %	15.00 %
3	15.00 %	5.00 %	5.50 %	10.00 %
4	12.50 %	5.00 %	5.00 %	6.00 %
5	10.00 %	4.00 %	3.50 %	6.00 %
6	5.50 %	3.00 %	2.50 %	6.00 %
7	5.50 %	0.50 %	2.50 %	6.00 %
8	5.50 %	0.50 %	2.50 %	4.00 %
9	5.50 %	0.50 %	2.50 %	4.00 %
10	5.50 %	0.50 %	1.50 %	4.00 %
11	5.50 %	- %	1.50 %	4.00 %
12	5.50 %	- %	1.50 %	4.00 %
13	5.50 %	- %	1.50 %	2.00 %
14	5.50 %	- %	1.50 %	2.00 %
15	3.50 %	- %	1.50 %	2.00 %
16	3.50 %	- %	1.50 %	2.00 %
17	3.50 %	- %	1.50 %	2.00 %
18	3.50 %	- %	1.50 %	2.00 %
19	3.50 %	- %	1.50 %	2.00 %
20	1.50 %	- %	1.00 %	- %
21	1.50 %	- %	1.00 %	- %
22	1.50 %	- %	1.00 %	- %
23	1.50 %	- %	1.00 %	- %
24	1.50 %	- %	1.00 %	- %
25	- %	- %	- %	- %

## Actuarial Assumptions and Methods

*Rates of disability* were as follows:

Sample Ages	Annual Rates of Disability
20	0.1900 %
25	0.1900 %
30	0.2700 %
35	0.3650 %
40	0.4600 %
45	0.5550 %
50	0.6500 %
55	0.9350 %
60	1.9800 %
65	1.9800 %

## Miscellaneous and Technical Assumptions

### July 1, 2021

<b>Marriage Assumption:</b>	85% of males and 85% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
<b>Pay Increase Timing:</b>	Middle of (Fiscal) year.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Decrement Relativity:</b>	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
<b>Decrement Operation:</b>	Disability and turnover do not operate during retirement eligibility.
<b>Liability Adjustments:</b>	<p>An additional 0.4 years of service is assumed for all members to account for sick leave conversion and prior military time.</p> <p>An additional pay load is assumed to account for expected overtime. For Local 1300 members (as well as management personnel who bargain with the Local 1300 Union), the amount is assumed to be 15% of their salary, and for all others, the load is assumed to be 10% of salary. No overtime pay load is assumed for management members who are not in the Local 1300 Union.</p> <p>A 1% load is applied for retirees who have elected a joint and survivor option that includes a pop-up provision.</p> <p>A 0.20% load was added to the Normal Cost to reflect Military Service Purchases for all active members.</p>
<b>Part-time Members:</b>	Part-time members are assumed to accrue one-half year of service credit each year.
<b>Cost-of-Living Adjustments:</b>	A 3.0% Cost-of-Living adjustment was granted for the Local 1300 union as of August 1, 2021 and for the Local 2 union as of August 1, 2021. There are no other Cost-of-Living adjustments assumed for purposes of this valuation.

# Miscellaneous and Technical Assumptions (Concluded)

## July 1, 2021

- Data Assumptions:** For the purposes of this valuation, retirement benefits were estimated for any members who terminated after attaining 100% vesting, whose retirement benefit was not provided.
- Form of Payment:** All participants are assumed to elect payment in the form of a single life annuity.
- Incidence of Contributions:** Contributions are assumed to be received September 1<sup>st</sup> based on the computed dollar amount shown in this report.
- Benefit Service:** Benefit service was calculated using the Pension Eligibility date provided in the data.
- Deferred Retirement:** Terminated members with a vested benefit are assumed to retire at first eligibility for voluntary retirement.
- Management Personnel:** The management personnel who bargain under the Local 1300 Union and are subject to the same plan provisions and benefits were identified for purposes of this valuation through a list provided by the MTA.
- Maintenance Employees:** The job code field provided on the data was used to determine employees in the maintenance group classification as follows:

Job Code - Maintenance Employees		
Repairman - Catenary	Repairman-Plumber	Janitor Rail
Repairman - Elect/Mech	Repairman-Welder	Leadman - Repairman A
Repairman - Facilities	Rep-Electrician-Skld	Leadman - Technician
Repairman - Locksmith	Rep-Hvac-Skld	Repairman - Bus
Repairman - Machinist	Rep-Locksmith-Skld	Repairman - Rail
Repairman - Syst Maint	Rep-Mason/Carp-Skld	Repairman B - Bus
Repairman - Track/Way	Rep-Plumber-Skld	Repairman B - Rail
Repairman Heavy Equip	Rep-Welder-Skld	Repairman C - Bus
Repairman Mason Carpen	Cleaner – Rail	Repairman C - Rail
Repairman Mechanic	Cleaner – Bus	Shipping Clerk
Repairman Rail Car Mnt	Cleaner B – Bus	Storeroom Attendant
Repairman-Electrician	Janitor – Bus	Technician - Bus
Repairman-Hvac	Janitor Bus	Technician - Rail

## **SECTION F**

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### **SUMMARY OF PLAN PROVISIONS**

# Summary of Plan Provisions Evaluated July 1, 2021

## Plan Year:

July 1 – June 30

## Effective Date of Plan:

January 8, 1950

## Plan Participants:

Any employee who is a member of The Amalgamated Transit Union, Local 1300, or the Office & Professional Employees International Union, Local No. 2, who is not included in the Maryland State Retirement and Pension System.

Any employee who is a member of the Police Local Union No. 1859, who is not included in the Law Enforcement Officers' Pension System (LEOPS) offered by the Maryland State Retirement and Pension System.

Any management employee who transferred from any of the bargaining units above. For purposes of this Plan, management employees are classified as Local 1300 employees

Eligible employees become participants immediately upon employment.

## Normal Form of Benefit:

Straight Life annuity

## Optional Forms of Benefit:

- 50%, 75%, or 100% joint and survivor;
- 50%, 75%, or 100% joint and survivor with pop-up option; and
- Partial lump sum of 5%, 10%, or 15% of accrued benefit plus a 50%, 75%, or 100% joint and survivor annuity.



# Summary of Benefit Provisions Evaluated July 1, 2021

## Normal Retirement:

**Eligibility** - First of the month coincident with or immediately following the earlier of:

- a. Attainment of age 65 and fully vested (as described under deferred retirement) or
- b. Attainment of age 52 with 30 years of service.

**Benefit Amount** - A monthly income payable for life that is equal to 1.70% of Average Compensation times years of service.

The above described benefit cannot be less than \$625 per month at age 65 with 25 years of service for Management, Local 2, and Local 1300 and \$450 per month for Local 1859. The benefit is offset by a fixed amount for a group of former Allamerica Financial Program members. Management members are also entitled to Minimum Alternate Benefits, if they are greater than the Plan benefit.

**Creditable Service** - Credited Service includes service with MTA, plus one month of service for every 20 days of unused sick leave. Part-time employees are credited service at the rate of one month for each 173 hours of work.

**Compensation** - Remuneration received as an MTA employee including overtime if eligible. Effective July 1, 2016 for Local 2 and Local 1300 and October 27, 2017 for Local 1859, participants' credited earnings shall not exceed the first 2,392 pay hours in any calendar year.

**Average Annual Compensation** - Average annual compensation is the average of the member's pensionable earnings for the three years over the last ten years of credited service that produces the highest average. Effective July 1, 2016 for Local 2 and Local 1300 and October 27, 2017 for Local 1859, credited earnings shall not exceed 2,392 pay hours in any calendar year.

## Early Retirement:

**Eligibility** - Attainment of age 55 with age plus years of service equal to at least 85.

**Benefit Amount** - Computed as normal retirement benefit, but reduced to take into account earlier commencement of retirement income payments, as follows:

**Age 60 or greater on early retirement date:** 4/12% per month reduction for all months prior to age 65.

**Less than age 60 on early retirement date:** 5/12% per month reduction for all months prior to age 65.



# Summary of Benefit Provisions Evaluated July 1, 2021

## Deferred Retirement (Vested Benefit):

**Eligibility** - The following table summarizes the vesting requirements for each bargaining unit:

Years of Service	Local 1300 & Management	Local 2	Police Local 1859
5	Hired before 5/18/2013	Hired before 7/1/2012	Hired before 1/1/2012
7	Hired on or after 5/18/2013 and before 7/1/2016	Hired on or after 7/1/2012 and before 7/1/2016	Hired on or after 1/1/2012 and before 10/27/2017
10	Hired on or after 7/1/2016	Hired on or after 7/1/2016	Hired on or after 10/27/2017

The benefit is paid monthly beginning at age 65 for the life of the member.

**Benefit Amount** - Computed as normal retirement but based upon service and average annual compensation and benefit formula at time of termination.

## Disability Retirement:

**Eligibility** - Vested, and certification by the State Medical Director.

**Benefit Amount** - Computed as normal retirement but based upon service and average annual compensation at time of termination, but not less than the amounts below:

Years of Service	Minimum Monthly Benefit
100% Vesting	\$200
10	\$360
20	\$720

## Death Before Retirement:

**Eligibility** - Death of participant before commencement of benefits and after eligibility for normal or early retirement.

**Eligibility** - The spouse will receive an allowance of 75% (50% for Police Local Union No. 1859) of the normal or early retirement benefit the member would have received if they had retired on the day before death and elected a 75% (50% for Police Local Union No. 1859) joint and survivor benefit.



# Summary of Benefit Provisions Evaluated July 1, 2021

## **Cost of Living Adjustment (COLA) Increases:**

Pensions of retirees and beneficiaries, excluding members who retire from deferred vested status, who have been receiving payments for at least 13 months shall be granted a COLA on each of the following dates. Local 1300 union and Local 2 union received COLAs on 8/1/2019, 8/1/2020, and 8/1/2021. The Local 1859 union also received COLAs on 8/1/2019. The percentage increase is equal to the increase in the Consumer Price Index (CPI-U, U.S. City Average, 1967=100) for the preceding fiscal year (July 1 to June 30), subject to a maximum increase of 3% annually.

## **Employee Contributions:**

Effective July 1, 2016 for Local 2 and Local 1300 and effective October 27, 2017 for Local 1859, employees shall contribute 2% of pensionable earnings to the MTA Pension Plan. Local 1300 participants contribution increased to 3% effective July 1, 2019 and 4% effective July 1, 2020. Local 2 participants contribution will increase 3% effective July 1, 2020 and 4% effective July 1, 2021. Contributions shall continue until such time as the plan actuary certifies that the market value funded ratio equals or exceeds 100%. Once the 100% funded ratio is reached, employee contributions shall cease. If the funded ratio falls below 95%, employee contributions shall resume until the funded ratio returns to 100%. Employees who separate before becoming eligible for a Normal, Early, Disability, or Deferred Vested pension benefit shall be entitled to a return of their contributions plus interest computed at 5.0% compounded annually.

*This is a brief summary of the MTA Pension Plan provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate contract or governing document will prevail.*

## **SECTION G**

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### **GLOSSARY**

# Glossary

<b><i>Actuarial Accrued Liability (AAL)</i></b>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
<b><i>Actuarial Assumptions</i></b>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
<b><i>Actuarial Cost Method</i></b>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of future Normal Costs and the Actuarial Accrued Liability.
<b><i>Actuarially Determined Employer Contribution (ADEC)</i></b>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ADEC consists of the Employer Normal Cost and Amortization Payment.
<b><i>Actuarial Equivalent</i></b>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<b><i>Actuarial Present Value (APV)</i></b>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<b><i>Actuarial Present Value of Future Benefits (APVFB)</i></b>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<b><i>Actuarial Valuation</i></b>	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 plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 25, such as the Funded Ratio and the Annual Required Contribution (ARC).
<b><i>Actuarial Value of Assets</i></b>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution (ARC).

# Glossary

<b><i>Amortization Method</i></b>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
<b><i>Amortization Payment</i></b>	That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<b><i>Amortization Period</i></b>	The period used in calculating the Amortization Payment.
<b><i>Closed Amortization Period</i></b>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<b><i>Employer Normal Cost</i></b>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<b><i>Equivalent Single Amortization Period</i></b>	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.
<b><i>Experience Gain/Loss</i></b>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.

## Glossary

<b><i>Funded Ratio</i></b>	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
<b><i>GASB</i></b>	Governmental Accounting Standards Board.
<b><i>Normal Cost</i></b>	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
<b><i>Open Amortization Period</i></b>	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.
<b><i>Unfunded Actuarial Accrued Liability</i></b>	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.