Conduent Human Resource Services

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Pennsylvania Public School Employees' Retirement System

Information Required Under Governmental Accounting Standards Board Statement No. 67 as of June 30, 2017

500 Plaza Drive
Secaucus, NJ 07096-1553

September 15, 2017

Board of Trustees
Pennsylvania Public School Employees'
Retirement System
5 North 5th Street
Harrisburg, Pennsylvania 17101

Members of the Board:

This valuation provides information concerning the Pennsylvania Public School Employees' Retirement System (PSERS) in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 67, effective for the fiscal year ending June 30, 2017.

The Board of Trustees and staff of PSERS may use this report for the review of the operation of the System and as a source of information for the Commonwealth financial statements. The report may also be used in the preparation of the System's audited financial statements.

Use of this report for any other purpose or by anyone other than the Board of Trustees or the staff of PSERS may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. Conduent should be asked to review any statement to be made on the basis of the results contained in this report. Conduent will accept no liability for any such statement made without prior review by Conduent.

Future actuarial measurements may differ significantly from current measurements due to System experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in System provisions or applicable law. Liability models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this valuation.

Data, Assumptions, Methods and System Provisions

This valuation was performed using employee census data, asset information, and System provisions provided by PSERS. Although we did not audit the data, we reviewed the data for reasonableness and consistency. A detailed review of the data and its sources beyond that necessary to develop the analysis was not performed and is beyond the scope of the analysis. The results of the valuation are dependent on the accuracy of the data.

As required under Section 8502(j) of the Retirement Code, experience studies are performed once in every five-year period. This valuation was prepared on the basis of the demographic and economic assumptions that were selected on the basis of the July 1, 2010 to June 30, 2015 Experience Review and the Board of Trustees, at their June 10, 2016 meeting, approved the use of the Experience Review's recommended demographic and economic assumptions, which include a 7.25% per annum rate of investment return, effective with the June 30, 2016 actuarial valuation. As mandated by the Retirement Code, these assumptions will remain in effect for valuation purposes until such time the Board of Trustees adopts revised assumptions.

Certification

The assumptions used for financial accounting purposes were selected by the System sponsor with our advice. In our opinion, the actuarial assumptions used are appropriate for purposes of the

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valuation and are reasonably related to the experience of the System and to reasonable long-term expectations. The cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. To the best of our knowledge, the information fairly presents the actuarial position of the System in accordance with the requirements of GASB Statements No. 67 as of June 30, 2017.

It is important to note that the measurement of benefit obligations is extremely sensitive to the assumptions chosen. The results presented in this report are based upon one set of reasonable assumptions. Other sets of equally reasonable assumptions can yield materially lesser or greater obligations.

This report represents a statement of actuarial opinion by the undersigned actuaries. We are Members of the American Academy of Actuaries. We meet the Academy's qualification Standards to render the actuarial opinions contained herein. All of the undersigned actuaries have reviewed the overall reasonableness and consistency of these results. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

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Section 1 – GASB 67 Information

Summary of Significant Accounting Policies

Method used to value investments: Investments are reported at fair value.

Actuarial cost method: Entry Age Normal – Level Percent of Pay

System Description

System administration: The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or System) administers the System. The System is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The control and management of the System, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of the System from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of the System from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

System membership: System membership consists of the following:

	June 30, 2015	June 30, 2016
Inactive System members or beneficiaries currently receiving	219,775	224,828
Inactive System members entitled to but not yet receiving	21,909	23,437
Non-participants valued for accumulated deductions	115,277	120,083
Beneficiaries entitled to a pending lump sum	1,446	1,181
Active System members	259,868	257,080
	618,275	626,609

Benefits provided: Please see Section 3 of the report for a summary of System provisions.

Contributions: The Board establishes contributions based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by System members during the year, with an additional amount to finance a portion of any unfunded accrued liability. For the year ended June 30, 2017, the Commonwealth contributed $3,832,773,000 to the System. The calculation of the actuarially determined contribution is governed by applicable provisions of the Retirement Code, as described in Section 2 of this report.

Receivables

Not applicable.

Net Pension Liability

The components of the net pension liability were as follows:

(Amounts x $ 1,000)		June 30, 2016		June 30, 2017
Total pension liability	$	99,388,887	$	102,543,741
System fiduciary net position		(49,832,060)		(53,155,336)
Commonwealth's net position	$	49,556,827	$	49,388,405
System fiduciary net position as a percentage of the total pension liability		50.14%		51.84%

Actuarial Assumptions and Methods

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement. All other methods and assumptions used to determine the total pension liability are set forth in Section 2.

a. Actuarial Cost Method

The actuarial cost method used to develop the total pension liability is the Entry Age Normal Cost - Level Percent of Pay method, as required by GASB Statement No. 67.

b. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 were developed by the System's investment consultant, Aon Hewitt.

c. Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2016 and June 30, 2017. The projection of cash flows used to determine the discount rate assumed that Commonwealth contributions will continue to follow the current funding policy as prescribed by Act 120 of 2010. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability, in accordance with the method prescribed by GASB Statement No. 67. We believe this assumption is reasonable for the purposes of the measurements required by the Statement. In the event of benefit payments not covered by the Plan's fiduciary net position, a municipal bond rate of 3.13% would be used to discount the benefit payments not covered by the System's fiduciary net position. The 3.13% rate equals the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2017. The rate was 2.71% as of June 30, 2016.

The discount rate is the single rate that reflects (1) the long-term expected rate of return on System investments that are expected to be used to finance the payment of benefits, to the extent that the System's fiduciary net position is projected to be sufficient to make projected benefit payments and System assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

The projections of the Fiduciary Net Plan Position are based on contributions to the System in accordance with the provisions of Act 120 of 2010. Should contributions to the System be reduced from those based on the provisions of Act 120 of 2010, the results would reflect the new contribution policy and may result in the Fiduciary Net Plan Position not being sufficient to cover the System's benefit payments at some future date and thus lowering the discount rate used to determine the System's Total Pension Liability.

We believe these assumptions are reasonable for the purposes of the measurements required by the Statement.

Schedule of Required Supplementary Information

a. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Amounts x $1,000)	$ 60,792,831	$ 49,388,405	$ 39,759,842

b. Schedule of Changes in The Commonwealth's Net Pension Liability and Related Ratios

(Amounts x $1,000)	Total Pension Liability	Plan Net Position	Net Pension Liability
Changes for the year	**(a)**	**(b)**	**(a) – (b)**
Balances as of 6/30/2016	$ 99,388,887	$ 49,832,060	$ 49,556,827
Service Cost	$ 1,873,844	$ 0	$ 1,873,844
Interest Cost	7,110,987	0	7,110,987
Difference between Expected and Actual Experience	644,051	0	644,051
Changes in Assumption	0	0	0
Change in Benefits	(449)	0	(449)
Contribution – Employer	0	3,832,773	(3,832,773)
Contribution – Member	0	1,013,847	(1,013,847)
Net Investment Income (actual)	0	4,995,362	(4,995,362)
Refunds of Contributions	0	0	0
Benefit Payments (actual)	(6,473,579)	(6,473,579)	0
Plan Administrative Expense (actual)	0	(45,127)	45,127
Other Changes	0	0	0
Net Changes	$ 3,154,854	$ 3,323,276	$ (168,422)
Balances as of 6/30/2017	$ 102,543,741	$ 53,155,336	$ 49,388,405

System fiduciary net position as a percentage of the total pension liability	51.84%
Covered-employee payroll as of the July 1, 2016 actuarial valuation	$12,851,289
Net pension liability as a percentage of covered-employee payroll	384.31%

Notes to Schedule:

1. Benefit changes: Effective immediately with the passage and signing of Act 2017-5 on June 12, 2017, Class T-E and T-F members are permitted to elect upon retirement a lump sum of member contributions on a cost neutral basis based on the expected long term rate of return on plan assets (currently 7.25%) instead of the statutory interest rate of 4.00%.

2. Changes of assumptions: None.

c. Schedule of Commonwealth Contributions

(Amounts x $1,000)		2016		2017
Actuarially determined contributions	$	3,540,304	$	3,824,908
Contributions related to the actuarially determined contribution*		3,181,438		3,824,908
Contribution deficiency (excess)	$	358,866	$	0

* The fiscal year 2016 amount excludes purchase of service contribution amounts of $8,072 and the fiscal year 2017 amount excludes purchase of service contribution amounts of $7,865.

Notes to Schedule

1. Valuation date: Actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2016 actuarial valuation will be made during the fiscal year ended June 30, 2018.

2. The methods and assumptions used to determine the actuarially determined contributions to the System are outlined in the PSERS June 30, 2015 actuarial valuation report (published January 15, 2016).

d. Schedule of Investment Returns

Rate of return. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on System investments, net of System investment expense (as provided by the System's investment consultant, Aon Hewitt) is as follows:

	2016	2017
Annual money-weighted rate of return, net of investment expenses	1.11%	10.11%

Section 2 – Actuarial Assumptions and Methods

Valuation Date: June 30, 2016.

Measurement Date: June 30, 2017.

The following is a summary of the demographic and economic assumptions recommended on the basis of the July 1, 2010 to June 30, 2015 Experience Review, which was adopted by the Board of Trustees at their June 10, 2016 meeting.

Interest Rate: 7.25% per annum, compounded annually. The components are 2.75% for inflation and 4.50% for the real rate of return.

Separation from Service: Illustrative rates of assumed separation from service are shown in the following table.

	Annual Rate of:						
	Withdrawal						
Age	Less Than Five Years of Service	Five Years but Less Than 10 Years of Service	10 or More Years of Service	Death[1]	Disability	Early Retirement[2]	Superannuation Retirement
				MALES			
25	14.85%	5.70%	2.57%	.041%	.020%		
30	12.74	3.37	2.57	.039	.020		
35	13.39	3.21	1.50	.044	.058		
40	14.49	3.97	1.34	.050	.116		
45	14.42	4.53	1.37	.084	.160		19.16%
50	14.31	4.45	1.92	.138	.284		19.16
55	12.17	4.43	3.38	.233	.442	18.57%	26.59
60	12.43	5.58	5.57	.379	.582	14.42	30.87
65				.700	.087		21.39
69				1.067	.135		19.34
				FEMALES			
25	13.41%	7.47%	5.02%	.013%	.018%		
30	13.81	6.05	4.02	.017	.023		
35	14.22	5.53	2.85	.024	.055		
40	11.79	4.87	1.60	.032	.096		
45	11.54	4.51	1.65	.051	.135		15.00%
50	11.66	4.43	2.06	.088	.229		15.00
55	11.75	4.38	3.11	.133	.368	18.59%	10.02
60	12.25	5.97	6.40	.196	.360	17.05	35.77
65				.327	.082		22.23
69				.443	.118		22.79

1. These base mortality tables will then be projected on a generational basis using the Conduent Modified 2015 projection scale from the valuation date.
2. Early Retirement – Age 55 with 25 years of service, but not eligible for Superannuation retirement.

Death after Retirement:

Male annuitants: RP-2014 male mortality table adjusted backward to 2006 with the MP-2014 mortality improvement scale and projected to the valuation date with the Conduent Modified 2015 projection scale.

Female annuitants: RP-2014 female mortality table adjusted backward to 2006 with the MP-2014 mortality improvement scale, projected to 2013 with the Conduent Modified 2015 projection scale and adjusted for credibility. This base mortality table will then be projected on a generational basis using the Conduent Modified 2015 projection scale to the valuation date.

Disabled annuitants: RP-2014 male and female disabled mortality tables adjusted backward to 2006 with the MP-2014 mortality improvement scale and projected to the valuation date with the Conduent Modified 2015 projection scale.

These base mortality tables will then be projected on a generational basis using the Conduent Modified 2015 projection scale from the valuation date.

The Conduent Modified 2015 projection scale is based on the same data and algorithm as the MP-2015 Projection Scale but trends to an ultimate improvement rate of 0.75% at most ages, achieving the ultimate rate over a fifteen year period following the end of the historic data used to construct MP-2015.

Salary Increase: Effective average of 5.00% per annum, compounded annually. The components are 2.75% for inflation and 2.25% for real wage growth and for merit or seniority increases. Representative values are as follows:

Age	Annual Rate of Salary Increase
20	10.25%
30	7.75
40	5.75
50	3.75
55	3.25
60	3.25
65	3.25
70	3.25

Payroll Growth: 3.50% per annum.

MISCELLANEOUS:

Option 4 - Refund of Contributions Elections: 80% of Class T-C, Class T-D, Class T-E and Class T-F members are assumed to elect a refund of contributions and a reduced annuity.

Withdrawal Annuity: 90% of members are assumed to commence payment immediately and 10% are assumed to defer payment to superannuation age.

Optional Forms of Annuity Payment at Retirement: Anticipated active member elections of optional forms of payment at retirement as follows:

- 50% will elect Maximum Single Life Annuity
- 20% will elect Option 1
- 20% will elect Option 2 (assuming males are 3 years older than females)
- 10% will elect Option 3 (assuming males are 3 years older than females)
- 0% will elect Option 4 (annuity payment)

Optional Forms of Payment Factors: Actuarial equivalent benefits are determined based on a statutorily specified interest rate of 4% per year (since 1960). The mortality basis is a blend of the healthy annuitant base mortality tables to be used for the June 30, 2016 actuarial valuation projected to 2020 with the Conduent 2015 improvement scale assuming the population consists of 25% males and 75% females.

Section 3 – Summary of System Provisions

Pennsylvania Statutes, Title 24, PART IV. RETIREMENT FOR SCHOOL EMPLOYEES

Membership

For valuation purposes, all employees are considered to be full coverage. All employees who become members on and after January 1, 1966 are members of the dual coverage group. Dual coverage members contribute to both PSERS and to Social Security.

Benefits

Superannuation Annuity

Eligibility	Age 62, or age 60 with 30 years of service, or 35 years of service regardless of age. For Class T-E and Class T-F members, age 65 with a minimum of three years of service credit, or any combination of age and service that totals 92 with at least 35 years of credited service
Amount	2.5% of final average salary times years of school service and intervening military service. 2% of final average salary for non-school service, for members who did not elect Class T-D coverage, and for Class T-E members. Minimum of $100 per year of service. "Final average salary" means the highest average annual salary for any 3 years of service. Annual salary is subject to a limit of $200,000, as adjusted under Section 401(a)(17) of the Internal Revenue Code. As of June 30, 2016, the adjusted limit is $265,000. For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code. For Class T-E and Class T-F members, the maximum benefit is equal to the lesser of the limit established by Section 415 of the Internal Revenue Code or 100% of final average salary.

Early Retirement Annuity

Eligibility	Age 55 with 25 years of service.
Amount	Accrued benefit as of date of retirement, reduced 1/4% for each month by which commencement of payments precedes Superannuation Age. For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code. For Class T-E and Class T-F members, the maximum benefit is equal to the lesser of the limit established by Section 415 of the Internal Revenue Code or 100% of final average salary.

Withdrawal Annuity

Eligibility	5 years of service. For Class T-E and Class T-F members, ten years of service.
Amount	Accrued benefit deferred to superannuation retirement age or an actuarially reduced benefit payable immediately. Actuarially equivalent benefits are based on 4% interest and a unisex table based on the RP-2000 Combined Healthy Annuitant Tables (Male and Female) with age set back 3 years for both genders assuming the population consists of 25% males and 75% females.

Disability Annuity

Eligibility	5 years of service.
Amount	The standard single life annuity if the total number of years of credited service is greater than 16.667, otherwise the standard single life annuity multiplied by the lesser of the following ratios: (Y*/Y) or (16.667/Y) where Y is the number of years of credited service and Y* is the total years of credited service if the member were to continue as a school employee until superannuation retirement age (or at current age, if later). Minimum of $100 per year of service.

Return of Contributions

Eligibility	Death or separation from service and member does not qualify for other benefits.
Amount	Refund of accumulated deductions includes interest (less annuity payments received prior to death in the case of a retired member).

Death Benefit

Eligibility	Death of an active member or vestee who was eligible to receive an annuity.
Amount	The present value of the annuity that would have been effective if the member retired on the day before death. Option 1 assumed payable if no other option elected.

Normal and Optional Forms of Benefits

Normal Form:	Life annuity with a guaranteed payment equal to member contributions with interest.
Option 1:	Reduced benefit with refund of balance of present value of annuity at retirement over payments received. If balance is less than $5,000, benefit is paid in lump sum; otherwise, beneficiary may elect annuity and/or lump sum.
Option 2:	Joint and 100% survivorship annuity.
Option 3:	Joint and 50% survivorship annuity.
Option 4:	Benefit of equivalent actuarial value, including lump sum payment of member contributions.

Effective immediately with the passage of Act 2017-5, Class T-E and Class T-F members are permitted to elect to receive a lump sum payment of member contributions on an actuarial equivalent basis based on an interest rate equal to the expected long term rate of return on assets.

Contributions

By Members

Members who elected coverage under Class T-D and who were most recently enrolled prior to July 22, 1983 contribute at a rate of 6½% of compensation, while members who elected coverage under Class T-D and who were most recently enrolled on or after July 22, 1983 contribute at a rate of 7½% of compensation. Members who did not elect coverage under Class T-D and who were most recently enrolled prior to July 22, 1983 contribute at a rate of 5¼% of compensation, while members who did not elect coverage under Class T-D and who were most recently enrolled on or after July 22, 1983 and prior to July 1, 2001 contribute at a rate of 6¼% of compensation. Anyone who enrolls or re-enrolls on or after July 1, 2001 automatically has coverage under class T-D for subsequent school service and subsequent intervening military service, and must contribute at a rate of 7½% of compensation.

The base contribution rate for Class T-E members is 7½% of compensation. The base contribution rate for Class T-F members is 10.3% of compensation. Class T-E and Class T-F members are subject to a “shared-risk” employee contribution rate. Members benefit when investments of the fund are doing well and share some of the risk when investments underperform. The member contribution rate will stay within the specified range allotted for Class T-E or Class T-F members, but could increase or decrease every three years starting July 1, 2015 depending on investment performance. The member contribution rate can never go below the base rate of 7.5% for Class T-E members and 10.3% for Class T-F members, nor above 9.5% for Class T-E members and 12.3% for class T-F members. If the investment rate of return (less investment fees) is equal to or exceeds the assumed rate of return based on the prior ten-year period, the member contribution rate will decrease by .5%. Likewise, the member contribution rate will increase by .5% if the investment rate of return (less investment fees) during the ten-year period is 1.0% or more below the assumed rate of return. If the Retirement System is fully funded at the time of the comparison, the member contribution rate reverts back to the base rate for the Class. There shall not be an increase in the member contribution rate if there has not been an equivalent increase in the employer contribution rate over the previous three-year period. Until a full ten-year look back period is available, the investment return measurement period will begin on July 1, 2011.

By Commonwealth and School Districts

Balance of required contribution determined as normal contribution, accrued liability contribution, supplemental annuity contribution, experience adjustment factor and premium assistance contribution, is funded by the Commonwealth and the School District.

Section 4 – Summary of Key Accounting Terms

Actuarially determined contribution

A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial present value of projected benefit payments

Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial valuation

The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

Actuarial valuation date

The date as of which an actuarial valuation is performed.

Ad hoc postemployment benefit changes

Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.

Automatic postemployment benefit changes

Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Covered-employee payroll

The payroll of employees that are provided with pensions through the pension plan.

Discount rate

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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 or service of the individual between entry age and assumed exit age(s). 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.

Net pension liability

The liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan.

Projected benefit payments

All benefits estimated to be payable through the pension plan to current active and inactive plan members as a result of their past service and their expected future service.

Real rate of return

The rate of return on an investment after adjustment to eliminate inflation.

Service cost

The portion of the actuarial present value of projected benefit payments that are attributed to valuation years.

Total pension liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.