# LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST

## January 1, 2022 Actuarial Valuation

**Prepared by:**

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June 1, 2022

Trustees
Lane Transit District and
Amalgamated Transit Union,
Local No. 757, Pension Trust

Dear Trustees:

At your request, we have completed an actuarial valuation of the Lane Transit District and Amalgamated Transit Union, Local No. 757, Pension Trust as of January 1, 2022 for determining the actuarially determined contribution for the fiscal years beginning July 1, 2022 and July 1, 2023. The figures herein will also provide the basis for later financial reporting under Government Accounting Standards Board (GASB) Statements No. 67 and 68. The results of the valuation are contained in the following report and are summarized in Section 2. This report reflects the benefit provisions in effect as of January 1, 2022.

In preparing our report, we relied without audit upon the employee and unaudited financial data furnished by the District and Kernutt Stokes, LLP. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. We also relied on the Plan document and amendments provided by the Plan's attorney. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which, taking into account the experience of the Plan and reasonable expectations, are reasonable both individually and in combination. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Trustees have the final decision regarding the appropriateness of the assumptions and adopted them as indicated herein in May 2022.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumption sets would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

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.

The January 1, 2022 valuation results were developed using models that employ standard actuarial techniques for pension valuations.

Actuarial computations presented in this report are for purposes of determining the recommended funding levels for the Lane Transit District and Amalgamated Transit Union, Local No. 757, Pension Trust. Actuarial computations for purposes of fulfilling financial accounting requirements under GASB Statements No. 67 and 68 are issued in a separate report. The computations for these two purposes may differ as disclosed in the report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Trustees' funding policies. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, different determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for the Trustees of the Lane Transit District and Amalgamated Transit Union Local No. 757, Pension Trust for a specific and limited purpose. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The Trustees may provide a copy of Milliman's work, in its entirety, to the Plan's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan.

(b) The Trustees may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, 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 principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States published by the American Academy of Actuaries*. We are members of the American Academy of

Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

Scott Preppernau

Scott Preppernau, FSA, EA, MAAA
Principal and Consulting Actuary

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**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**ACTUARIAL VALUATION AS OF JANUARY 1, 2022**

**TABLE OF CONTENTS**

## SECTION 1

## SCOPE OF THE REPORT

This report presents the results of the actuarial valuation for the plan year beginning January 1, 2022. The purpose of this valuation is to determine the funded status of the plan as of January 1, 2022 and develop the actuarially determined contribution for the fiscal years beginning July 1, 2022 and July 1, 2023.

A summary of the findings resulting from this valuation is presented in Section 2 of the report. The discussion found in Section 3 describes the actuarial concepts and methods upon which the findings are based. Tables 1 through 7 of that section summarize the calculations that led to our findings.

Table 8 shows the projected benefit payments expected to be made to participants and beneficiaries based on the actuarial assumptions detailed in this report.

Appendix A outlines the benefit and contribution provisions of the Plan.

All of the calculations of the valuation were carried out using certain assumptions as to the future experience of the plan in matters affecting the actuarial cost. Appendix B summarizes the most important of these assumptions and describes the actuarial procedures used to calculate costs.

The membership data that was supplied to us is summarized in Appendix C.

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

## SECTION 2

## SUMMARY OF THE FINDINGS

The following is a summary of the more important figures developed in this valuation, together with comparable figures from the prior valuation report.

| | January 1, 2020 | January 1, 2022 |
|---|---|---|
| Covered Active Members | 240 | 213 |
| Compensable Hours Over Which Normal Cost Contribution Rate is Calculated | 510,000 | 445,000 |
| Average Hours | 2,125 | 2,089 |
| Average Age | 50.0 | 51.0 |
| Average Years of Employment | 10.3 | 11.3 |
| Plan Assets | | |
| Market Value | $ 32,496,437 | $ 42,194,968 |
| Actuarial Value | 31,906,631 | 39,724,684 |
| Investment Rate of Return* | | |
| Market Value | 4.5% | 13.7% |
| Actuarial Value | 3.5% | 11.4% |
| Funded Status | | |
| Actuarial Value of Assets | $ 31,906,631 | $ 39,724,684 |
| Actuarial Accrued Liability | 47,162,399 | 50,078,733 |
| Funded Ratio | 67.7% | 79.3% |
| Actuarially Determined Contribution | | |
| Hourly Normal Cost Contribution Rate | $3.16 | $3.57 |
| Total Amortization Payment | $1,927,006 | $1,848,266 |

* *Compound annual rate for the two-year period ending on the valuation date.*

## Actuarially Determined Contribution

The Plan's contribution can be broken down into two main components. The Normal Cost is the cost attributed to active participants' service during the year. Put another way, the Normal Cost represents the cost of benefits earned by active participants during the year. The Normal Cost also includes a load for estimated administrative expenses. The remainder of the contribution goes towards paying down the Plan's Unfunded Actuarial Accrued Liability.

Based on the January 1, 2022 valuation results, we developed the following actuarially determined contribution:

| | July 1, 2022 to June 30, 2023 | July 1, 2023 to June 30, 2024 |
|---|---|---|
| **Hourly Normal Cost Contribution Rate** | $3.57 | $3.68 |
| **Total Amortization Payment** | $1,848,266 | $1,903,714 |

The above contribution split reflects the time between the valuation date and the District's implementation of the actuarially determined contribution, assumes 3.0% annual increases in payroll, and also reflects the updated assumptions adopted for the January 1, 2022 valuation.

In the 2022 valuation the Normal Cost contribution rate increased compared to the prior valuation, primarily due to the lower assumed rate of investment return. The total amortization payment decreased due to the actual investment experience for the 2020-2021 period, which was higher than the assumed return from the prior valuation.

## Changes in Funded Status

The changes in the status of the Plan's funding since the last valuation is detailed below:

**Valuation Funded Status Reconciliation**

| | Funded Status |
|---|---|
| January 1, 2020 Valuation | 67.7% |
| Changes | |
| Expected Change in Funded Status | 4.6% |
| Investment Experience | 7.9% |
| Changes to Covered Population | 0.9% |
| Changes in Assumptions and Methods | (1.8)% |
| Total Change | 11.6% |
| January 1, 2022 Valuation | 79.3% |

**Effect of Investment Experience**

The Plan's investment return for the two-year period ending December 31, 2021 is summarized below:

| | Market Value | Actuarial Value |
|---|---|---|
| 2020 Investment Rate of Return | 16.7% | 8.5% |
| 2021 Investment Rate of Return | 10.9% | 14.3% |
| Compound Annual Return for 2020-2021 | 13.7% | 11.4% |

Due to investment returns exceeding the 5.75% assumed rate of return from the prior valuation, the Plan experienced an actuarial gain on assets of $3.9 million. Unrecognized net investment gains of $2.5 million are currently being deferred by the Plan's asset valuation method. These gains will be recognized in the next valuation.

**Effect of Demographic Experience**

During the past two years, liabilities grew less quickly than expected due to demographic experience. Later than expected retirement among members and higher turnover than expected contributed to an improvement in the Plan's funded status relative to expectations.

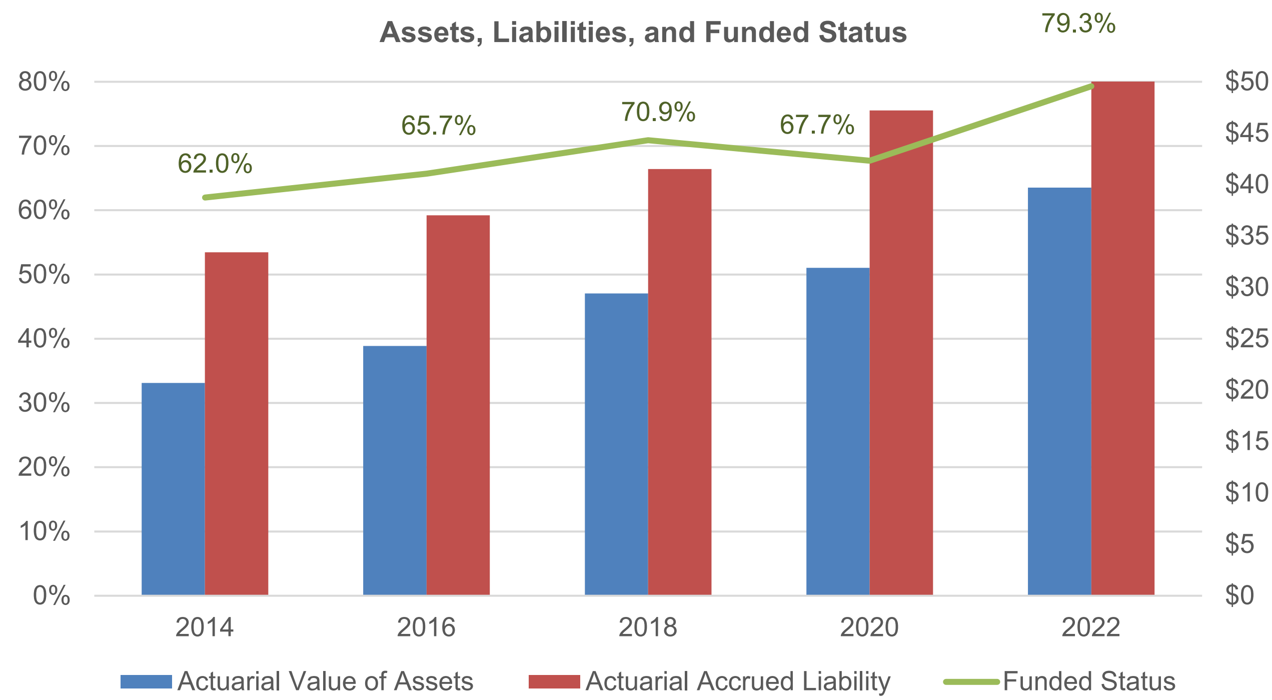
We continue to review the Plan's demographic assumptions and may recommend changes to these assumptions in future valuations.

**Plan Changes**

There have been no plan changes since the last valuation that had a material impact on liabilities. The most recent Working and Wage Agreement between ATU and LTD is reflected in this valuation as is Amendment No. 3 to the Plan, which increased the benefit multiplier effective January 1, 2022. The benefit multiplier increase is materially similar to that anticipated in the 2020 valuation, with any differences being captured in the Liability Gain/Loss line on Table 4.

## Summary of Recent Funded Status

Following is a summary of the Plan's funded status over the most recent five valuations. Dollar figures shown are in millions.




## Assumption and Method Changes

The actuarially determined contribution is also impacted by the following changes to the assumptions since the prior valuation:

- The future investment earnings assumption was reduced from 5.75% to 5.50% per annum, net of investment expenses, to better reflect forward-looking expectations for investment returns. This change increased the actuarial liability by $1.2 million.
- The mortality assumption was updated to use the MP-2021 mortality improvement projection scale. This is a biennial update from the MP-2019 scale used in the last valuation. This change decreased the actuarial liability by $113,000.
- Based on information provided by the District and Kernutt Stokes, total compensable hours for the 2022 Plan year were assumed to be 445,000 for purposes of calculating the normal cost contribution rate.

# SECTION 3

# DISCUSSION OF THE VALUATION

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to when those benefits are earned, rather than to when they are paid. There are a number of methods in use for making such a determination.

The method used for this valuation is referred to as the Individual Entry Age Normal Actuarial Cost Method with Normal Cost calculated as a percentage of pay. This method produces an actuarially determined contribution equal to the Normal Cost plus an amortization of the Unfunded Actuarial Accrued Liability expressed as a dollar amount per hour. This method is described in detail in Appendix B of this report.

## ACTUARIAL VALUE OF ASSETS

*Table 1* details the change in the Plan's Market Value of Assets since the last valuation. This information is based on the financial data provided by Kernutt Stokes, LLP.

*Table 2* shows the derivation of the Actuarial Value of Assets based on three year smoothing as defined by Internal Revenue Procedure 2000-40.

## ACTUARIAL BALANCE SHEET

*Table 3* is the actuarial balance sheet and the actuarial accrued liability as of January 1, 2022 based on our procedures and assumptions. The Resources equal the Requirements and can be thought of as the amount of funds resulting from:

(1) the plan's Actuarial Value of Assets, plus

(2) the Actuarial Present Value of Future Normal Costs to be contributed by the District in the future, plus

(3) the Actuarial Present Value of Future Payments to amortize the Unfunded Actuarial Accrued Liability.

The Actuarial Present Value of Benefits is the estimated single sum required on January 1, 2022 which, together with future interest earnings, would accumulate to provide all benefits due to current plan members under the plan in the future. The Actuarial Accrued Liability is the Actuarial Present Value of Benefits minus the Actuarial Present Value of Future Normal Costs.

*Table 4* shows the development of the Plan's Unfunded Actuarial Accrued Liability as of January 1, 2022.

## NORMAL COST

*Table 5* shows the Plan's Normal Cost as of January 1, 2022. The Normal Cost can be thought of as the cost of benefits accruing during the year that will be paid in the future as retirement, termination, or death benefits.

## AMORTIZATION OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

New components of the Unfunded Actuarial Accrued Liability as of the valuation date are amortized as a level percentage of expected payroll amount over a closed amortization period of 20 years. However, the cost of the plan change associated with the 2014-2017 collective bargaining agreement (first reflected in the January 1, 2014 valuation) is being amortized separately over a closed amortization period of 10 years, with 2 years remaining in this valuation.

The calculation of the amortization payment is shown on *Table 6*.

## ACTUARIALLY DETERMINED CONTRIBUTION

*Table 7* develops the actuarially determined contribution for the Plan, which consists of two pieces:

(1) Gross Normal Cost (including a provision for anticipated expenses)

(2) Amortization of the Unfunded Accrued Actuarial Liability (UAAL)

The resulting contribution is then stated in terms of a normal cost contribution rate per compensable hour based on the hours expected to be worked by the active population in the year following the valuation date, plus the amortization of the UAAL.

## PROJECTED BENEFIT PAYOUTS

*Table 8* shows the projected benefit payments expected to be made to participants and beneficiaries based on the actuarial assumptions detailed in this report.

## ACCOUNTING STANDARDS

Financial Reporting information under Government Account Standards Board (GASB) Statements No. 67 and 68 is issued in a separate report.

## APPENDICES

This valuation is based on the benefits in effect as summarized in Appendix A.

Actuarial calculations are based on certain actuarial methods and assumptions about the future experience of the Plan. These methods and assumptions are summarized in Appendix B.

All of the calculations in this report are based on participant information provided by Kernutt Stokes, LLP. This information is summarized in Appendix C. If any of the participant data provided is inaccurate or incomplete, our calculations may need to be revised.

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**MARKET VALUE OF ASSETS**
**(January 1, 2022)**

**Summary of Statement of Changes in Net Assets Available for Benefits**

| | | **2020** | **2021** |
|---|---|---|---|
| (1) | Market Value of Assets January 1 | $ 32,496,437 | $ 37,538,452 |
| (2) | Employer Contributions | 2,671,189 | 3,632,718 |
| (3) | Benefit Payments | 2,905,472 | 3,005,745 |
| (4) | Administrative Expenses | 119,831 | 81,154 |
| (5) | Investment Income Net of Investment Expenses | 5,396,129 | 4,110,697 |
| (6) | Market Value of Assets December 31 (1)+(2)–(3)–(4)+(5) | $ 37,538,452 | $ 42,194,968 |

Source: Unaudited financial information provided by Kernutt Stokes, LLP.

## LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST

## ACTUARIAL VALUE OF ASSETS (January 1, 2022)

### Asset Reconciliation

| Year | (1) Market Value of Assets January 1 | (2) Employer Contributions | (3) Benefit Payments | (4) Administrative Expenses | (5) Cash Flow (2)-(3)-(4) | (6) Actual Investment Income | (7) Market Value of Assets End of Year (1)+(5)+(6) |
|---|---|---|---|---|---|---|---|
| 2021 | $37,538,452 | $3,632,718 | $3,005,745 | $81,154 | $545,819 | $4,110,697 | $42,194,968 |
| 2020 | $32,496,437 | $2,671,189 | $2,905,472 | $119,831 | $(354,114) | $5,396,129 | $37,538,452 |

### Actuarial Value of Assets

| Year | Actual Investment Rate of Return (1) | Actual Investment Return | Expected 5.75% Investment Return (2) | Difference between Actual and Expected |
|---|---|---|---|---|
| 2021 | 10.9% | $ 4,110,697 | $ 2,174,153 | $ 1,936,544 |
| 2020 | 16.7% | 5,396,129 | 1,858,364 | 3,537,765 |

(1) Based on market value.

(2) Using simple interest and assuming contributions, benefit payments and expenses occur at mid-year.

| | |
|---|---|
| Market Value of Assets on January 1, 2022 | $ 42,194,968 |
| Subtract 2/3 of $1,936,544 gain | $ (1,291,029) |
| Subtract 1/3 of $3,537,765 gain | $ (1,179,255) |
| Actuarial Value of Assets on January 1, 2022 | $ 39,724,684 |
| | |
| Actuarial Value as a Percentage of Market Value | 94.1% |

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION,
LOCAL NO. 757, PENSION TRUST**

**ACTUARIAL BALANCE SHEET AND ACCRUED LIABILITY
(January 1, 2022)**

**REQUIREMENTS**

| | Member Count | Actuarial Present Value of Benefits |
|---|---|---|
| Active Members | 213 | |
| Retirement Benefits | | $ 24,246,203 |
| Death Benefits | | 332,109 |
| Disability Benefits | | 1,096,303 |
| Termination Benefits (Vesting) | | 1,585,802 |
| Subtotal | | $ 27,260,417 |
| Retirees, Beneficiaries and Disabled Participants | 265 | 29,555,026 |
| Vested Terminated Participants | 38 | 2,061,481 |
| Salaried Transfers | 19 | 822,007 |
| Total | 535 | $ 59,698,931 |

**RESOURCES**

| | |
|---|---|
| Actuarial Value of Assets | $ 39,724,684 |
| Actuarial Present Value of Future Entry Age Normal Costs | 9,620,198 |
| Unfunded Accrued Actuarial Liability | 10,354,049 |
| Total Resources | $ 59,698,931 |

**ACTUARIAL ACCRUED LIABILITY**

| | |
|---|---|
| Actuarial Present Value of Benefits | $ 59,698,931 |
| Actuarial Present Value of Future Normal Costs | (9,620,198) |
| Actuarial Accrued Liability | $ 50,078,733 |

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**DEVELOPMENT AND RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (January 1, 2022)**

**UNFUNDED ACTUARIAL ACCRUED LIABILITY**

| | |
|---|---|
| Actuarial Accrued Liability | $ 50,078,733 |
| Actuarial Value of Assets | (39,724,684) |
| Unfunded Actuarial Accrued Liability | $ 10,354,049 |

**RECONCILIATION TO PRIOR VALUATION**

| | | |
|---|---|---|
| Unfunded Actuarial Accrued Liability January 1, 2020 | | $ 15,255,768 |
| Changes from January 1, 2020 through December 31, 2021 | | |
| Gross Normal Costs | $ 3,093,122 | |
| Contributions | (6,303,907) | |
| Interest | 1,736,220 | |
| Total | | (1,474,565) |
| Expected Unfunded Actuarial Accrued Liability as of December 31, 2021 | | $ 13,781,203 |
| Investment (Gain)/Loss | | (3,867,028) |
| Expense (Gain)/Loss | | (50,627) |
| Liability (Gain)/Loss | | (605,303) |
| Impact of Assumption and Method Changes | | 1,095,804 |
| Unfunded Actuarial Accrued Liability January 1, 2022 | | $ 10,354,049 |

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**NORMAL COST**
**(January 1, 2022)**

| | | | |
|---|---|---|---|
| (1) | Retirement Benefits | $ 1,104,506 | |
| | Death Benefits | 19,266 | |
| | Disability Benefits | 73,861 | |
| | Termination Benefits | 187,159 | |
| | Total Annual Normal Cost, Payable Beginning of Year | | $ 1,384,792 |
| (2) | Anticipated Expenses 125,000 ÷ (1.0550) $^{½}$ | | 121,698 |
| (3) | Gross Annual Normal Cost, Payable Beginning of Year (1) + (2) | | $ 1,506,490 |

## LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST

## AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (January 1, 2022)

| Date Established | Original Amount | Years Remaining | Amortization Payment | Outstanding Balance |
|---|---|---|---|---|
| 1/1/2006 | $9,470,806 | 4 | $ 893,045 | $ 3,447,201 |
| 1/1/2008 | 2,582,340 | 6 | 234,160 | 1,324,311 |
| 1/1/2010 | 3,066,497 | 8 | 267,789 | 1,972,806 |
| 1/1/2012 | 1,099,308 | 10 | 92,586 | 833,119 |
| 1/1/2014 | 540,542 | 2* | 78,974 | 156,077 |
| 1/1/2014 | (1,012,229) | 12 | (82,440) | (870,010) |
| 1/1/2016 | 933,889 | 14 | 70,727 | 851,214 |
| 1/1/2018 | 650,994 | 16 | 46,019 | 618,861 |
| 1/1/2020 | 4,809,461 | 18 | 317,985 | 4,704,416 |
| 1/1/2022 | (2,683,946) | 20 | (166,934) | (2,683,946) |
| | | | $ 1,751,911 | $ 10,354,049 |

* *Cost of plan changes associated with the 2014-2017 collective bargaining agreement was amortized separately over an initial 10-year period.*

## LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST

## ACTUARIALLY DETERMINED CONTRIBUTION (January 1, 2022)

### HOURLY NORMAL COST CONTRIBUTION RATE

| | | |
|---|---|---|
| (1) | Total Annual Normal Cost (Beginning of Year) (see Table 5) | $ 1,506,490 |
| (2) | Total Annual Normal Cost (End of Year)<br>(1) × (1.0550) | $ 1,589,347 |
| (3) | Expected Hours | 445,000 |
| (4) | Hourly Normal Cost Contribution Rate effective July 1, 2022<br>(2) ÷ (3) | $3.57 |

### TOTAL AMORTIZATION PAYMENT

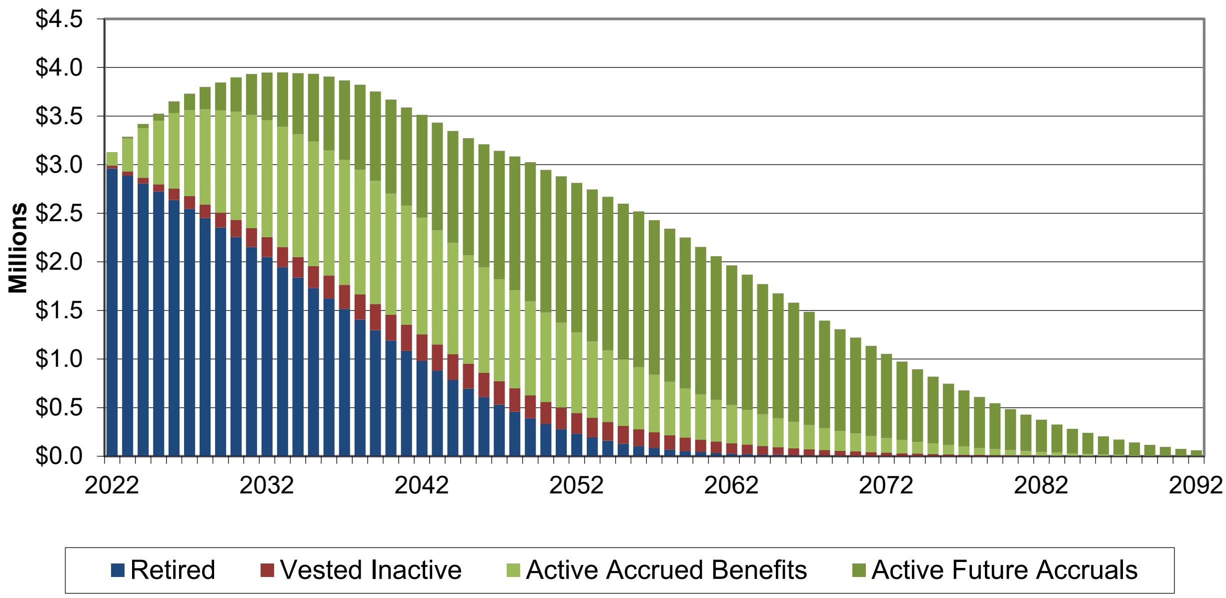
| | | |
|---|---|---|
| (5) | Total Amortization Payments (Beginning of Year) (see Table 6) | $ 1,751,911 |
| (6) | Total Amortization Payments effective January 1, 2023 (Middle of 2022-2023 Fiscal Year)<br>(5) × (1.0550) | $ 1,848,266 |

### TOTAL ACTUARIALLY DETERMINED CONTRIBUTION Effective July 1, 2022

| | |
|---|---|
| Hourly Normal Cost Contribution Rate (4) | $3.57 |
| Total Amortization Payments (6) | $ 1,848,266 |

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**PROJECTED BENEFIT PAYMENTS**




**Expected Future Benefit Payments for All Current Participants**

| Plan Year | Estimated Payout of Plan Benefits | Plan Year | Estimated Payout of Plan Benefits |
|---|---|---|---|
| 2022 | $ 3,129,000 | 2032 | $ 3,948,000 |
| 2023 | 3,287,000 | 2033 | 3,949,000 |
| 2024 | 3,419,000 | 2034 | 3,941,000 |
| 2025 | 3,525,000 | 2035 | 3,935,000 |
| 2026 | 3,652,000 | 2036 | 3,907,000 |
| 2027 | 3,731,000 | 2037 | 3,867,000 |
| 2028 | 3,799,000 | 2038 | 3,822,000 |
| 2029 | 3,847,000 | 2039 | 3,754,000 |
| 2030 | 3,898,000 | 2040 | 3,670,000 |
| 2031 | 3,934,000 | 2041 | 3,588,000 |

*This valuation, including the projected benefit payments above, includes only participants as of the valuation date.*

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION,
LOCAL NO. 757, PENSION TRUST**

## PLAN PROVISIONS

### NAME

Lane Transit District - Amalgamated Transit Union Local No. 757 Pension Trust.

### EFFECTIVE DATE

March 1, 1972. The plan was last restated effective January 1, 2015.

### PLAN YEAR

Each January 1 through December 31.

### ELIGIBILITY

All bargaining unit employees who have completed six months of employment.

### CREDITED SERVICE

(a) Credited Past Service

Years and completed months of employment of each employee as of March 1, 1972.

(b) Current Service

Current Service is based on the total credited hours by a participant in covered employment during a calendar year. Current Service is determined according to the following table:

| | |
|---|---|
| 1,600 or more hours | 1 Year of Current Service |
| 1,200 or more, but less than 1,600 hours | 3/4 Year of Current Service |
| 800 or more, but less than 1,200 hours | 1/2 Year of Current Service |
| 400 or more, but less than 800 hours | 1/4 Year of Current Service |

Up to one-half year of Current Service may be credited for the period of employment before an employee is eligible to join the plan.

**NORMAL RETIREMENT**

(a) Eligibility

The Normal Retirement Age for a participant who retires on or after July 1, 2000 is age 60. The Normal Retirement Age for Participants terminated prior to July 1, 2000 is age 62.

(b) Benefit

An employee participation account will be maintained for each employee based on the contributions allocated to his account. Each participant's employee participation account will be credited with $.10 for each credited hour reported for the plan year. The value of the employee participation account will fluctuate depending on the investment results achieved on the plan assets.

At retirement the value of the participant's account will be determined and will be used to provide a monthly benefit based on the table of factors adopted by the Trustees as shown below:

| Age (Last Birthday at Retirement) | Monthly Basic Benefit Per $1,000 in Employee Participation Account |
|---|---|
| 55 | $ 7.07 |
| 56 | 7.21 |
| 57 | 7.35 |
| 58 | 7.50 |
| 59 | 7.65 |
| 60 | 7.82 |
| 61 | 8.00 |
| 62 | 8.19 |
| 63 | 8.39 |
| 64 | 8.61 |
| 65 | 8.83 |
| 66 | 9.07 |
| 67 | 9.32 |
| 68 | 9.59 |
| 69 | 9.87 |
| 70 | 10.17 |
| 71 | 10.49 |
| 72 | 10.83 |

If the monthly retirement benefit payable from a participant's account is less than the minimum benefit, the participant's benefit will be increased to the minimum level.

For participants terminating prior to January 1, 2016, a participant's minimum benefit is determined by multiplying the participant's total Current Service plus his total Credited Past Service (up to a maximum of five years) times the applicable benefit multiplier from the following table:

| Termination of Employment | Benefit Multiplier |
|---|---|
| On or before March 1, 1979 | $ 12.00 |
| After March 1, 1979 and on or before January 1, 1984 | $ 15.00 |
| After January 1, 1984 and before January 1, 1986 | $ 18.00 |
| On or after January 1, 1986 and before January 1, 1987 | $ 19.00 |
| On or after January 1, 1987 and before January 1, 1990 | $ 21.00 |
| On or after January 1, 1990 and before January 1, 1992 | $ 26.00 |
| On or after January 1, 1992 and before January 1, 1994 | $ 30.00 |
| On or after January 1, 1994 and before January 1, 1995 | $ 32.00 |
| On or after January 1, 1995 and before January 1, 1997 | $ 34.00 |
| On or after January 1, 1997 and before January 1, 1998 | $ 37.00 |
| On or after January 1, 1998 and before January 1, 2000 | $ 38.00 |
| On or after January 1, 2000 and before July 1, 2000 | $ 42.00 |
| On or after July 1, 2000 and before July 1, 2001 | $ 45.00 |
| On or after July 1, 2001 and before July 1, 2002 | $ 48.00 |
| On or after July 1, 2002 and before July 1, 2003 | $ 53.00 |
| On or after July 1, 2003 and before December 9, 2007 | $ 55.00 |
| On or after December 9, 2007 and before July 1, 2008 | $ 60.00 |
| On or after July 1, 2008 and before July 1, 2009 | $ 63.00 |
| On or after July 1, 2009 and before July 1, 2014 | $ 64.00 |
| On or after July 1, 2014 and before January 1, 2016 | $ 65.50 |

Despite the above, the minimum benefit of a Participant whose Termination of Employment and Retirement Date both occur on or after July 1, 2007 and before December 9, 2007 is $60.

For participants terminating on or after January 1, 2016, a participant's minimum benefit is determined by taking the sum of the annual accruals for each year of the participant's total Current Service plus his total Credited Past Service (up to a maximum of five years), as determined by the table below:

| Year of Benefit Accrual | Benefit Multiplier |
|---|---|
| Before January 1, 2016 | $ 65.50 |
| On or after January 1, 2016 and before January 1, 2017 | $ 67.00 |
| On or after January 1, 2017 and before January 1, 2018 | $ 70.00 |
| On or after January 1, 2018 and before January 1, 2019 | $ 72.00 |
| On or after January 1, 2019 and before January 1, 2020 | $ 74.00 |
| On or after January 1, 2020 and before January 1, 2021 | $ 76.00 |
| On or after January 1, 2021 and before January 1, 2022 | $ 78.00 |
| On or after January 1, 2022 | $ 80.00 |

The monthly benefit will be payable for life with a guarantee that if the participant dies after becoming eligible for the normal retirement benefit, payments will be made to the participant's beneficiary until a total of 36 monthly payments have been made to the participant and beneficiary.

## EARLY RETIREMENT

(a) Eligibility

A participant may retire prior to his normal retirement date if he has 10 years of Credited Past and Current Service and is at least 55 years of age, or at any age if the participant has at least 30 years of Credited Past and Current Service.

(b) Benefit

The monthly basic benefit is determined from the preceding table. The minimum benefit will not be reduced if a participant has at least 30 years of Credited Past and Current Service. Otherwise, the minimum benefit will be reduced according to the following table:

| Age at Retirement | Percentage Reduction |
|---|---|
| 59 | 3% |
| 58 | 6% |
| 57 | 14% |
| 56 | 22% |
| 55 | 30% |

## DISABILITY BENEFIT

(a) Eligibility

A participant may receive a disability benefit if he becomes totally disabled while employed with the District, remains totally disabled for at least five months, terminates employment with the District, and has at least three years of Credited Service. The Trustees will determine the existence of a disability. A participant will only remain eligible to continue receiving disability benefits for a period in excess of three years if the participant is entitled to receive disability insurance benefits under Title II of the Federal Social Security Act as finally determined by the Social Security Administration.

(b) Benefit

A monthly benefit is payable for the duration of the disability beginning after the fifth month of disability (or termination of employment, if later). The amount of the benefit is determined by converting the value of the participant's account to a monthly annuity as if he were age 62, but the amount will be no less than the minimum normal benefit based on his years of Credited Service earned as of the end of the fifth month of total disability.

## TERMINATION OF EMPLOYMENT

A participant who terminates his employment with the district will forfeit all years of Credited Service and all contributions credited to his account unless he has at least three years of Current Service as of the date of termination. If he has at least three years of Current Service but less than five years of Credited Service, he will receive the accumulated value of his account. If he has at least three years of Current Service and five or more years of Credited Service, he may elect to leave his Employee Participation Account on deposit in the Trust and will be eligible to receive retirement benefits when eligible.

## CONTRIBUTIONS

Contributions are made to the Trust Fund by the District in accordance with the District's funding policy.

## PRE-RETIREMENT DEATH BENEFIT

(i) After Early Retirement Eligibility

The deceased participant's spouse will receive 50% of the amount the deceased participant would have received if he had retired on his date of death and the 50% joint and survivor annuity had been selected, taking into account the early retirement factor and the joint and survivor option factor.

(ii) Married and before Early Retirement Eligibility with at Least Five Years of Credited Service

The married participant is assumed to have terminated on his date of death, survived to age 55, selected the 50% joint and survivor option, and died the next day. The benefit is payable on the participant's earliest retirement date. The participant must have at least one year of Current Service.

(iii) Unmarried and/or Have Less than Five Years of Credited Service

The accumulated value in a participant's account will be paid to his beneficiary if he dies prior to retirement. The participant must have at least three years of Credited Service.

## BENEFITS NOT VALUED

The total liability for Employee Participation Accounts was deemed to be immaterial to the valuation and was not included in this report. In prior valuations, estimated Employee Participation Account liabilities were less than $10,000.

## PLAN CHANGES SINCE LAST VALUATION

There have been no plan changes since the last valuation that had a material impact on liabilities. The most recent Working and Wage Agreement between ATU and LTD is reflected in this valuation as is Amendment No. 3 to the Plan, which increased the benefit multiplier effective January 1, 2022. The benefit multiplier increase in Amendment No. 3 is materially similar to that anticipated in the 2020 valuation.

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION,
LOCAL NO. 757, PENSION TRUST**

## ACTUARIAL ASSUMPTIONS AND METHODS

This section of the report describes the actuarial procedures and assumptions used in this valuation. These procedures and assumptions have been chosen on the basis of recent experience of the plan, published actuarial tables, and current expectations as to future economic conditions.

The assumptions are intended to estimate the future experience of the members of the plan and of the plan itself in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the plan's benefits.

### ACTUARIAL COST METHOD

The accruing costs of all benefits are measured by the Individual Entry Age Normal Cost Method. Under this method, the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over the expected earnings of the individual between entry age and assumed exit age(s). The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of the 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.

Under this method the excess of the Actuarial Accrued Liability over the Actuarial Value of Assets is the Unfunded Actuarial Accrued Liability (Surplus).

### INVESTMENT EARNINGS

The future investment earnings of the assets of the plan are assumed to accrue at an annual rate of 5.50%, net of investment expenses.

The investment earnings assumption was selected based on the Plan's target asset allocation as of the valuation date, combined with capital market assumptions from several sources, including published studies summarizing the expectations of various investment experts. This information was used to develop forward-looking long-term expected returns, producing a range of reasonable expectations according to industry experts. Based on the resulting range of potential assumptions, in our professional judgment the selected investment return assumption is reasonable and is not expected to have any significant bias.

### INFLATION, EARNINGS, AND PAYROLL GROWTH

General inflation is assumed to be 2.50% per year, and is used to develop other economic assumptions. Payroll and individual earnings growth are assumed to be 3.00% per year.

**AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**

Components of the Unfunded Actuarial Accrued Liability are amortized as a level percentage of payroll over a closed amortization period of 20 years from the date of initial recognition.

However, the cost of the plan change associated with the 2014-2017 collective bargaining agreement is being amortized separately over a closed amortization period of 10 years.

**ADMINISTRATIVE EXPENSE**

Annual administrative expenses are assumed to be $125,000 per year (payable mid-year).

**VALUATION OF ASSETS**

Market related value. Three-year smoothing of market returns without phase-in as defined by Internal Revenue Procedure 2000-40.

**FUTURE SERVICE CREDITS**

Active participants were assumed to earn one year of current service credit in each future plan year prior to the year of retirement, death, disability, or withdrawal. Accruals on those current service credits are assumed to increase at 3.0% per year after 2022.

**SERVICE RETIREMENT**

The annual rates of retirement are illustrated below.

| Age | Rate of Retirement |
|---|---|
| 55 - 57 | 5%* |
| 58 - 61 | 10 |
| 62 | 40 |
| 63 - 64 | 20 |
| 65 | 40 |
| 66 - 69 | 30 |
| 70 | 100 |

** Only applied to members with 30+ years of service.*

Vested terminated participants are assumed to retire at their earliest unreduced retirement age. Participants who transfer to a salaried position are assumed to retire at age 60.

**DISABLEMENT**

The rates of disablement used in this valuation are illustrated below.

| Age | Number of Participants Becoming Disabled During the Year Per 1,000 Actives |
|---|---|
| 30 | 1 |
| 35 | 1 |
| 40 | 1 |
| 45 | 2 |
| 50 | 2 |
| 55 | 4 |
| 60 | 8 |

**MORTALITY**

The rates of mortality used in this valuation are represented by Pri-2012 Mortality Tables with Blue Collar adjustment with generational projection using MP-2021 mortality improvement projection scales starting at the 2012 base year, and a one-year set-forward. For disabled retirees, participant rates of mortality used in this valuation are represented by Pri-2012 Disabled Mortality Tables and generational projection using MP-2021 mortality improvement projection scales starting at the 2012 base year.

**OTHER TERMINATIONS OF EMPLOYMENT**

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown below for representative ages:

| Years of Service | Annual Rate |
|---|---|
| Under 1 | 25% |
| 1 to 2 | 8% |
| 3 to 20 | 3% |
| Over 20 | 0% |

**FORM OF BENEFIT**

Non-retired participants are assumed to receive their monthly retirement benefits in the Plan's Normal Form, a lifetime annuity with three years certain. Retirees are valued based on their elected form of benefit.

**MARRIAGE**

100% of non-retired participants were assumed married. Wives were assumed to be three years younger than their husbands.

**CHANGES IN ACTUARIAL METHODS AND ASSUMPTIONS**

- The future investment earnings assumption was reduced from 5.75% to 5.50% per annum, net of investment expenses, to better reflect future expectations for investment returns.
- The mortality assumption was updated to use the MP-2021 mortality improvement projection scale. This is a biennial update from the MP-2019 scale used in the last valuation.
- Based on information provided by the District and Kernutt Stokes, total compensable hours for the 2022 Plan year were assumed to be 445,000 for purposes of calculating the Normal Cost contribution rate.

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION,**
**LOCAL NO. 757, PENSION TRUST**

**PARTICIPANT INFORMATION**

The current actuarial valuation was based upon the participant data provided by Kernutt Stokes, LLP.

The following table shows the number of participants included in the current actuarial valuation and the previous valuation.

| | January 1, 2020 | January 1, 2022 | Change |
|---|---|---|---|
| Active | | | |
| Age 65 & Over | 11 | 18 | 7 |
| Other Vested Participants | 133 | 143 | 10 |
| Non-Vested Participants | 96 | 52 | -44 |
| TOTAL ACTIVE | 240 | 213 | -27 |
| Inactive | | | |
| Retirees, Beneficiaries & Disabled Participants | 244 | 265 | +21 |
| Vested Terminations | 36 | 38 | +2 |
| Salaried Transfers | 22 | 19 | -3 |
| TOTAL INACTIVE | 302 | 322 | +20 |
| TOTAL PARTICIPANTS | 542 | 535 | -7 |

More detailed information on current plan participants is shown on the following pages.

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**ACTIVE PARTICIPANTS
(January 1, 2022)**

Years of Employment

| | 0 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | |
|---|---|---|---|---|---|---|---|---|
| Age | Count | Avg. Hours | Count | Avg. Hours | Count | Avg. Hours | Count | Avg. Hours |
| Under 30 | 10 | 1,287 | 2 | 2,024 | 0 | 0 | 0 | 0 |
| 30 to 34 | 2 | 2,215 | 6 | 2,203 | 0 | 0 | 1 | 2,211 |
| 35 to 39 | 8 | 1,749 | 10 | 2,069 | 2 | 2,139 | 2 | 1,750 |
| 40 to 44 | 3 | 2,276 | 7 | 2,013 | 1 | 2,601 | 1 | 2,047 |
| 45 to 49 | 7 | 1,567 | 10 | 2,089 | 3 | 2,245 | 1 | 1,986 |
| 50 to 54 | 9 | 1,721 | 14 | 2,132 | 6 | 1,970 | 5 | 2,037 |
| 55 to 59 | 7 | 1,637 | 15 | 2,128 | 5 | 2,183 | 5 | 2,079 |
| 60 to 64 | 6 | 1,750 | 4 | 2,108 | 4 | 2,052 | 6 | 1,972 |
| 65 & Up | 0 | 0 | 3 | 2,186 | 2 | 2,307 | 4 | 1,989 |
| Total | 52 | 1,664 | 71 | 2,108 | 23 | 2,138 | 25 | 2,005 |

| | 20 to 24 | | 25 to 29 | | 30 & Up | | Total | |
|---|---|---|---|---|---|---|---|---|
| Age | Count | Avg. Hours | Count | Avg. Hours | Count | Avg. Hours | Count | Avg. Hours |
| Under 30 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 1,409 |
| 30 to 34 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 2,207 |
| 35 to 39 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 1,930 |
| 40 to 44 | 1 | 2,070 | 0 | 0 | 0 | 0 | 13 | 2,126 |
| 45 to 49 | 2 | 2,135 | 0 | 0 | 0 | 0 | 23 | 1,950 |
| 50 to 54 | 3 | 2,150 | 1 | 2,106 | 0 | 0 | 38 | 1,997 |
| 55 to 59 | 5 | 2,047 | 5 | 1,965 | 0 | 0 | 42 | 2,018 |
| 60 to 64 | 12 | 2,080 | 2 | 2,155 | 2 | 2,110 | 36 | 2,012 |
| 65 & Up | 4 | 2,097 | 3 | 2,173 | 2 | 1,990 | 18 | 2,112 |
| Total | 27 | 2,088 | 11 | 2,069 | 4 | 2,050 | 213 | 1,985 |

Average Age: 51.0

Average Service: 11.3

## LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST

## RETIREES, BENEFICIARIES AND DISABLED PARTICIPANTS (January 1, 2022)

### Service Retirees

| Age | Number | Total Monthly Benefit |
|---|---|---|
| Under 55 | 0 | $ 0 |
| 55 to 59 | 3 | 2,986 |
| 60 to 64 | 20 | 14,969 |
| 65 to 69 | 57 | 63,603 |
| 70 to 74 | 65 | 70,517 |
| 75 to 79 | 27 | 29,329 |
| 80 to 84 | 24 | 25,438 |
| 85 & Up | 20 | 15,330 |
| Total | 216 | $222,172 |

### Disability Retirees

| Age | Number | Total Monthly Benefit |
|---|---|---|
| Under 55 | 0 | $ 0 |
| 55 to 59 | 2 | 2,005 |
| 60 to 64 | 2 | 1,365 |
| 65 to 69 | 5 | 1,608 |
| 70 to 74 | 1 | 649 |
| 75 to 79 | 2 | 1,484 |
| 80 to 84 | 1 | 656 |
| 85 & Up | 0 | 0 |
| Total | 13 | $ 7,767 |

### Survivors & Beneficiaries

| Age | Number | Total Monthly Benefit |
|---|---|---|
| Under 55 | 1 | $ 689 |
| 55 to 59 | 1 | 189 |
| 60 to 64 | 1 | 369 |
| 65 to 69 | 7 | 2,362 |
| 70 to 74 | 7 | 4,551 |
| 75 to 79 | 9 | 5,817 |
| 80 to 84 | 5 | 2,762 |
| 85 & Up | 5 | 2,756 |
| Total | 36 | $ 19,495 |

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION, LOCAL NO. 757, PENSION TRUST**

**VESTED TERMINATED EMPLOYEES (January 1, 2022)**

| Age | Number | Total Accrued Monthly Benefit |
|---|---|---|
| Under 40 | 5 | $ 1,961 |
| 40 to 44 | 4 | 1,534 |
| 45 to 49 | 2 | 1,145 |
| 50 to 54 | 9 | 5,310 |
| 55 to 59 | 13 | 8,036 |
| 60 to 64 | 4 | 1,544 |
| 65 & Up | 1 | 342 |
| Total | 38 | $ 19,872 |

**SALARIED TRANSFERS (January 1, 2022)**

| Age | Number | Total Accrued Monthly Benefit |
|---|---|---|
| Under 40 | 1 | $ 176 |
| 40 to 44 | 5 | 2,554 |
| 45 to 49 | 6 | 3,870 |
| 50 to 54 | 4 | 2,031 |
| 55 to 59 | 1 | 280 |
| 60 to 64 | 2 | 868 |
| 65 & Up | 0 | 0 |
| Total | 19 | $ 9,779 |

**LANE TRANSIT DISTRICT AND AMALGAMATED TRANSIT UNION,
LOCAL NO. 757, PENSION TRUST**

**RISK DISCLOSURE AND HISTORICAL EXHIBITS**

The purpose of this appendix is to identify, assess, and provide illustrations of risks that are significant to the Plan, and in some cases to the Plan's participants. Historical data is also included in this appendix.

The results of any actuarial valuation are based on one set of assumptions. Although we believe the current assumptions provide a reasonable estimate of future expectations, it is almost certain that future experience will differ from the assumptions to some extent. As an example, investments may perform better or worse than assumed in any single year and over a longer time horizon. It is therefore important to consider the potential impacts of these potential differences when making decisions that may affect the future financial health of the Plan, or of the Plan's participants.

In addition, as plans mature they generally accumulate larger pools of assets and liabilities. This increases the potential risk to plan funding and the finances of those who are responsible for plan funding. As an example, it is more difficult for a plan sponsor to deal with the effects of a 10% investment loss on a plan with $1 billion in assets and liabilities than if the same plan sponsor is responsible for a 10% investment loss on a plan with $1 million in assets and liabilities. Since pension plans make long-term promises and rely on long-term funding, it is important to consider how mature the Plan is today, and how mature it may become in the future.

Actuarial Standard of Practice No. 51 (ASOP 51) addresses these issues by providing actuaries with guidance for assessing and disclosing the risk associated with measuring pension liabilities and the determination of pension plan contributions. Specifically, it directs the actuary to:

- Identify risks that may be significant to the Plan.
- Assess the risks identified as significant to the Plan. The assessment does not need to include numerical calculations.
- Disclose plan maturity measures and historical information that are significant to understanding the Plan's risks.

ASOP 51 states that if in the actuary's professional judgment, a more detailed assessment would be significantly beneficial in helping the individuals responsible for the Plan to understand the risks identified by the actuary, then the actuary should recommend that such an assessment be performed.

This appendix uses the framework of ASOP 51 to communicate important information about significant risks to the Plan, the Plan's maturity, and relevant historical plan data.

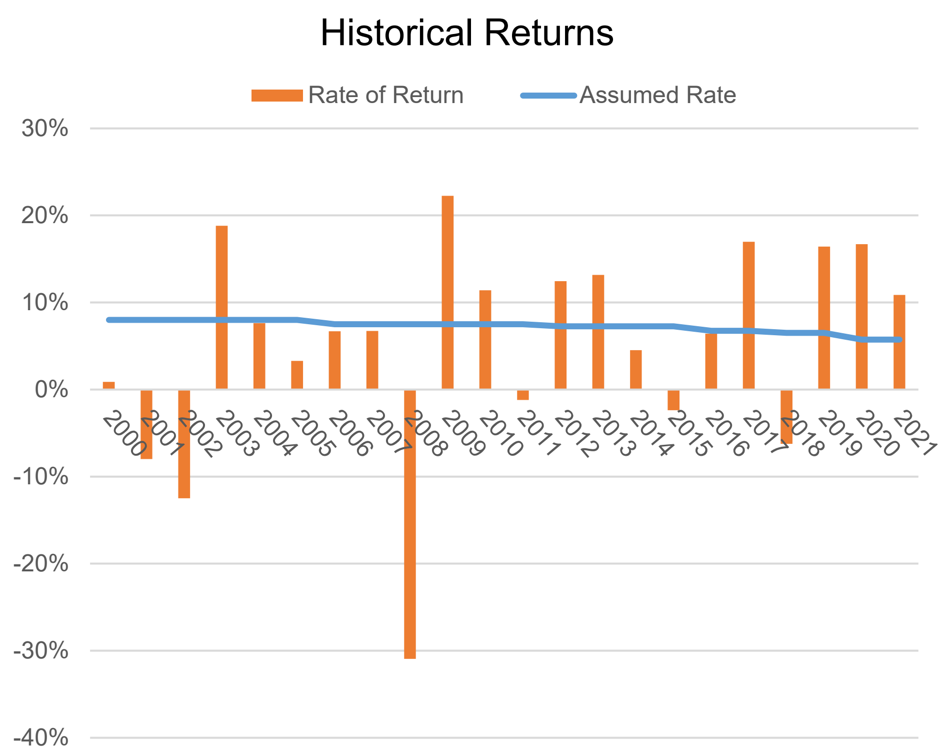
Please let us know if you would like to discuss any of these risks in greater detail.

**Investment Risk**

Investment risk is the potential that investment returns will be different than expected. We believe this is the most significant potential risk to the future financial health of the Plan.

To the extent that actual investment returns differ from the assumed investment return, the Plan's future assets, funding contributions, and funded status may differ significantly from those presented in this valuation. In particular, if the Plan's investment returns are generally lower than assumed over time, additional funding would be needed compared to that implied by this valuation. The current assumed investment return is 5.50%.

The annualized returns for the Plan's assets have been about 4.4% over the last 22 years, and about 8.6% over the last 10 years. More detail on the Plan's investment returns since January 1, 2000 is shown in the chart below.




The Plan's liabilities have been calculated using a discount rate equal to the assumed net investment rate of return of 5.50%. One way to assess the effect of possible future investment return different than assumed is to consider the effect of changing the discount rate. As a general rule, using a lower discount rate results in higher pension liability, and vice versa. The approximate duration of the Plan's pension liability is about 13 years as of the current valuation date. Therefore, if the discount rate were to decrease (increase) by 100 basis points, the estimated increase (decrease) in pension liability would be about 13%.

**Demographic Risk**

Demographic risks represent the potential that mortality, retirement, or other demographic experience will be significantly different than anticipated by the assumptions used for the valuation.

The pension liabilities reported herein have been calculated by assuming that participants will follow patterns of demographic experience (e.g., mortality, withdrawal, retirement, form of payment election, etc.) as described in Appendix B. If actual demographic experience or future demographic assumptions are different from what is assumed to occur in this valuation, future pension liabilities, funding contributions, and funded status may differ significantly from those presented in this valuation.

Primary demographic risks include:

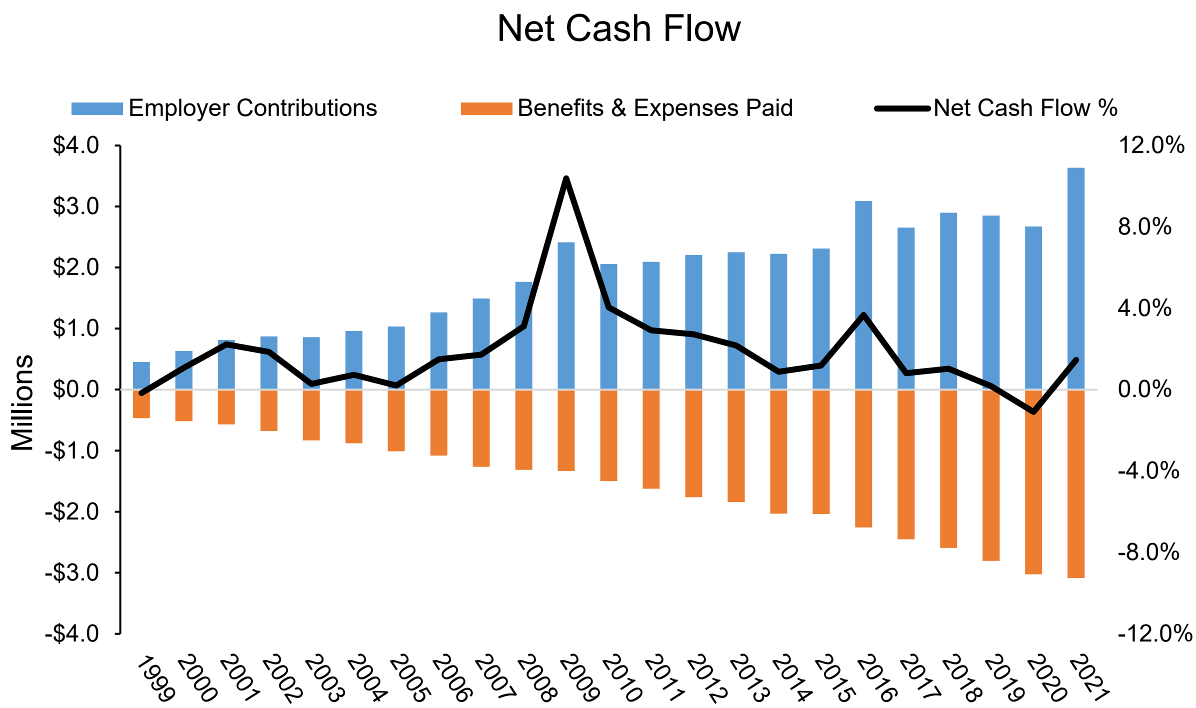
- **Longevity risk:** the risk that participants live longer than expected, which would result in more payments than projected by this valuation.
- **Decrement risk:** the risk that participants retire, terminate, or become disabled at rates different than expected. For example, the Plan has valuable early retirement benefits. If participants retire at earlier ages than anticipated by the actuarial assumptions and benefit from subsidized early retirement benefits at a greater rate than projected in the valuation, this will increase the ultimate cost of the Plan.

If demographic experience is unfavorable, additional funding would be needed compared to that implied by this valuation. We measure the Plan's demographic experience compared to our expectations each year to ensure our assumptions remain reasonable.

**Liquidity Risk**

Liquidity risk is the potential that assets must be liquidated at a loss earlier than planned in order to pay for the Plan's benefits and operating costs. This risk is heightened for plans with net negative cash flow (excluding the effect of investment returns), in which contributions do not exceed annual benefit payments plus expenses.

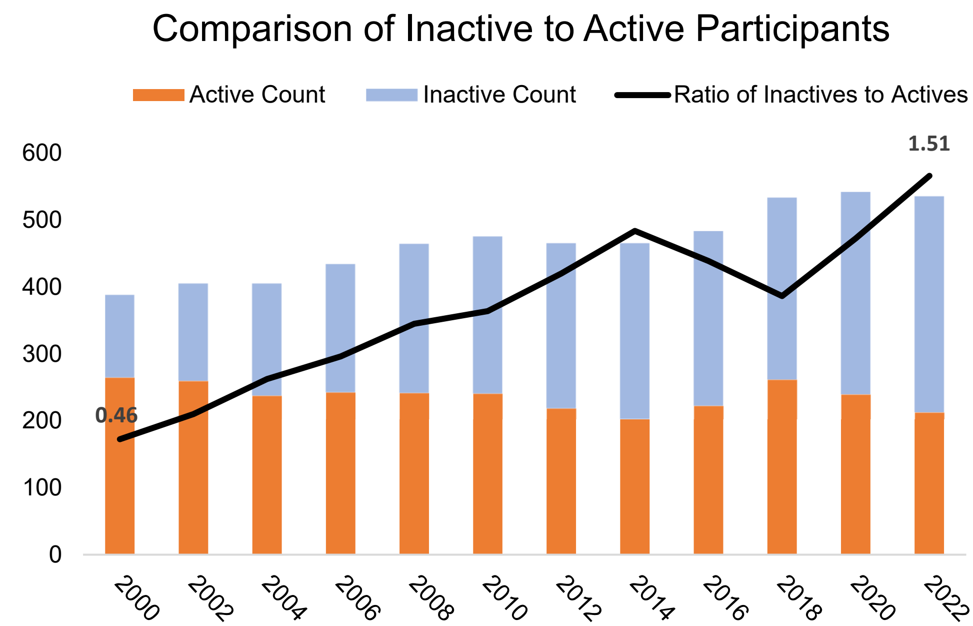
In recent years, the Plan has had low cash flow requirements because the sum of benefit payments plus expenses has been less than contributions. As the Plan continues to mature, contribution and investment decisions should be coordinated to manage the risk that assets may need to be liquidated at a loss before planned in order to pay benefits and expenses. Currently, the Plan has a low allocation to illiquid assets such as real estate and private equity, which means it should be possible to efficiently liquidate assets as needed for normal plan benefit payments and expenses. More detail on the Plan's historical net non-investment cash flow for the prior 23 years is shown in the following chart.




**The Impact of Plan Maturity**

A pension plan's ability to recover from any underfunding and to respond to any poor experience resulting from the risks described above is significantly affected by its "maturity" level. As a plan's assets and liabilities grow, the impact of any gains or losses on the assets or liabilities also becomes larger. In addition, as liabilities become more heavily weighted to inactive participants, and/or the non-investment cash flow of a plan grows significantly negative, it can become harder to address underfunding that occurs due to plan experience.

One metric of the Plan's maturity is the ratio of the number of inactive participants (vested inactive participants and individuals in pay status) to active participants. The ratio of inactive participants to active participants has increased from 0.46 as of January 1, 2000 to 1.51 as of the valuation date for this report. In general, an increasing ratio of inactive to active participants is an indicator that the Plan is becoming more mature. More detail on the Plan's historical ratio of inactive participants to active participants is shown in the following chart.




Another measure of the Plan's maturity is the percentage of Plan liability attributable to inactive participants (vested inactive participants and participants in pay status) compared to the percentage attributable to active participants. The inactive liability for the Plan rose from 38% on January 1, 2000 to 65% as of the valuation date for this report. The percentage of the Plan's liability attributable to active and inactive participants for the current and 22 preceding plan years is shown in the chart below.