

General Assembly Retirement System of Illinois

2024 Actuarial Experience Study

July 1, 2021 — June 30, 2024





May 23, 2025

Board of Trustees
General Assembly Retirement System
2101 South Veterans Parkway
Springfield, Illinois 62794-9255

Subject: 2024 Actuarial Experience Study

Dear Members of the Board:

We are pleased to present our report on the results of the 2024 Actuarial Experience Study for the General Assembly Retirement System of Illinois ("GARS" or "System"). The purpose of the study is to evaluate the continued appropriateness of the actuarial assumptions used in the annual actuarial valuation by comparing actual experience to expected experience. Our study was based on census information for the period from July 1, 2021, to June 30, 2024, as provided by GARS staff. This report includes our recommended assumptions and methods effective for the June 30, 2025, actuarial valuation. It also provides the actuarial impact produced by these recommendations as though they had been effective for the June 30, 2024 actuarial valuation.

Pursuant to Public Act 99-0232, effective August 3, 2015, the five state systems shall conduct an actuarial experience study at least once every three years.

Our study includes a review of the experience associated with the following actuarial assumptions:

- Price inflation;
- Investment return;
- General wage inflation and payroll growth;
- Salary increases;
- Mortality;
- Inflation;
- Retirement; and
- Withdrawal (Turnover).

With the Board's approval of the recommendations in this report, we believe the actuarial condition of the System will be more accurately portrayed. The Board's decisions should be based on the appropriateness of each recommendation individually, not on their collective effect on the funding period or the unfunded liability.

This report should not be relied on for any purpose other than the purpose stated. This report may be provided to parties other than GARS only in its entirety and only with the permission of GARS. GRS is not responsible for unauthorized use of this report.

The results of the experience study and recommended assumptions set forth in this report are based on the data and actuarial techniques and methods described above, and upon the provisions of the System as of the most recent actuarial valuation date, June 30, 2024. All actuarial assumptions used in this report are reasonable for the purposes of this actuarial valuation. The combined effect of the assumptions, excluding prescribed assumptions or methods set by law, is expected to have no significant bias (i.e., not significantly optimistic or pessimistic). To the best of our knowledge, the information contained in this report is accurate and fairly presents the experience of members participating in the System for the period July 1, 2021, to June 30, 2024. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

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.

Alex Rivera, Heidi G. Barry, and Jeffrey T. Tebeau are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

We believe that the proposed actuarial assumptions that are the result of this experience study represent a reasonable estimate of expected future experience of the General Assembly Retirement System of Illinois.



Respectfully submitted,

Gabriel, Roeder, Smith & Company



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SECTION A

EXECUTIVE SUMMARY

Executive Summary

The results of the three-year experience review of the General Assembly Retirement System of Illinois are presented in this report. Public Act 99-0232 requires an experience review once every three years.

The last comparable experience review was prepared for the period from July 1, 2018, to June 30, 2021. In this report, actual experience is compared to expected experience for the three-year period from July 1, 2021, to June 30, 2024, in order to evaluate and update the actuarial assumptions used for the most recent actuarial valuation as of June 30, 2024. The cost impact of the updated assumptions was measured as of June 30, 2024. The updated actuarial assumptions are effective beginning with the actuarial valuation as of June 30, 2025.

Based on our review of the actuarial experience, we recommend the following updates to the actuarial valuation assumptions and methods:

- Maintain the assumed investment return assumption of 6.50 percent.
- Increase the price inflation assumption of 2.25 percent to 2.40 percent.
- Increase the general payroll growth assumption of 2.50 percent to 2.65 percent.
- Increase the salary increase assumption.
- Maintain the mortality tables to the Pub-2010 Above-Median Income General Healthy Retiree and Employee Mortality Tables with no adjustments and future mortality improvements using the scale MP-2021.
- Decrease the normal retirement rates for Tier 1 to better reflect observed experience.
- Maintain the current turnover rate of 7 percent for both Tier 1 and Tier 2 members.
- Update the amortization policy for the Actuarially Determined Contribution amount to be a closed 15-year period beginning with the actuarial valuation as of June 30, 2025.

Based on the preceding recommended assumptions, the pro forma fiscal year 2026 costs are expected to change as follows:

Actuarial Valuation as of June 30, 2024 (\$ in 1,000s)	Baseline Assumptions	Recommended Assumptions	Increase/ (Decrease)
Actuarial Accrued Liability	\$366,308	\$366,374	\$66
Actuarial Value of Assets	\$90,679	\$90,679	\$0
Unfunded Liability	\$275,630	\$275,696	\$66
Funded Ratio	24.75%	24.75%	0.00%
FY 2026 Estimated Contribution	\$26,501	\$26,234	(\$267)

Executive Summary

As shown in the table on the prior page, there is an increase in the actuarial accrued liability and a decrease in the estimated FY 2026 contribution due to the change in demographic assumptions.

The remainder of the report is an integral part of the Experience Study and includes:

- An introduction to key factors that were included in the study;
- An analysis of the experience and assumption recommendations;
- Cost impact of the proposed assumption changes; and
- Tables showing the recommended actuarial assumptions.

SECTION B

INTRODUCTION

Introduction

Background

For any pension plan, actuarial assumptions are selected that are intended to provide reasonable estimates of future expected events, such as investment returns, interest crediting, and patterns of retirement, turnover, and mortality. These assumptions, along with an actuarial cost method, an asset valuation method, the employee census data, and the System's provisions are used to determine the actuarial liabilities and overall actuarially determined funding requirements for the System. The true cost to the System over time will be the actual benefit payments and expenses required by the System's provisions for the participant group under the System. To the extent the actual experience deviates from the actuarial assumptions, experience gains and losses will occur. These gains (losses) then serve to reduce (increase) future actuarially determined contributions and increase (reduce) the funded ratio.

A periodic review and update of the actuarial assumptions is one of many important components of understanding and managing the financial aspects of the General Assembly Retirement System of Illinois. Use of outdated or inappropriate assumptions can result in understated costs which will lead to higher future contribution requirements or perhaps an inability to pay benefits when due; or, on the other hand, produce overstated costs which place an unnecessarily large burden on the current generation of members, employers, and taxpayers.

A single set of actuarial assumptions is typically not expected to be suitable forever. As the actual experience unfolds or the future expectations change, the assumptions should be reviewed and adjusted accordingly.

It is important to recognize that the impact from various outcomes and the ability to adjust from experience deviating from the assumption are not symmetric. Due to compounding economic forces, legal limitations, and moral obligations, outcomes from underestimating future liabilities are much more difficult to manage than outcomes of overestimates. That asymmetric risk should be considered when the assumption set, investment policy and funding policy are created. As such, the assumption set used in the actuarial valuation process needs to represent the best estimate of the future experience of the System and be at least as likely, if not more than likely, to overestimate the future liabilities versus underestimate them.

Using this strategic mindset, each assumption was analyzed compared to the actual experience of the System and general experience of other large public employee retirement funds. Changes in certain assumptions and methods are suggested based upon this comparison to remove any bias that may exist and to perhaps add in a slight margin for future adverse experience where appropriate. Next, the assumption set as a whole was analyzed for consistency and to ensure that the projection of liabilities was reasonable and consistent with historical trends.

Actuarial Standards of Practice ("ASOPs")

The Actuarial Standards Board ("ASB") provides guidance on measuring the costs of financing a retirement program through the following Actuarial Standards of Practices ("ASOPs"):

- (1) ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*;
- (2) ASOP No. 27, *Selection of Assumptions for Measuring Pension Obligations*;
- (3) ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations*;



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- (4) ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*; and
- (5) ASOP No. 56, *Modeling*.

The recommended assumptions provided in this report are consistent with the preceding actuarial standards of practice.

Summary of Process

In determining liabilities and contribution rates for retirement plans, actuaries must make assumptions about the future. The actuarial assumptions are usually divided into two categories:

- Economic assumptions, which include:
 - Assumed rate of price inflation (as measured by the change in the Consumer Price Index for all Urban consumers)
 - Underlies all other economic assumptions
 - Basis for cost-of-living increases for members hired on or after January 1, 2011
 - Assumed long-term rate of return on investments
 - Rate at which projected benefits are reduced to present value
 - Rate for reversionary annuity factors
 - General wage increases
 - Reflects inflationary forces on increases in pay for all members
 - Rate of payroll growth
 - Reflects expectation of growth in total payroll and affects level percent-of-pay statutory contributions
- Demographic assumptions, which include:
 - Mortality rates
 - Retirement rates
 - Withdrawal (Turnover) rates

For some of these assumptions, such as the mortality rates, past experience provides important evidence about the future. For others, such as the investment return assumption, the link between past and future results is much weaker. In either case, actuaries should review the System's assumptions periodically and determine whether these assumptions are consistent with both actual past experience and anticipated future experience.

The last such actuarial experience study was performed following the June 30, 2021, actuarial valuation and the recommended assumptions were first effective with the June 30, 2022, actuarial valuation. For this experience study, we have reviewed the System's experience for the three-year period from July 1, 2021, through June 30, 2024.

In conducting experience studies, actuaries generally use data over a period of several years. This is necessary in order to gather enough data so that the results are statistically significant. In addition, if the study period is too short, the impact of the current economic conditions may lead to misleading results. It is known, for example, that the health of the general economy can impact salary increase rates and withdrawal rates. Using results gathered during a short-term boom or bust period will not be representative of the long-term trends in these assumptions. Also, the adoption of legislation, such as



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plan improvements or changes in salary schedules, will sometimes cause a short-term distortion in the experience. For example, if an early retirement window was opened during the study period, we would usually see a short-term spike in the number of retirements followed by a decline of retirements for the following two to four years. Using a longer period prevents giving too much weight to such short-term effects. On the other hand, using a much longer period could dampen real changes that may be occurring, such as mortality improvement or a change in the ages at which members retire.

In an experience study, we first determine the number of deaths, retirements, etc. that occurred during the period. Then we determine the number expected to occur, based on the current actuarial assumptions. The number of “expected” decrements is determined by multiplying the probability of the occurrence at the given age, by the “exposures” at that same age. For example, consider a rate of retirement of 5.00 percent at age 55. The number of exposures can only be those members who are age 55 and eligible for retirement at that time. Thus, they are considered “exposed” to that assumption. Finally, we calculate the A/E ratio, where “A” is the actual number (of retirements, for example) and “E” is the expected number. If the current assumptions were “perfect,” the A/E ratio would be 100 percent. When it varies much from this figure, it is a sign that new assumptions may be needed. However, in some cases we prefer to set our assumptions to produce an A/E ratio a little above or below 100 percent, in order to introduce some conservatism. Of course, we not only look at the assumptions as a whole, but we also review how well they fit the actual results by gender, by age and by service.

If the data leads the actuary to conclude that new tables are needed, the actuary may “graduate” or smooth the results, since the raw results can be quite uneven from age to age or from service to service.

Please bear in mind while the recommended assumption set represents our best estimate, there are other reasonable assumption sets that could be supported. Some other reasonable assumption sets would show higher or lower liabilities or costs.

Summary of Recommendations

Our recommended changes to the current actuarial assumptions and methods are summarized as follows:

Economic Assumptions

- **Price inflation:** We recommend increasing the rate of price inflation from 2.25 percent to 2.40 percent.
- **Investment return:** We recommend maintaining the nominal investment return assumption of 6.50 percent. Based on blended capital market assumptions from independent sources and the System’s current asset allocation, over the next 20 years the likelihood assets will earn at least 6.50 percent per year is 61.43 percent. Based on a shorter 10-year horizon, the likelihood assets will earn at least 6.50 percent is 54.68 percent. Given the plan’s low funded ratio, we recommend placing more weight on the 10-year horizon results.
- **Payroll growth assumption:** We recommend increasing the general payroll growth assumption of 2.50 percent to 2.65 percent, which reflects an underlying general price inflation assumption of 2.40 percent.

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- **Salary increase:** We recommend increasing the salary increase assumption from 2.50 percent to 2.65 percent.

Mortality Assumptions

- We recommend maintaining the post-retirement mortality tables as the Pub-2010 Above-Median Income General Healthy Retiree Mortality tables. We also recommend assuming mortality rates will improve in the future using a fully generational approach, with the recently published projection scale, MP-2021.
- We recommend maintaining pre-retirement mortality tables for active employees as the Pub-2010 Above-Median Income General Employee Mortality tables. We also recommend assuming mortality rates will improve in the future using a fully generational approach, with the most recently published projection scale, MP-2021.
- We recommend not applying scaling factors to the base mortality tables; i.e., Pub-2010 Above-Median Income General Tables.

Other Demographic Assumptions

- **Normal retirement rates:** Overall, the actual rates of retirement were lower than expected. We recommend decreasing the overall rates to better reflect observed experience.
- **Turnover rates:** Overall, the observed experience showed that slightly less members terminated employment than expected. We recommend maintaining the rates of termination.
- **Load for inactive members eligible for deferred vested pension benefits:** Based on recent experience, we recommend maintaining the current assumption of 10 percent to account for participation in the reciprocal system.
- **Population projection:** Based on recent experience, we recommend lowering the assumption that 45 percent of future members will elect to opt out of the pension system to 35 percent.
- **Marriage assumption:** We recommend decreasing the current assumption of 75 percent of active and retired participants are married to 70 percent.

Actuarial Methods

- **Amortization Policy for the ADC:** We recommend updating the amortization policy to be a closed 15-year period beginning with the actuarial valuation as of June 30, 2025.

SECTION C

ANALYSIS OF EXPERIENCE AND RECOMMENDATIONS

Economic Assumptions

Economic assumptions reflect the effects of economic forces on the projections of retirement benefits payable from the System and in the discounting of those benefits to present value. These assumptions are based, at their core, on the assumed level of price inflation. Each economic assumption is then developed from expected spreads over price inflation. The key economic assumptions are:

- Assumed Rate of Inflation – The rate of price inflation (as measured by the Consumer Price Index for all Urban consumers) which underlies the remainder of the economic assumptions.
- Assumed Rate of Investment Return – The rate at which projected future benefits under the pension plan are reduced to present value.
- Rate of General Annual Pay Increases – This reflects inflationary forces on increases in pay for individual members.

Actuarial Standard of Practice No. 27

Actuarial Standard of Practice No. 27, Selection of Assumptions for Measuring Pension Obligations, provides guidance to actuaries on giving advice on selecting economic assumptions for measuring obligations for defined benefit plans. ASOP No. 27 was revised and adopted by the Actuarial Standards Board (ASB) in December 2023. The standard requires that the selected economic assumptions be consistent with each other. That is, the selection of the investment return assumption should be consistent with the selection of the wage inflation and price inflation assumptions.

As no one knows what the future holds, it is necessary for an actuary to estimate possible future economic outcomes. Recognizing that there is not one right answer, the current standard calls for an actuary to develop a reasonable economic assumption. ASOP No. 27 (Doc. No. 211) adopted by the Actuarial Standards Board (ASB) in December 2023 defines a reasonable economic assumption as an assumption that has the following characteristics:

- (a) It is appropriate for the purpose of the measurement;
- (b) It reflects current and historical data that is relevant to selecting the assumption for the measurement date, to the extent such relevant data is reasonably available;
- (c) It reflects the actuary's estimate of future experience, the actuary's observation of the estimates inherent in market data (if any), or a combination thereof; and
- (d) It is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic), except when provisions for adverse deviation or plan provisions that are difficult to measure are included or when alternative assumptions are used for the assessment of risk, in accordance with ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*.

However, the standard explicitly advises an actuary not to give undue weight to recent experience that is not sufficiently credible.

Each economic assumption should individually satisfy this standard. Furthermore, with respect to any particular actuarial valuation, each economic assumption should be consistent with every other economic assumption over the measurement period. Generally, the economic assumptions are much more subjective in nature than the demographic assumptions.

Economic Assumptions

Inflation Assumption

By “inflation,” we mean price inflation, as measured by annual increases in the Consumer Price Index (CPI). This inflation assumption underlies most of the other economic assumptions. It impacts investment return, salary increases, and overall payroll growth. The current annual inflation assumption is 2.25 percent.

Over the three-year period from June 2021 through June 2024, the CPI-U has increased at an average annual rate of 4.96 percent. **However, the assumed inflation rate is only weakly tied to past results.**

The following table shows the average inflation over various periods, ending June 2024.

Fiscal Year	Annual Increase in CPI-U
2019-20	0.65%
2020-21	5.39%
2021-22	9.06%
2022-23	2.97%
2023-24	2.97%
3-Year Average	4.96%
5-Year Average	4.17%
10-Year Average	2.80%
20-Year Average	2.55%
25-Year Average	2.58%
30-Year Average	2.54%
40-Year Average	2.81%
50-Year Average	3.79%

Future Inflation Expectations

Since price inflation is relatively volatile and is subject to a number of influences not based on recent history, economic assumptions are less reliably based on recent past experience than are the demographic assumptions. Therefore, it is important not to give undue weight to recent experience. We must also consider future expectations as well.

Although historically high increases in CPI were observed in 2021 and into 2022, persisting long-term trends in these measures are generally in line with the current assumption. We will continue to monitor this assumption based on the spectrum of expectations from various sources.

One source of information about future inflation is the market for US Treasury bonds. Simplistically, the difference in yield between non-indexed and indexed treasury bonds should be a reasonable estimate of what the bond market expects on a forward-looking basis for inflation. According to inflation rate forecasts from the Federal Reserve Bank of St. Louis, as of January 1, 2025, the difference for 20-year bonds implies that inflation over the next 20 years would average 2.50 percent. The difference in yield for 30-year bonds implies 2.35 percent inflation over the next 30 years.

Economic Assumptions

The following tables present a summary of inflation rate forecasts from the Federal Reserve.

Federal Reserve Bank of Cleveland	July 2021	July 2022	July 2023	July 2024	January 2025
30-Year Expectation	2.02%	2.37%	2.27%	2.47%	2.52%
20-Year Expectation	1.85%	2.29%	2.17%	2.42%	2.48%
10-Year Expectation	1.62%	2.22%	2.06%	2.37%	2.43%
5-Year Expectation	1.55%	2.29%	2.09%	2.39%	2.45%

Federal Reserve Bank of St. Louis	July 2021	July 2022	July 2023	July 2024	January 2025
30-Year Breakeven Inflation	2.23%	2.22%	2.27%	2.28%	2.35%
20-Year Breakeven Inflation	2.39%	2.60%	2.55%	2.47%	2.50%
10-Year Breakeven Inflation	2.33%	2.36%	2.30%	2.27%	2.40%

However, this analysis is known to be imperfect as it ignores the inflation risk premium that buyers of US Treasury bonds often demand as well as possible differences in liquidity between US Treasury bonds and Treasury Inflation Protected Securities (TIPS).

Another point of reference is the Social Security Administration's (SSA) 2024 Trustees Report, in which the Office of the Chief Actuary is projecting a long-term average ultimate annual inflation rate of 2.40 percent under the intermediate cost assumption. The ultimate inflation assumption is 1.80 percent and 3.00 percent respectively in the low cost and high cost projection scenarios. The Social Security Trustees report uses the ultimate rates for their 75-year projections, much longer than the longest horizon we can discern from Treasuries and TIPS.

We also surveyed the inflation assumption used by various investment consulting firms. In our sample of these firms, the inflation assumption ranged from 2.10 percent to 2.70 percent, with an average of 2.39 percent in the short term (10 years or less) and 2.48 percent in the long term (20 to 30 years).

The following table provides inflation forecasts from various sources.

Economic Assumptions

Forward-Looking Price Inflation Forecasts ^a	
Congressional Budget Office^b	
5-Year Annual Average	2.44%
10-Year Annual Average	2.32%
Federal Reserve Bank of Philadelphia^c	
5-Year Annual Average	2.40%
10-Year Annual Average	2.23%
Federal Reserve Bank of Cleveland^d	
10-Year Expectation	2.32%
20-Year Expectation	2.38%
30-Year Expectation	2.44%
Federal Reserve Bank of St. Louis^e	
10-Year Breakeven Inflation	2.30%
20-Year Breakeven Inflation	2.42%
30-Year Breakeven Inflation	2.27%
U.S. Department of the Treasury^f	
10-Year Breakeven Inflation	2.27%
20-Year Breakeven Inflation	2.45%
30-Year Breakeven Inflation	2.30%
50-Year Breakeven Inflation	2.37%
100-Year Breakeven Inflation	2.42%
Social Security Trustees^g	
Ultimate Intermediate Assumption	2.40%

^aEnd of the Fourth Quarter, 2024. Version 2025-01-27 by Gabriel, Roeder, Smith & Company

^bAn Update to the Budget and Economic Outlook: 2024 to 2034, Release Date: June 2024, Consumer Price Index (CPI-U), Percentage Change from Year to Year, 5-Year Annual Average (2024 - 2028), 10-Year Annual Average (2024 - 2033).

^cFourth Quarter 2024 Survey of Professional Forecasters, Release Date: November 15, 2024, Headline CPI, Annualized Percentage Points, 5-Year Annual Average (2024 - 2028), 10-Year Annual Average (2024 - 2033).

^dInflation Expectations, Model output date: December 1, 2024.

^eThe breakeven inflation rate represents a measure of expected inflation derived from X-Year Treasury Constant Maturity Securities and X-Year Treasury Inflation-Indexed Constant Maturity Securities. Observation date: December, 2024.

^fThe Treasury Breakeven Inflation (TBI) Curve, Monthly Average Rates, December, 2024.

^gThe 2024 Annual Report of The Board of Trustees of The Federal Old-Age And Survivors Insurance and Federal Disability Insurance Trust Funds, May 6, 2024, p. 10, Key Assumptions and Summary Measures for Long-Range (75-year) Projections, Intermediate, Consumer Price Index (CPI-W).

Economic Assumptions

The following table shows inflation forecasts from various professional experts at different points in time.

Forward-Looking Price Inflation Forecasts				
	6/30/2023	12/31/2023	6/30/2024	12/31/2024
Congressional Budget Office				
5-Year Annual Average	2.83%	2.83%	2.44%	2.44%
10-Year Annual Average	2.57%	2.57%	2.32%	2.32%
Federal Reserve Bank of Philadelphia				
5-Year Annual Average	2.50%	2.60%	2.50%	2.40%
10-Year Annual Average	2.36%	2.40%	2.33%	2.23%
Federal Reserve Bank of Cleveland				
10-Year Expectation	1.75%	2.28%	2.37%	2.32%
20-Year Expectation	1.96%	2.33%	2.41%	2.38%
30-Year Expectation	2.11%	2.39%	2.46%	2.44%
Federal Reserve Bank of St. Louis				
10-Year Breakeven Inflation	2.20%	2.18%	2.26%	2.30%
20-Year Breakeven Inflation	2.48%	2.42%	2.43%	2.42%
30-Year Breakeven Inflation	2.23%	2.19%	2.27%	2.27%
U.S. Department of the Treasury				
10-Year Breakeven Inflation	2.10%	2.09%	2.19%	2.27%
20-Year Breakeven Inflation	2.40%	2.37%	2.43%	2.45%
30-Year Breakeven Inflation	2.19%	2.19%	2.27%	2.30%
50-Year Breakeven Inflation	2.29%	2.29%	2.36%	2.37%
100-Year Breakeven Inflation	2.37%	2.36%	2.43%	2.42%
Social Security Trustees				
Ultimate Intermediate Assumption	2.40%	2.40%	2.40%	2.40%

Recommendation

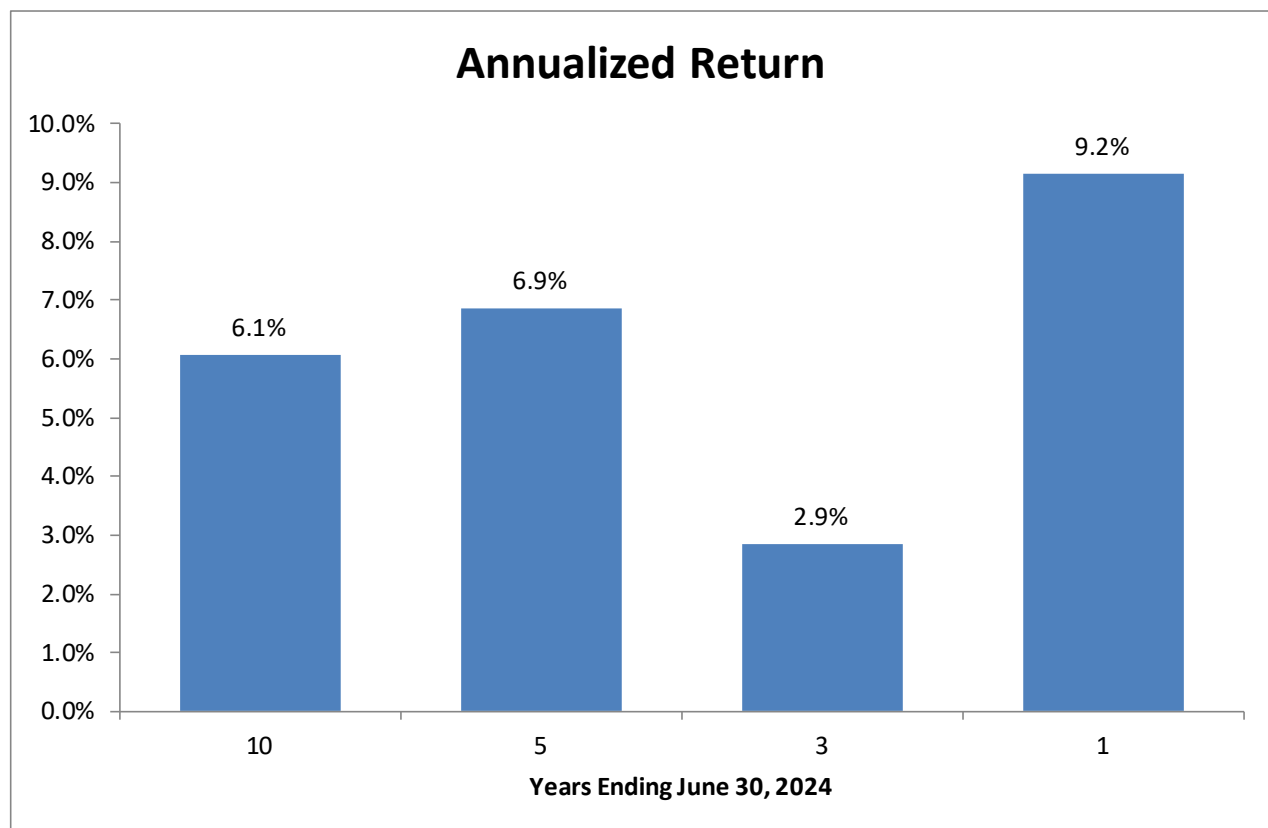
Based on this information, our opinion is that it would be reasonable to increase the current price inflation assumption from 2.25 percent to 2.40 percent. It is important to remember any change in this assumption also affects all other economic assumptions, as shown in the following discussion.

Economic Assumptions

Investment Return Assumption

The investment return assumption is one of the principal assumptions used in any actuarial valuation of a retirement plan. It is used to discount future expected benefit payments to the actuarial valuation date in order to determine the liabilities of the plans. Even a small change to this assumption can produce significant changes to the liabilities and contribution rates. Currently, it is assumed that future investment returns will average 6.50 percent per year, net of investment expenses.

The chart below shows the historical annualized history of the System's market returns through fiscal year end 2024.



Real Return

The allocation of assets within the universe of investment options will have a significant impact on the overall performance. Therefore, it is meaningful to identify the range of expected returns based on the fund's targeted allocation of investments and an overall set of capital market assumptions.

Based on information provided by GARS and ISBI, following is a table with the System's current target asset allocation and capital market assumptions based on a 20-year horizon:

Economic Assumptions

Asset Category	Current Target	10-Year Expected Return	20-Year Expected Return	Standard Deviation
U.S. Equity	22.00%	6.90%	8.50%	17.00%
Developed Market Equity (non-US)	13.00%	7.70%	8.90%	18.00%
Emerging Market Equity	8.00%	7.60%	8.90%	22.00%
Private Equity	10.00%	9.90%	11.20%	25.00%
High Yield Bonds	2.00%	6.50%	6.80%	11.00%
Private Debt	10.00%	9.20%	9.20%	15.00%
Investment Grade Bonds	14.00%	4.60%	4.80%	4.00%
Long-term Government Bonds	5.00%	4.30%	5.00%	12.00%
TIPS	3.00%	4.30%	4.70%	7.00%
Real Estate	10.00%	6.30%	8.00%	16.00%
Infrastructure	3.00%	7.40%	9.00%	18.00%
Total	100.00%			

Based on page 18 of the 2024 ISBI Asset Allocation Review and Risk Analysis report issued by Meketa Investment Group.

The following table shows a comparison of the probability of exceeding 6.75% over the next 20 years based on the 2024 ISBI Asset Allocation Review and Risk Analysis report issued by Meketa Investment Group and the GRS projection model and Meketa's capital market assumptions:

Projection Model	Return	Inflation Assumption	Probability of Exceeding Return Over Next 20 Years
Meketa ¹	6.75%	2.40%	74%
GRS	6.75%	2.40%	69%

¹ *Based on page 22 of the 2024 ISBI Asset Allocation Review and Risk Analysis report issued by Meketa Investment Group.*

We applied the System's target asset allocation, and performed an analysis using capital market assumptions (CMAs) from a sample of 13 nationally known investment firms. Eight of the firms provided capital market expectations for longer-time horizons (20 to 30 years). Twelve firms provided capital market expectations for shorter-time horizons (10 years or less).

These firms periodically issue reports that describe their capital market assumptions; that is, their estimates of expected returns, volatility, and correlations among the different asset classes. The assumptions for most of the investment consultants are for 2025. While some of these assumptions may be based upon historical analysis, many of these firms also incorporate forward-looking adjustments to better reflect near-term and long-term expectations. The estimates for core investments (i.e., fixed income, equities, and real estate) are generally based on anticipated returns produced by passive index funds.

The current nominal investment return assumption of 6.50 percent is based on an inflation assumption of 2.25 percent and a real return of 4.25 percent.

Given the System's current target asset allocation and the capital market assumptions from the investment consultants, the development of the average nominal return, net of investment expenses, is provided in the following tables.

Economic Assumptions

Short-term Investment Horizon (10 years or less) Assumptions – One-Year Arithmetic Returns

Short-Term Capital Market Assumption Set (CMA)	CMA Expected Nominal Return	CMA Inflation Assumption	Expected Real Return (2)–(3)	Actuary Inflation Assumption	Expected Nominal One-year Arithmetic Return Net of Expenses (4)+(5)	Annualized Standard Deviation of Expected Return
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	6.63%	2.35%	4.28%	2.40%	6.68%	12.35%
2	7.14%	2.60%	4.54%	2.40%	6.94%	12.58%
3	7.66%	2.51%	5.15%	2.40%	7.55%	12.38%
4	7.57%	2.40%	5.17%	2.40%	7.57%	12.35%
5	7.69%	2.42%	5.27%	2.40%	7.67%	13.14%
6	8.07%	2.70%	5.37%	2.40%	7.77%	13.48%
7	7.74%	2.34%	5.40%	2.40%	7.80%	12.32%
8	7.86%	2.41%	5.45%	2.40%	7.85%	11.53%
9	7.75%	2.31%	5.44%	2.40%	7.84%	11.24%
10	7.69%	2.10%	5.59%	2.40%	7.99%	12.57%
11	7.84%	2.30%	5.54%	2.40%	7.94%	11.50%
12	7.73%	2.21%	5.53%	2.40%	7.93%	11.28%
Average	7.62%	2.39%	5.23%	2.40%	7.63%	12.23%

Long-term Investment Horizon (20 to 30 years) Assumptions – One-Year Arithmetic Returns

Long-Term Capital Market Assumption Set (CMA)	CMA Expected Nominal Return	CMA Inflation Assumption	Expected Real Return (2)–(3)	Actuary Inflation Assumption	Expected Nominal One-year Arithmetic Return Net of Expenses (4)+(5)	Annualized Standard Deviation of Expected Return
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	6.82%	2.50%	4.32%	2.40%	6.72%	11.28%
2	8.16%	2.70%	5.46%	2.40%	7.86%	12.58%
3	7.70%	2.20%	5.50%	2.40%	7.90%	12.35%
4	7.97%	2.30%	5.67%	2.40%	8.07%	13.14%
5	7.92%	2.32%	5.60%	2.40%	8.00%	11.53%
6	8.69%	2.70%	5.99%	2.40%	8.39%	13.48%
7	8.26%	2.40%	5.86%	2.40%	8.26%	11.50%
8	9.13%	2.74%	6.39%	2.40%	8.79%	12.32%
Average	8.08%	2.48%	5.60%	2.40%	8.00%	12.27%

Based on each investment firm's assumptions, we estimated the expected real return of the System's portfolio (col. (4)). Next, based on the actuary's recommended inflation, we estimated the expected one-year arithmetic return net of expenses (col. (6)). The average one-year arithmetic return is 7.63 percent using short-term investment horizon assumptions, and 8.00 percent using long-term investment horizon

Economic Assumptions

assumptions. Based on the long-term capital market assumptions for Meketa and the recommended price inflation assumption of 2.40 percent, the average one-year arithmetic return is 8.79 percent.

Long-Term Capital Market Assumption Set (CMA)	CMA Expected Nominal Return	CMA Inflation Assumption	Expected Real Return (2)–(3)	Actuary Inflation Assumption	Expected Nominal One-year Arithmetic Return Net of Expenses (4)+(5)	Annualized Standard Deviation of Expected Return
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Meketa	9.13%	2.74%	6.39%	2.40%	8.79%	12.32%

However, in addition to examining the expected one-year arithmetic return, it is important to review anticipated volatility of the investment portfolio and understand the range of long-term net returns that could be expected to be produced by the investment portfolio.

The following tables provide the 40th, 50th, and 60th percentiles of the geometric average (10-year for short-term investment horizon and 20-year for long-term investment horizon) of the expected nominal return, net of expenses based on the recommended inflation assumption of 2.40 percent. The tables also show the probability of exceeding the baseline 6.50 percent assumption and alternative lower assumptions.

Economic Assumptions

Short-term Investment Horizon (10 years or less) – Annualized 10-year Geometric Returns

Short-Term Capital Market Assumption Set (CMA)	Distribution of 10-Year Average Geometric Net Nominal Return			Probability of Exceeding 6.50%
	40th	50th	60th	
(1)	(2)	(3)	(4)	(5)
1	4.99%	5.97%	6.95%	44.54%
2	5.22%	6.21%	7.21%	47.09%
3	5.87%	6.84%	7.83%	53.54%
4	5.89%	6.87%	7.85%	53.79%
5	5.84%	6.88%	7.93%	53.69%
6	5.88%	6.94%	8.01%	54.16%
7	6.13%	7.10%	8.09%	56.24%
8	6.32%	7.24%	8.16%	58.09%
9	6.37%	7.26%	8.16%	58.56%
10	6.28%	7.27%	8.27%	57.77%
11	6.43%	7.34%	8.25%	59.21%
12	6.45%	7.34%	8.24%	59.47%
Average	5.97%	6.94%	7.91%	54.68%

Long-term Investment Horizon (20 to 30 years) – Annualized 20-year Geometric Returns

Long-Term Capital Market Assumption Set (CMA)	Distribution of 20-Year Average Geometric Net Nominal Return			Probability of Exceeding 6.50%
	40th	50th	60th	
(1)	(2)	(3)	(4)	(5)
1	5.50%	6.13%	6.77%	44.17%
2	6.43%	7.13%	7.84%	59.03%
3	6.51%	7.20%	7.90%	60.13%
4	6.55%	7.28%	8.02%	60.62%
5	6.75%	7.39%	8.04%	63.69%
6	6.81%	7.56%	8.32%	63.93%
7	7.01%	7.66%	8.31%	67.60%
8	7.41%	8.10%	8.79%	72.28%
Average	6.62%	7.31%	8.00%	61.43%

Meketa (20 years)

Long-Term Capital Market Assumption Set (CMA)	Distribution of 20-Year Average Geometric Net Nominal Return			Probability of Exceeding 6.50%
	40th	50th	60th	
(1)	(2)	(3)	(4)	(5)
Meketa	7.41%	8.10%	8.79%	72.28%

Economic Assumptions

As these tables indicate, the average expected rate of return at the 50th percentile based on (1) the System's current target asset allocation, (2) the recommended inflation assumption of 2.40 percent and (3) the capital market assumptions from the investment consultants is 6.94 percent under the shorter-term investment horizon and 7.31 percent under the longer-term investment horizon. Based on the capital market assumptions from Meketa, the average expected rate of return at the 50th percentile is 8.10 percent under the longer-term horizon.

Additionally, the average results of the investment firms with shorter-term expectations indicate there is about a 54.68 percent chance that the System will produce an average return that exceeds 6.50 percent in the next 10 years.

The average results of the investment firms with longer-term expectations indicate there is about a 61.43 percent chance that the System will produce an average return that exceeds 6.50 percent in the next 20 years.

A key factor to consider when evaluating short-term or long-term investment projections is the relative level of assets available to pay benefits over the next 10 years to 25 years. Using current assumptions and liability measures as of June 30, 2024, the present value of benefits expected to be paid over the next 10 years make up about 58 percent of the accrued liability. The market value of assets at June 30, 2024, is sufficient to cover only about 42 percent of the present value of projected benefits for the 10-year period.

Consequently, it is important to consider both short-term and long-term expectations when setting economic assumptions. Given the plan's low funded ratio, we recommend placing more weight on the 10-year horizon results.

Recommendation

Based on our analysis of the expected investment return and the current target asset allocation, we recommend maintaining the investment return assumption to 6.50 percent for the actuarial valuation as of June 30, 2024, reflecting an inflation assumption of 2.40 percent.

The current investment return assumption consists of an inflation assumption of 2.25 percent and a real rate of return assumption of 4.25 percent. The proposed investment return assumption consists of an inflation assumption of 2.40 percent and real rate of return assumption of 4.10 percent.

We recommend that the assumed investment return be monitored for continued appropriateness between experience reviews. Also, any significant changes in the target asset allocation of the System may warrant an additional review of the rate of return assumption.

We believe that this assumption can be supported by the Actuarial Standard of Practice No. 27. Under the Standard, all economic assumptions must be selected to be consistent with the purpose of the measurement. The purpose of the measurement is to determine the contribution rate which will lead to the accumulation of assets to pay benefits when due.

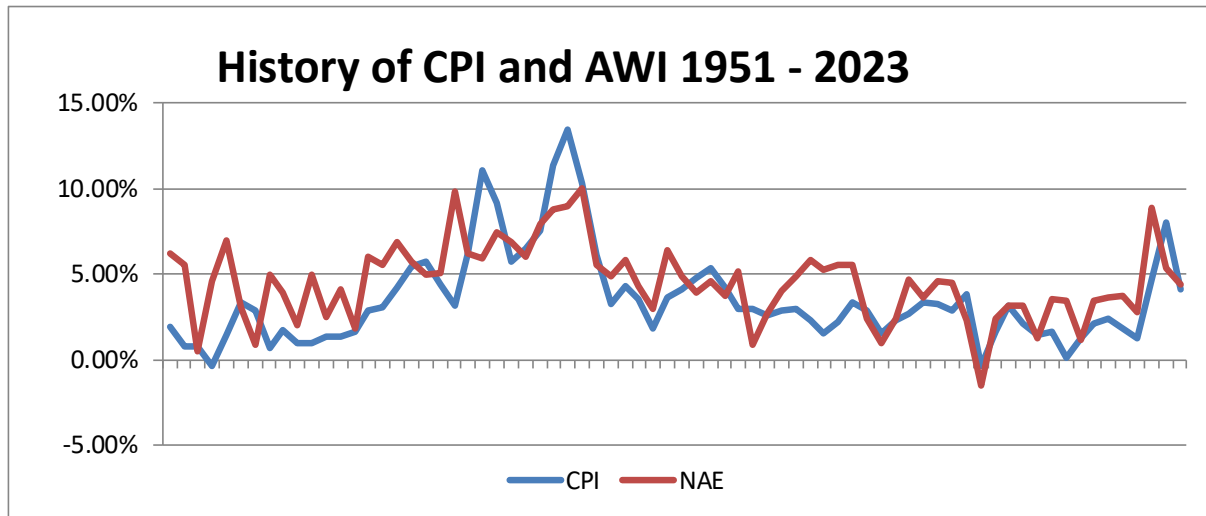
Economic Assumptions

General Wage Inflation and Payroll Growth

A General Wage Inflation (“GWI”) assumption represents the real wage growth over time in the general economy. It is the assumption on how much the pay scales themselves will change year to year, not necessarily how much the pay increases received by individuals are, or even necessarily how the payroll in total may change, which can be affected by population changes, etc. Wage inflation consists of two components, (1) a portion due to pure price inflation (i.e., increases due to changes in the CPI), and (2) increases in average salary levels in excess of pure price inflation (i.e., increases due to changes in productivity levels, supply and demand in the labor market, and other macroeconomic factors).

The Average Wage Index (“AWI”), formerly named the National Average Earnings (“NAE”), series published in connection with the operation of the Social Security program is a useful proxy for measuring general changes in wage levels in the economy. Increases in AWI typically exceed increases in the Consumer Price Index (“CPI”), although there are periods where the patterns are reversed. The economic argument for wages exceeding prices in the long run is that CPI is based on the prices of a fixed basket of goods whereas wages reflect innovations, real productivity growth, labor supply and demand, and other factors in addition to pure price inflation.

The following graph compares CPI and AWI over the past 73 years.



Economic Assumptions

The following table shows the average inflation and increase in the AWI through 2023.

Years	Annual Increases in		
	Prices (CPI-U)	Wages (AWI)	Difference
1964-1973	3.79%	5.60%	1.81%
1974-1983	8.41%	7.23%	-1.18%
1984-1993	3.79%	4.65%	0.86%
1994-2003	2.45%	3.95%	1.50%
2004-2013	2.39%	2.80%	0.41%
2014-2023	2.72%	4.03%	1.31%
3-Year Average	4.96%	6.20%	1.23%
5-Year Average	4.17%	5.02%	0.85%
10-Year Average	2.80%	4.03%	1.23%
20-Year Average	2.55%	3.41%	0.86%
25-Year Average	2.58%	3.40%	0.82%
30-Year Average	2.54%	3.59%	1.05%
40-Year Average	2.81%	3.76%	0.95%
50-Year Average	3.79%	4.44%	0.66%
60-Year Average	3.77%	4.63%	0.86%
65-Year Average	3.64%	4.56%	0.92%

Since 1951, for the national economy as a whole, wage inflation has been about 1.02 percent higher than price inflation each year. For the last 10 years, for the national economy as a whole, wage inflation has been 4.03 percent, outpacing price inflation by about 1.23 percent. However, that spread will likely be viewed as skewed due to the historically volatile inflation during the past decade.

As with the investment return assumption, past experience does not necessarily dictate future expectations. Current expectations are mixed on whether price and wage inflation will remain high in the short term, particularly due to the aftereffects of recent federal government spending. For a long-term view, the 2024 Annual Report from the Trustees of the Social Security Administration (SSA) assumes an intermediate average ultimate CPI of 2.40 percent over the next 75 years and an ultimate intermediate growth assumption for average wages in covered employment of 3.56 percent. The SSA report provides alternate “High-cost” assumptions of 1.80 percent CPI/2.34 percent wages and “Low-cost” assumptions of 3.00 percent CPI/4.79 percent wages.

Economic Assumptions

Recommendation

While the ongoing pressure on the ability of states to sustain across the board increases in wages is consistent with historical norms, we do not believe there is justification to increase the assumption for productivity increases; in other words, to increase the assumed gap between price increases and wage growth. In fact, we recommend maintaining the assumption for productivity increases of 0.25 percent. Combining this recommendation with our recommendation for price inflation of 2.40 percent implies a wage inflation assumption of 2.65 percent. These assumptions are summarized below:

	GARS Wage Inflation and Payroll Growth Assumption	
	Current Assumption	Recommended Assumption
Price Inflation	2.25%	2.40%
Productivity Increases	0.25%	0.25%
Total Wage Inflation	2.50%	2.65%

Economic Assumptions

Salary Increase

Most actuaries recommend salary increase assumptions that include elements which depend on the member's age or service. Generally, younger or shorter-service employees receive higher merit and promotion salary increases. As the employee's age or service increases, these salary increases tend to decrease. However, for GARS members, salary increases are generally due to wage inflation adjustments and appointments to committees and leadership positions.

Total salary increases include components for wage inflation and other increases. Over the experience study period, actual salary increases for plan members averaged 8.38 percent compared to expected total increases of 2.50 percent. For purposes of calculating the actual salary increase in excess of inflation, inflation was measured as the average rate as of December 31st from "Employment Cost Index, Wages and Salaries, By Occupation and Industry Groups: State and Local Government Workers: Public Administration" published by the Bureau of Labor Statistics over the experience study period. For GARS, there were small increases in salary for several years. In fiscal year 2023, there were extraordinary increases in salary. We expect the extraordinary increases in fiscal year 2023 to be considered a catchup and do not expect increases of that magnitude to persist. We recommend maintaining the current assumed real rates of salary increase. The graph on page C-17 shows the real salary increase plus price inflation.

This assumption was developed using both Tier One and Tier Two data and is applicable to both Tier One and Tier Two members.

Table I and Graph I compare the salary experience, current assumptions, and recommended assumptions by years of service for each of the following:

- Table I – Salary Experience by Age
- Graph I – Salary Experience by Age

Economic Assumptions

Salary Experience

Table I

Age at Beginning of Year	Number	Actual		Actual Real	Actual Total	Expected Real	Expected Total	Proposed Real	Proposed Total
		Prior Year	Current Year	Increase ¹	Increase	Increase ²	Increase	Increase ³	Increase
20-24	2	170,000	178,500	1.71%	5.00%	0.25%	2.50%	0.25%	2.65%
25-29	5	375,135	408,936	5.72%	9.01%	0.25%	2.50%	0.25%	2.65%
30-34	15	1,243,838	1,375,664	7.31%	10.60%	0.25%	2.50%	0.25%	2.65%
35-39	38	3,152,903	3,469,343	6.75%	10.04%	0.25%	2.50%	0.25%	2.65%
40-44	51	4,192,564	4,557,650	5.42%	8.71%	0.25%	2.50%	0.25%	2.65%
45-49	37	3,400,323	3,632,727	3.54%	6.83%	0.25%	2.50%	0.25%	2.65%
50-54	63	5,657,172	6,179,619	5.95%	9.24%	0.25%	2.50%	0.25%	2.65%
55-59	50	4,817,157	5,183,235	4.31%	7.60%	0.25%	2.50%	0.25%	2.65%
60-64	36	3,239,498	3,507,535	4.98%	8.27%	0.25%	2.50%	0.25%	2.65%
65-69	23	1,988,415	2,164,903	5.59%	8.88%	0.25%	2.50%	0.25%	2.65%
70-74	13	1,190,628	1,269,625	3.34%	6.63%	0.25%	2.50%	0.25%	2.65%
75-79	3	283,329	283,202	0.00%	-0.04%	0.25%	2.50%	0.25%	2.65%
80+	1	160,298	163,023	0.00%	1.70%	0.25%	2.50%	0.25%	2.65%
Total	337	29,871,260	32,373,962	5.09%	8.38%	0.25%	2.50%	0.25%	2.65%

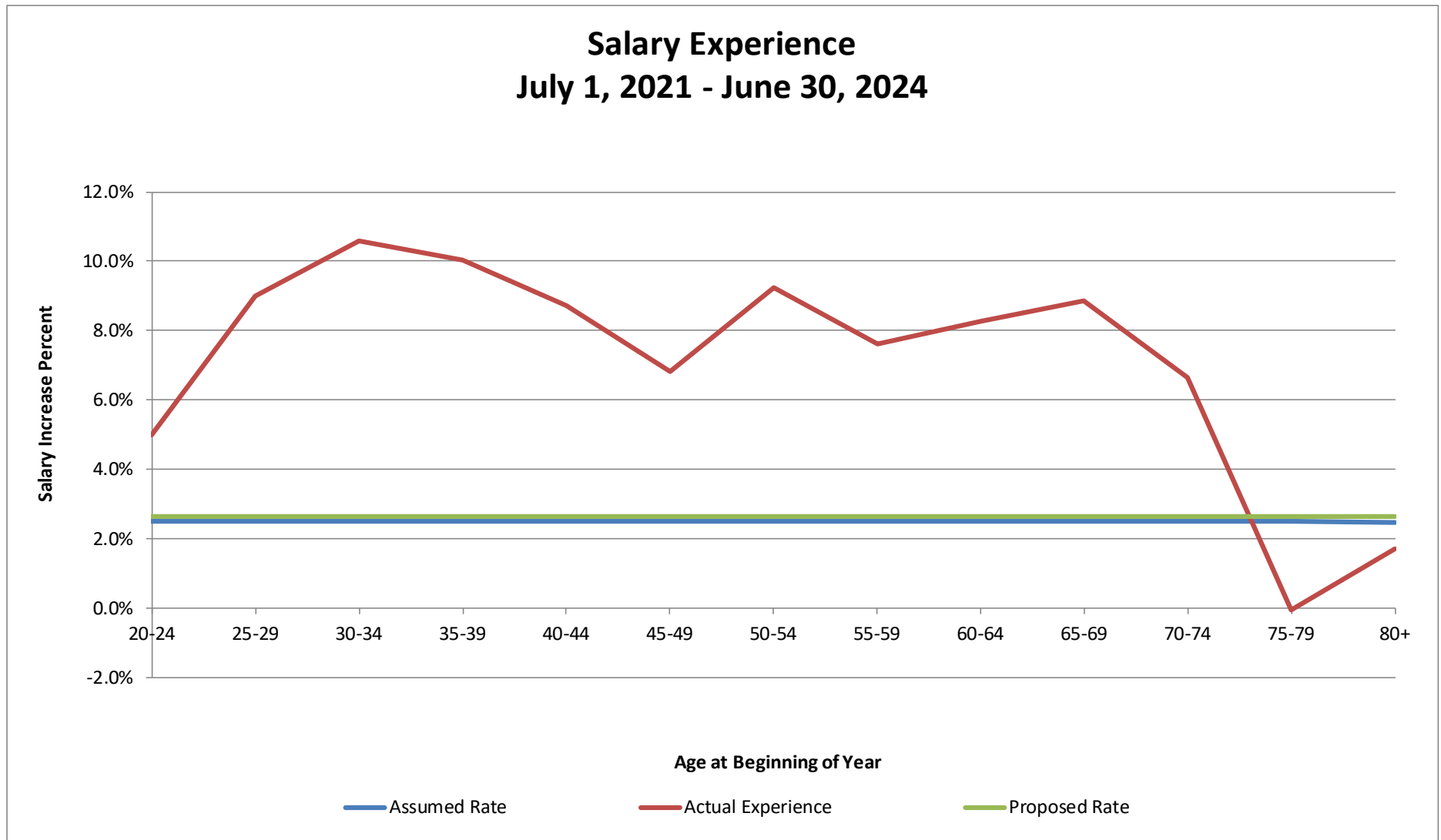
¹Total increase less average inflation of 3.29 percent, limited to 0.00 percent floor, over the experience study period.

²Total increase less assumed inflation of 2.25 percent.

³Total increase less proposed inflation of 2.40 percent.

Economic Assumptions

Graph I



Demographic Assumptions

The following pages present the analysis of the demographic assumptions. These assumptions include assumed rates of mortality among active and retired members, retirement patterns, turnover patterns, and disability patterns. These patterns generally take the form of tables of rates of incidence based on age and/or years of service.

Absent any significant changes in benefit provisions, these assumptions generally exhibit reasonable consistency over periods of time. As a result, each demographic assumption is normally reviewed by relating actual experience to that assumed over the recent past.

Actuarial Standard of Practice No. 27 – Selection of Assumptions for Measuring Pension Obligations

ASOP No. 27 applies to actuaries when they are selecting demographic assumptions to measure obligations under any defined benefit pension plan that is not a social insurance program as described in Section 1.2, Scope, of ASOP No. 32, Social Insurance.

The actuary should identify the types of demographic assumptions to use for a specific measurement. In doing so, the actuary should determine the following:

- (a) The purpose of the measurement;
- (b) The plan provisions or benefits and factors that will affect the timing and value of any potential benefit payments;
- (c) The characteristics of the obligation to be measured (such as measurement period, pattern of plan payments over time, open or closed group, and volatility);
- (d) The contingencies that give rise to benefits or result in loss of benefits; and
- (e) The characteristics of the covered group.

Not every contingency requires a separate assumption. For example, for a plan that is expected to provide benefits of equal value to employees who voluntarily terminate employment or become disabled, retire, or die, the actuary may use an assumption that reflects some or all of the above contingencies in combination rather than selecting a separate assumption for each.

Analysis Approach

The analysis of demographic experience is conducted for each assumption using a measure known as the “Actual to Expected (A/E) Ratio.” The A/E Ratio is simply the ratio of the actual number of occurrences of the event to which the assumption applies (e.g., deaths or retirements) to the number expected to occur in accordance with the assumption. An A/E Ratio of 1.00 indicates that the assumption precisely predicted the number of occurrences. An A/E Ratio exceeding 1.00 indicates that the assumption underestimated actual experience. Conversely, an A/E Ratio lower than 1.00 indicates that the assumption overestimated actual experience.

Demographic Assumptions

These are statistical analyses. As a result, there are several considerations we must keep in mind as we analyze these ratios:

1. An actuarial assumption is designed to reflect average experience over long periods of time (30 - 50 years). As a result:
 - (a) A deviation between actual experience and that expected from our assumptions for one or two years does not necessarily mean that the assumption should be changed.
 - (b) A change in actuarial assumption should result if the experience indicates a consistent pattern which is different from that assumed over a period of years.
2. The larger the amount of data available, the more reliable the statistics used in the analysis. As a result:
 - (a) Events that occur with great frequency (e.g., general employment turnover) are more credibly predictable than those occurring less frequently (e.g., active member death).
 - (b) In all cases, data covering the entire study period produces more credible results than data for a single year.
 - (c) Year by year experience is helpful only in identifying trends and determining whether the three-year data is truly reflective of the entire period.

This analysis is based on the actuarial valuation data for the three-year period from July 1, 2021, to June 30, 2024.

Mortality Assumption

Mortality

Post-retirement mortality is an important component in cost calculations and should be updated from time to time to reflect current and expected future longevity improvements. Pre-retirement mortality is a relatively minor component in cost calculations. The frequency of pre-retirement deaths is so low that mortality assumptions based on actual experience can only be produced for very large retirement systems.

Actuarial Standards of Practice

Actuarial Standards of Practice (ASOP) No. 27 Disclosure Section 4.1.1 states, “The disclosure of the mortality assumption should contain sufficient detail to permit another qualified actuary to understand any adjustment to reflect mortality improvement from the effective date of the table to the measurement date and the provision made for future mortality improvement. If the actuary assumes zero mortality improvement after the measurement date, the actuary should state that no provision was made for future mortality improvement.” The current mortality rates used in the actuarial valuation include a provision for future mortality improvement.

The Pub-2010 Mortality Tables

The Society of Actuaries’ (SOA’s) Retirement Plans Experience Committee (RPEC) released mortality tables in 2019 (the Pub-2010 tables) which reflect the improvement in longevity of the studied group of public sector pension plan participants, and which also reflects projected future improvements for current and future generations of participants.

The approach we have taken to recommend a mortality assumption for the GARS actuarial valuation is based on the RPEC 2019 model described by the Society of Actuaries (SOA). In effect, we select a base mortality table from the Pub-2010 mortality tables (consisting of general employees, public safety, and teachers mortality tables for actives; retirees, disabled plan members, and contingent survivor members) and a mortality improvement scale based on the 2-dimensional MP-2021 mortality improvement scales. The MP-2021 is the most recent mortality projection scale issued by the RPEC.

The preliminary MP-2022 projection scale would have reflected mortality experience during 2020 (which was significantly impacted by COVID-19) and would have required significant adjustments to the projection model to consider the impact. Although it was originally anticipated that the SOA would release new improvement scales annually, due to the pandemic, it will likely be around five years before another update is released. For purposes of GARS actuarial valuations, we recommend maintaining the MP-2021 improvement scales until the next experience study, even if a new projection scale is released prior to the next experience study. The mortality improvement scale is applied to the Pub-2010 table to reflect improvements in mortality that are expected to occur with each new generation of participants.

Mortality Assumption

Findings

The observed mortality experience for retired members in pay status was reviewed on a liability-weighted basis and compared to the current mortality table and the proposed baseline mortality table.

- Current mortality tables: Pub-2010 Above-Median Income General Healthy Retiree Mortality Tables
- Proposed baseline mortality tables: Pub-2010 Above-Median Income General Healthy Retiree Mortality Tables

The following tables, applicable to retired member mortality experience, compares the actual liability-weighted deaths to the expected liability-weighted deaths using the current table and the proposed baseline table:

Annuitant Experience	Liability-Weighted Deaths (\$ in 10,000)		
	Expected Using Current Mortality Table	Actual	Expected Using Proposed Mortality Table Pub-2010 Above-Median Income General Healthy Retiree
Male Retirees	\$1,677	\$1,855	\$1,677
Female Retirees	\$365	\$365	\$365

Although the experience has limited credibility, when compared to the current mortality table the experience on a liability-weighted basis shows that actual experience was above expectation for males.

When compared to the current mortality table, the proposed mortality table is expected to produce slightly lower liability weighted deaths overall.

We applied credibility and “best-fit” factors to the baseline mortality table to recognize a portion of the observed mortality experience. The credibility factor applies more weight to the observed mortality experience as the sample size of the group and number of deaths increases. The “best-fit” factor compares actual deaths during the experience period to expected deaths during the period using a base mortality table. The following table shows the development of the scaling factor that is applied to the recommended base mortality tables (Pub-2010 Above-Median Income General Healthy Retiree Mortality) for retirees.

Mortality Assumption

Annuitant Experience	Liability-Weighted Deaths (\$ in 10,000)					
	Fully Credible Target Deaths Using Baseline Table ¹ (a)	Observed Deaths (b)	Expected Deaths Using Baseline Table (c)	Credibility Factor (d)=(b/a) ^{1/2}	Best Fit Factor (e)=(b)/(c)	Scaling Factor Applied to Baseline Table (d) x (e) + [1-(d)] x 100%
Male Retirees	\$116,832	\$1,855	\$1,677	13%	111%	101%
Female Retirees	\$87,115	\$365	\$365	6%	100%	100%

¹Minimum number of expected liability-weighted deaths needed for plan experience to be fully credible.

Although the scaling factor for male retirees is calculated at 101 percent, the experience for fiscal year 2022 shows much higher deaths than for fiscal years 2023 and 2024. This suggests that the experience may include COVID-related deaths. Therefore, we recommend continuing to use the Pub-2010 Above-Median Income General Healthy Retiree mortality table with no scaling.

The experience for active members is even less credible. During the experience period, the actual number of active member deaths of 1 was equal to the expected number of deaths of 1 using the current mortality table and the proposed table. We recommend continued use of the Pub-2010 Above-Median Income General Healthy Employee mortality table.

Recommendation

We reviewed the mortality experience for retirees during the three-year study period. The results are shown on the following pages.

Following is a summary of the current mortality assumptions:

Applicable Group	Base Table with 2010 Base Year	Male Scaling Factor	Female Scaling Factor
Pre-retirement	Pub-2010 Above-Median Income General Employee, sex distinct	100%	100%
Post-retirement	Pub-2010 Above-Median Income General Healthy Retiree, sex distinct	100%	100%

Future mortality improvements are reflected by projecting the base mortality tables forward from the year 2010 using the MP-2021 projection scale.

Following is a summary of the recommended mortality assumptions:

Mortality Assumption

Applicable Group	Base Mortality Table	Male Scaling Factor	Female Scaling Factor
Pre-retirement	Pub-2010 Above-Median Income General Employee, sex distinct	100%	100%
Post-retirement	Pub-2010 Above-Median Income General Healthy Retiree, sex distinct	100%	100%

Future mortality improvements are reflected by projecting the base mortality tables forward from the year 2010 using the MP-2021 projection scale.

A Note about Mortality Rates

The recommended mortality assumptions include generational mortality improvements, which means that the probability of a 60-year-old retired male dying in any particular year is lower for a 60-year old born in 1994 than a 60-year-old born in 1954.

The use of generational mortality tables is based on the assumption that life expectancy increases from generation to generation. Simply put, this means that the life expectancy of someone born in 1994 is greater than that of someone born in 1954.

The following table contains the mortality experience for the experience study period:

- Table II and Graph II – Post-Retirement Mortality Experience

Mortality Assumption

Table II

Male Service Retiree Mortality Experience									
Age	Actual Experience			Current Assumptions			Proposed Assumptions		
	Liability Weighted (\$ in 10,000)		Actual Rate	Expected Deaths	Assumed Rate	Actual / Expected	Expected Deaths	Proposed Rate	Actual / Expected
	Exposures	Deaths							
Under 50	\$0	\$0		\$0			\$0		
50-54	0	0		0			0		
55-59	4,785	0	0.000%	23	0.474%	0.00	23	0.474%	0.00
60-64	6,672	0	0.000%	44	0.660%	0.00	44	0.660%	0.00
65-69	8,740	151	1.724%	87	0.992%	1.74	87	0.992%	1.74
70-74	14,008	0	0.000%	224	1.597%	0.00	224	1.597%	0.00
75-79	17,010	626	3.681%	476	2.801%	1.31	476	2.801%	1.31
80-84	6,697	664	9.918%	315	4.706%	2.11	315	4.706%	2.11
85-89	3,392	233	6.882%	291	8.587%	0.80	291	8.587%	0.80
90-94	1,117	181	16.161%	178	15.896%	1.02	178	15.896%	1.02
95-99	172	0	0.000%	39	22.744%	0.00	39	22.744%	0.00
100+	0	0		0			0		
Totals:	\$62,593	\$1,855	2.963%	\$1,677	2.679%	1.11	\$1,677	2.679%	1.11
Female Service Retiree Mortality Experience									
Under 50	\$0	\$0		\$0			\$0		
50-54	0	0		0			0		
55-59	1,397	0	0.000%	5	0.324%	0.00	5	0.324%	0.00
60-64	1,424	74	5.221%	6	0.440%	11.86	6	0.440%	11.86
65-69	2,095	0	0.000%	15	0.696%	0.00	15	0.696%	0.00
70-74	2,863	171	5.962%	33	1.167%	5.11	33	1.167%	5.11
75-79	3,528	0	0.000%	72	2.049%	0.00	72	2.049%	0.00
80-84	2,610	72	2.751%	100	3.835%	0.72	100	3.835%	0.72
85-89	1,227	0	0.000%	79	6.477%	0.00	79	6.477%	0.00
90-94	146	48	33.088%	21	14.373%	2.30	21	14.373%	2.30
95-99	167	0	0.000%	34	20.063%	0.00	34	20.063%	0.00
100+	0	0		0			0		
Totals:	\$15,458	\$365	2.363%	\$365	2.363%	1.00	\$365	2.363%	1.00
Grand Totals:	\$78,051	\$2,220	2.844%	\$2,042	2.616%	1.09	\$2,042	2.616%	1.09

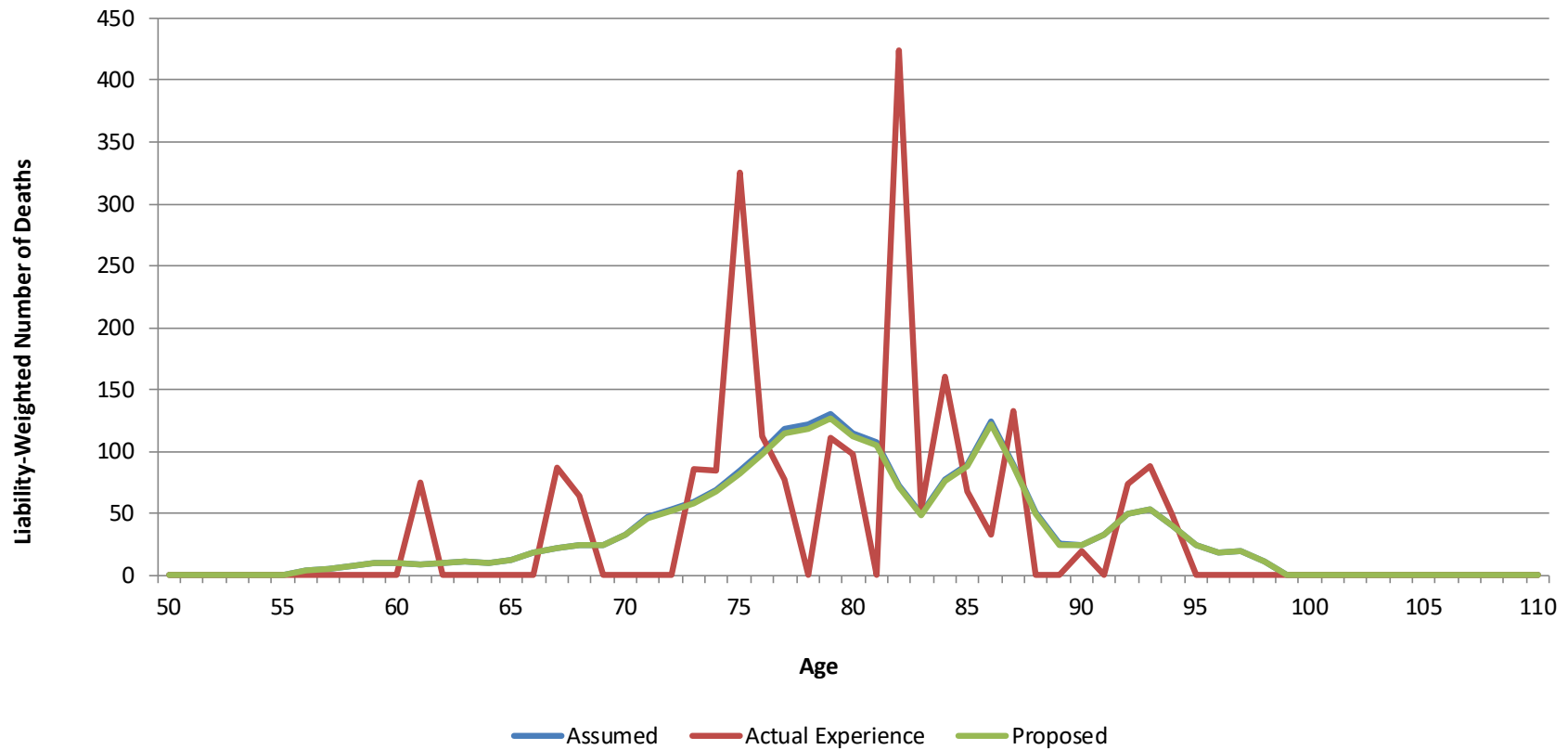
Expected deaths under the current and proposed assumptions are on a liability-weighted basis.



Mortality Assumption

Graph II

Service Retiree Mortality Experience July 1, 2021 - June 30, 2024



Retirement Assumption

Retirement

The System plan provisions establish the minimum eligibility requirements for retirement as follows:

Upon termination of State service, a Tier One member is eligible for a pension at age 55 with at least eight years of pension service credit or at age 62 with at least four years of pension service credit.

The retirement annuity is determined according to the following formula based upon the member's final rate of salary:

- 3.0% for each of the first 4 years of service; plus
- 3.5% for each of the next 2 years of service; plus
- 4.0% for each of the next 2 years of service; plus
- 4.5% for each of the next 4 years of service; plus
- 5.0% for each year of service in excess of 12.

The maximum retirement annuity is 85 percent of the final rate of salary.

Retirement cost, however, is determined not by the minimum eligibility requirements but by the ages at which members actually retire. The actuarial valuation does not assume that everyone retires at earliest eligibility. The assumption about timing of retirement once eligibility has been established is a major component in cost calculations. Note that higher rates of retirement at earlier retirement ages or years of service upon attaining retirement eligibility generally result in higher actuarially determined contributions, and vice versa.

Experience during the last three years was considered in the analysis shown on the following pages. The "Exposure" column shows the number of employees eligible to retire at various years of service or ages throughout the experience period. An individual could potentially be counted up to five times if eligible each year in the period. By tabulating employees in this fashion, we are able to answer the question "For all employees eligible at condition X, how many retired?"

Current and past experience has shown that retirement rates under this System are correlated with age. Currently, the System uses age-based rates with higher rates at key ages, with 100 percent retirement at age 75. We recommend a slight decrease in overall rates to reflect the actual experience of the System.

Applying the proposed rates to historical data generates the following number of retirements by age at retirement:

Age	Number of Retirements		
	Actual	Current Assumption	Proposed Assumption
55-59	2	3	2
60-64	2	3	3
65-69	1	3	3
70-74	1	3	2
75-79	1	4	4
80+	1	2	2
Total	8	18	17

Retirement Assumption

The table and graph on the following pages show normal retirement experience for plan members.

- Table III and Graph III – Normal Retirement Experience

Currently, there are not enough Tier Two members eligible for retirement for credible experience. Therefore, the retirement assumptions can only be developed based upon our future expectation of the group's behavior.

We are recommending maintaining the retirement rates for Tier Two members eligible for early and normal retirement benefits based on experience with Tier One members.

Tier One Retirement Rates		
Age	Current	Proposed
55	10.00%	5.00%
56-59	15.00%	15.00%
60-64	15.00%	15.00%
65-69	20.00%	20.00%
70-74	25.00%	20.00%
75	100.00%	100.00%

Retirement Rates for Tier Two Members		
Age	Current	Proposed
67	35.00%	35.00%
68-70	25.00%	25.00%
71-74	20.00%	20.00%
75	100.00%	100.00%
Early Retirement Rates for Tier Two Members		
Age	Current	Proposed
62	20.00%	20.00%
63	10.00%	10.00%
64	12.00%	12.00%
65	14.00%	14.00%
66	16.00%	16.00%

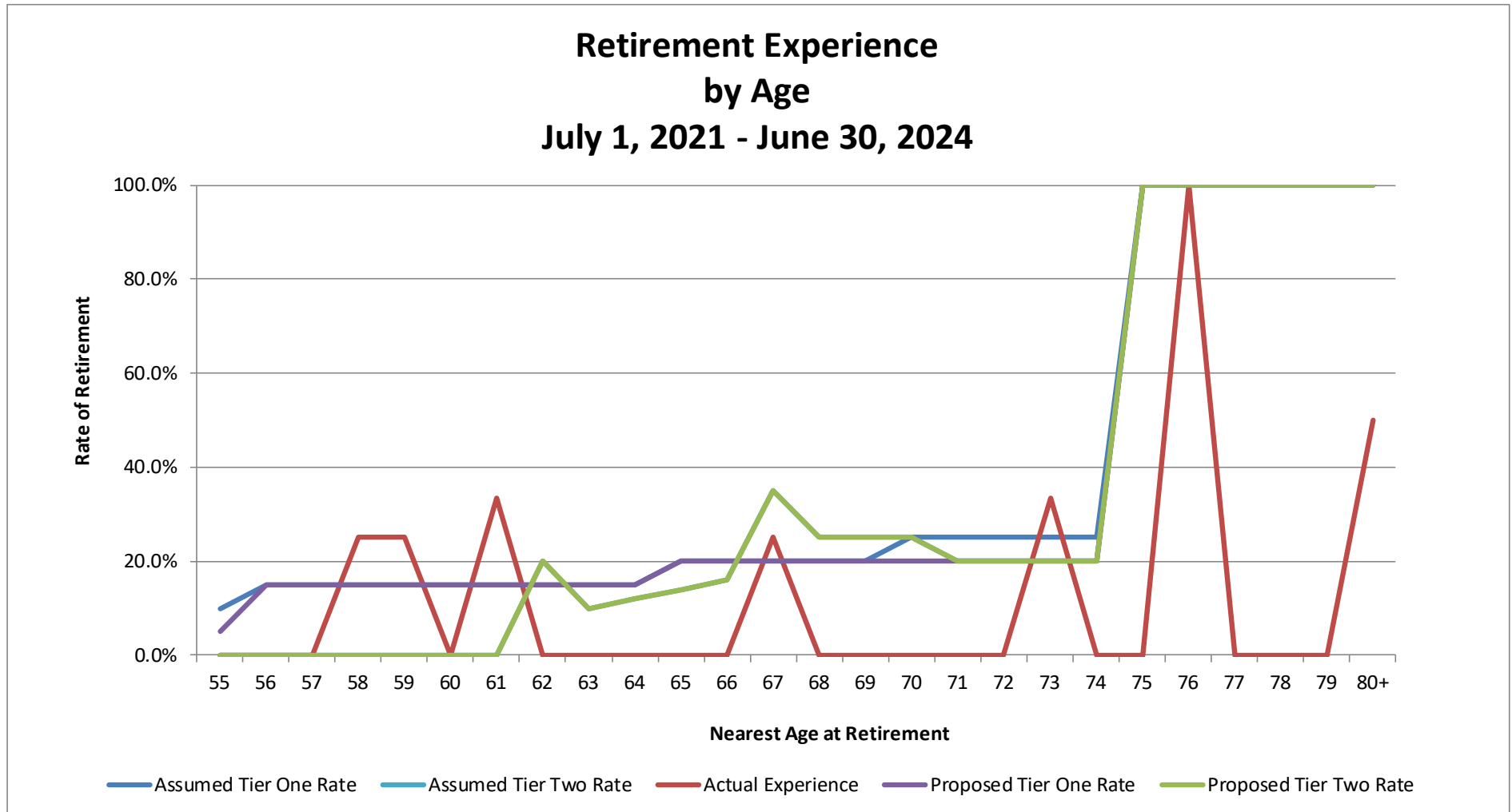
Retirement Assumption

Table III

Tier One Normal Retirement Experience by Age									
Nearest Age @ Retirement	Actual Experience			Current Assumptions			Proposed Assumptions		
	Exposures	Retirements	Actual Rate	Expected Retirements	Assumed Rate	Actual / Expected	Expected Retirements	Proposed Rate	Actual / Expected
55	3	0	0.0%	0	10.0%	0.0	0	5.0%	0.0
56	2	0	0.0%	0	15.0%	0.0	0	15.0%	0.0
57	5	0	0.0%	1	15.0%	0.0	1	15.0%	0.0
58	4	1	25.0%	1	15.0%	1.7	1	15.0%	1.7
59	4	1	25.0%	1	15.0%	1.7	1	15.0%	1.7
60	6	0	0.0%	1	15.0%	0.0	1	15.0%	0.0
61	6	2	33.3%	1	15.0%	2.2	1	15.0%	2.2
62	4	0	0.0%	1	15.0%	0.0	1	15.0%	0.0
63	2	0	0.0%	0	15.0%	0.0	0	15.0%	0.0
64	3	0	0.0%	0	15.0%	0.0	0	15.0%	0.0
65	4	0	0.0%	1	20.0%	0.0	1	20.0%	0.0
66	4	0	0.0%	1	20.0%	0.0	1	20.0%	0.0
67	4	1	25.0%	1	20.0%	1.3	1	20.0%	1.3
68	2	0	0.0%	0	20.0%	0.0	0	20.0%	0.0
69	3	0	0.0%	1	20.0%	0.0	1	20.0%	0.0
70	3	0	0.0%	1	25.0%	0.0	1	20.0%	0.0
71	2	0	0.0%	1	25.0%	0.0	0	20.0%	0.0
72	2	0	0.0%	1	25.0%	0.0	0	20.0%	0.0
73	3	1	33.3%	1	25.0%	1.3	1	20.0%	1.7
74	2	0	0.0%	1	25.0%	0.0	0	20.0%	0.0
75	3	0	0.0%	3	100.0%	0.0	3	100.0%	0.0
76	1	1	100.0%	1	100.0%	1.0	1	100.0%	1.0
77	0	0		0	100.0%		0	100.0%	
78	0	0		0	100.0%		0	100.0%	
79	0	0		0	100.0%		0	100.0%	
80+	2	1	50.0%	2	100.0%	0.5	2	100.0%	0.5
Totals:	74	8	10.8%	18	24.5%	0.4	17	23.4%	0.5
Average Retirement Age:			66.9				68.7		

Retirement Assumption

Graph III



Turnover Assumption

Turnover

Currently, turnover rates are based on age. The experience can support an age-based or service-based structure.

It is not uncommon to have separate turnover rates for males and females. However, GRS examined the System's experience separated by gender and did not find that it warranted a separate table.

Turnover experience during the last three years was considered in the analysis shown on the following pages. The "Exposures" column shows the number of employees at various years of service throughout the experience period.

The "Turnover" column shows the number of employees at various ages who have gone from active status for reasons other than retirement and death. This includes members moving to inactive status and members terminating and receiving a refund of contributions, and disabled members.

This assumption was analyzed for both Tier One and Tier Two members.

Terminations were close to expectations under the current assumptions. Based on our analysis, we recommend maintaining age-based rates and maintaining the flat rate for Tier One members and Tier Two members.

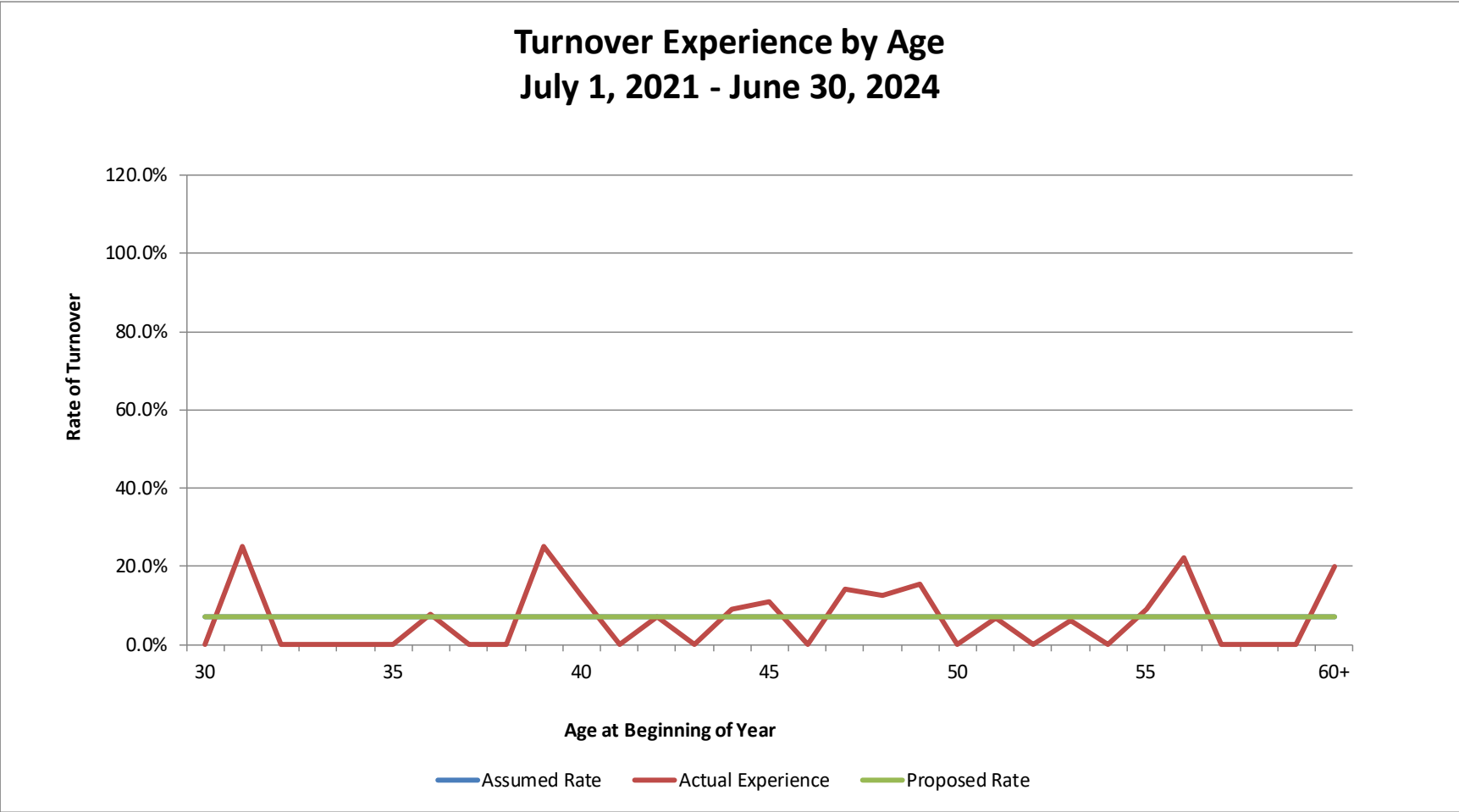
The table and graph on the following pages show termination experience by age.

- Table IV and Graph IV – Termination Experience by Age

Analysis of Experience and Recommendations

Table IV

Turnover Experience by Age									
Age	Actual Experience			Current Assumptions			Proposed Assumptions		
	Exposures	Turnover	Actual Rate	Expected Turnover	Assumed Rate	Actual / Expected	Expected Turnover	Proposed Rate	Actual / Expected
20 or younger	0	0		0	7.00%		0	7.00%	
21	0	0		0	7.00%		0	7.00%	
22	0	0		0	7.00%		0	7.00%	
23	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
24	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
25	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
26	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
27	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
28	0	0		0	7.00%		0	7.00%	
29	2	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
30	5	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
31	4	1	25.00%	0	7.00%	3.6	0	7.00%	3.6
32	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
33	1	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
34	5	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
35	6	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
36	13	1	7.69%	1	7.00%	1.1	1	7.00%	1.1
37	8	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
38	9	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
39	4	1	25.00%	0	7.00%	3.6	0	7.00%	3.6
40	8	1	12.50%	1	7.00%	1.8	1	7.00%	1.8
41	11	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
42	14	1	7.14%	1	7.00%	1.0	1	7.00%	1.0
43	10	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
44	11	1	9.09%	1	7.00%	1.3	1	7.00%	1.3
45	9	1	11.11%	1	7.00%	1.6	1	7.00%	1.6
46	5	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
47	7	1	14.29%	0	7.00%	2.0	0	7.00%	2.0
48	8	1	12.50%	1	7.00%	1.8	1	7.00%	1.8
49	13	2	15.38%	1	7.00%	2.2	1	7.00%	2.2
50	13	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
51	15	1	6.67%	1	7.00%	1.0	1	7.00%	1.0
52	10	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
53	16	1	6.25%	1	7.00%	0.9	1	7.00%	0.9
54	11	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
55	11	1	9.09%	1	7.00%	1.3	1	7.00%	1.3
56	9	2	22.22%	1	7.00%	3.2	1	7.00%	3.2
57	8	0	0.00%	1	7.00%	0.0	1	7.00%	0.0
58	5	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
59	4	0	0.00%	0	7.00%	0.0	0	7.00%	0.0
60+	15	3	20.00%	1	7.00%	2.9	1	7.00%	2.9
Total	276	19	6.88%	19	7.00%	1.0	19	7.00%	1.0



Analysis of Experience and Recommendations

Marriage Assumption

Currently, 75 percent of active and retired participants are assumed to be married. Over the past five years, the average number of active members denoted as “Married” was 51 percent (60 percent if we include 51 percent of records marked as “Unknown”). The average number of retired members denoted as “Married” was 70 percent. We recommend reducing the marriage assumption from 75 percent to 70 percent.

Load for Inactive Members Eligible for Deferred Vested Pension Benefits

Currently, deferred vested liability is increased by 10 percent to account for increases in final average salary due primarily to participation in a reciprocal system.

For inactive members who retired from July 1, 2019, to June 30, 2024, actual retirement benefits were approximately 10.3 percent greater compared to estimated retirement benefits and we recommend no change to the current 10 percent assumption. The following table shows the experience data.

Impact of Reciprocal Salary Increases of Inactive Members						
	Number of Inactive Members at the Beginning of the Plan Year	Number of Inactive Members who Retired during the Plan Year	Estimated Benefits of Inactive Members who Retired During Year	Actual Benefits of Inactive Members who Retired During Year	Increase in Benefits	
6/30/2019	68	10	\$ 362,358	\$ 409,951	13.1%	
6/30/2020	69	5	75,306	82,253	9.2%	
6/30/2021	65	8	152,204	163,578	7.5%	
6/30/2022 ¹	65	11	267,971	285,891	6.7%	
6/30/2023	55	2	14,909	17,999	20.7%	
6/30/2024	64	5	117,592	132,982	13.1%	
Total	386	41	\$ 990,339	\$ 1,092,654	10.3%	

¹ Information for plan year end June 30, 2022, excludes data for three members with an extraordinary change in benefits.

Analysis of Experience and Recommendations

Population Projection

Currently, it is assumed that 45 percent of future members will elect to opt out of the pension system. Data from the changes in members since 2021 that are still active as of 2024 is summarized below. We recommend reducing the current assumption from 45 percent to 35 percent.

Pension Opt-Outs	
Pension	39
No Pension	17
Total	56
Opt-Out	30%

Analysis of Experience and Recommendations

Actuarial Standard of Practice No. 4

Actuarial Standards of Practice No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, provides guidance on cost allocation procedures and contribution allocation procedures. It also provides guidance for coordinating and integrating all elements of an actuarial valuation of a pension plan including:

1. Measurement of pension obligations and determination of funded status;
2. Assignment of pension obligations to time period such as actuarially determined contributions and periodic costs;
3. Development of a cost allocation procedure used to develop periodic costs;
4. Development of a contribution allocation procedure used to develop actuarially determined contributions;
5. Determination of types and levels of benefits supported by specified cost or contribution levels; and
6. Projection of pension obligations, periodic costs, or actuarially determined contributions, and other related measurements such as cash flows projections and projections of a plan's funded status.

When developing an amortization method used to calculate the actuarially determined contributions, the actuary should consider the following:

1. Whether the amortization method is open or closed;
2. Source of amortization base;
3. Anticipated pattern of amortization payment, including length of time until amortization payments exceed nominal interest on the outstanding balance;
4. Whether amortization base is positive or negative;
5. Duration of actuarial accrued liability;
6. Average remaining service lifetime active plan participants; and
7. Funded status of the plan or period to plan insolvency.

Actuary should assess whether the unfunded actuarial accrued liability is expected to be fully amortized.

The current statutory policy tends to back-load and defer contributions, and therefore does not produce a reasonable actuarially determined contribution based on the criteria listed above.

At the April 15, 2015, Board meeting, the Board adopted a policy, for purposes of financial reporting under GASB Statement Nos. 67 and 68, which provides for the annual financing of GARS' normal cost and amortizing the unfunded liability over 20 years as a level percent of capped payroll (11 years remaining as of the 2024 valuation). We believe the actuarially determined contribution calculated up this policy is reasonable.

We recommend GARS update the amortization policy to be a 15-year closed period beginning with the actuarial valuation as of June 30, 2025.

SECTION D

COST IMPACT

Cost Impact

The impact of adopting the recommended assumptions is summarized in the tables below. The results are based on the June 30, 2024, actuarial valuation.

		Experience Study	
		Valuation Baseline	Changing All Assumptions
1	Number of Members		
	a. Active	128	128
	b. Inactive:		
	i. Eligible for deferred vested pension benefits	44	44
	ii. Eligible for return of contributions only	16	16
	c. Current Benefit Recipients:		
	i. Retirement annuities	314	314
	ii. Survivor annuities	124	124
	iii. Reversionary annuities	-	-
	d. Total	626	626
2	Covered Uncapped Payroll	\$ 13,164,592	\$13,164,592
3	Annualized Benefit Payments Currently Being Made		
	a. Retirement	\$ 22,342,203	\$ 22,342,203
	b. Survivor	5,741,342	5,741,342
	c. Reversionary	-	-
	d. Total	\$ 28,083,545	\$ 28,083,545
4	Actuarial Liability—Annuitants		
	a. Current Benefit Recipients:		
	i. Retirement annuities	\$ 260,838,295	\$ 260,838,295
	ii. Survivor annuities	50,089,783	50,089,783
	b. Total	\$ 310,928,078	\$ 310,928,078

Cost Impact

		Experience Study	
		Valuation Baseline	Changing All Assumptions
5	Actuarial Liability—Inactive Members	\$ 13,081,410	\$ 13,121,602
6	Active Members		
	a. Pension Benefits	\$ 27,205,855	\$ 27,113,671
	b. Cost-of-Living Adjustments	9,865,752	9,973,498
	c. Death Benefits	672,328	667,605
	d. Disability	-	-
	e. Withdrawal	4,554,883	4,569,874
	f. Expenses	-	-
	g. Total	\$ 42,298,818	\$ 42,324,648
7	Total Actuarial Liability (4 + 5 + 6)	\$ 366,308,306	\$ 366,374,328
8	Market Value of Assets (MVA)	\$ 90,292,335	\$ 90,292,335
9	Unfunded Actuarial Liability Based on MVA (7 – 8)	\$ 276,015,971	\$ 276,081,993
10	Funded Percentage Based on MVA (8 ÷ 7)	24.65%	24.64%
11	Actuarial Value of Assets (AVA)	\$ 90,678,750	\$ 90,678,750
12	Unfunded Actuarial Liability Based on AVA (7 – 11)	\$ 275,629,556	\$ 275,695,578
13	Funded Percentage Based on AVA (11 ÷ 7) ^a	24.75%	24.75%
14	Total Normal Cost	3,291,196	3,331,840
15	Employee Contributions	\$ 1,367,761	\$1,367,761
16	Annual Employer Normal Cost (% uncapped payroll)	\$ 1,923,435 14.61%	\$ 1,964,079 14.92%

^a The funded status measure is appropriate for assessing the need for future contributions. The funded status is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

Cost Impact

Actuarial Valuation Date: June 30, 2024		
Fiscal Year Ending: June 30, 2026	Valuation Baseline	Changing All Assumptions
Estimated Statutory Contributions:		
· Annual Amount	\$ 26,501,000	\$26,234,000
· Percentage of Projected Capped Payroll for Fiscal Year	208.386%	202.719%
Actuarially Determined Contribution^a (ADC):		
· Annual Amount	\$ 37,062,736	\$28,884,684
· Percentage of Projected Capped Payroll for Fiscal Year	291.439%	223.204%
Membership		
· Number of		
- Active Members	128	128
- Members Receiving Payments	438	438
- Inactive Members	60	60
- Total	626	626
· Covered Uncapped Payroll Provided by System	\$ 13,164,592	\$13,164,592
· Projected Capped Payroll For Fiscal Year	\$ 12,717,159	\$12,940,921
· Annualized Benefit Payments	\$ 28,083,545	\$ 28,083,545
Assets		
· Market Value of Assets (MVA)	\$ 90,292,335	\$ 90,292,335
· Actuarial Value of Assets (AVA)	\$ 90,678,750	\$ 90,678,750
· Return on MVA	22.86%	22.86%
· Return on AVA	9.74%	9.74%
· Ratio – AVA to MVA	100.43%	100.43%
Actuarial Information		
· Employer Normal Cost Amount	\$ 1,923,435	\$ 1,964,079
· Actuarial Accrued Liability (AAL)	\$ 366,308,306	\$ 366,374,328
· Unfunded Actuarial Accrued Liability (UAAL)	\$ 275,629,556	\$ 275,695,578
· Funded Ratio based on AVA	24.75%	24.75%
· UAAL as % of Covered Payroll	2,093.72%	2,094.22%
· Funded Ratio based on MVA	24.65%	24.64%

^a For contributions in fiscal years ending on and after June 30, 2017, the Board adopted a recommended policy used to develop the Actuarially Determined Contribution (ADC) as defined in GASB Statements Nos. 67 and 68. The policy adopted by the Board calculates the ADC as the Normal Cost plus a 20-year level percent of capped payroll closed-period amortization of the Unfunded Accrued Liability. As of June 30, 2024, the remaining amortization period is 11 years. The amortization period used for the experience study is 15 years. The ADC is used for financial reporting purposes only.



Cost Impact

Actuarial Accrued Liability and Actuarial Value of Assets Determined as of June 30, 2024 (\$ in millions)

Actuarial Accrued Liability			Actuarial Value of Assets		
Year	Experience Study		Valuation Baseline	Experience Study	
	Valuation Baseline	Changing All Assumptions		Valuation Baseline	Changing All Assumptions
2025	\$ 362.63	\$ 362.76	\$ 94.56	\$ 94.58	
2026	358.77	359.02	97.15	96.95	
2027	354.23	354.64	100.87	100.30	
2028	349.03	349.60	104.06	102.47	
2029	343.16	343.96	105.95	103.50	
2034	308.03	310.22	113.25	107.35	
2039	267.66	271.97	133.83	130.34	
2044	230.07	237.34	185.37	189.97	
2045	223.47	231.46	201.12	208.31	

Normal cost rate includes administrative expenses.

State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, Public Act 96-0043, and Public Act 100-0023.

Total expenses include benefit payments, refunds and administrative expenses.

Actuarial accrued liability and assets are measured at Plan Year End.

Total payroll is capped for members hired after December 31, 2010, as defined in Public Act 96-0889.

Cost Impact

Required State Contribution Determined as of June 30, 2024 (\$ in millions)

Year	Contribution Dollar		Contribution Percent	
	Experience Study		Experience Study	
	Valuation Baseline	Changing All Assumptions	Valuation Baseline	Changing All Assumptions
2025	\$ 26.21	\$ 26.21	220.37%	220.37%
2026	26.50	26.23	208.39%	202.72%
2027	25.64	25.23	205.51%	196.60%
2028	25.14	24.12	203.81%	189.68%
2029	24.34	23.51	201.92%	185.29%
2034	23.79	23.84	204.26%	185.77%
2039	23.93	24.94	204.26%	185.77%
2044	25.13	27.22	204.26%	185.77%
2045	25.44	27.64	204.26%	185.77%
Total Cont. Through 2045	\$ 511.43	\$ 520.30		
Present Value of Total Cont.	\$ 285.12	\$ 286.29		

Normal cost rate includes administrative expenses.

State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, Public Act 96-0043, and Public Act 100-0023.

Total expenses include benefit payments, refunds and administrative expenses.

Actuarial accrued liability and assets are measured at Plan Year End.

Total payroll is capped for members hired after December 31, 2010, as defined in Public Act 96-0889.

Cost Impact

Unfunded Accrued Liability and Funded Ratio Determined as of June 30, 2024 (\$ in millions)

Unfunded Accrued Liability			Funded Ratio	
Year	Experience Study		Experience Study	
	Valuation Baseline	Changing All Assumptions	Valuation Baseline	Changing All Assumptions
2025	\$ 268.07	\$ 268.18	26.08%	26.07%
2026	261.62	262.07	27.08%	27.00%
2027	253.36	254.34	28.48%	28.28%
2028	244.97	247.13	29.81%	29.31%
2029	237.21	240.46	30.87%	30.09%
2034	194.78	202.87	36.77%	34.60%
2039	133.83	141.63	50.00%	47.92%
2044	44.70	47.37	80.57%	80.04%
2045	22.35	23.15	90.00%	90.00%

Normal cost rate includes administrative expenses.

State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, Public Act 96-0043, and Public Act 100-0023.

Total expenses include benefit payments, refunds and administrative expenses.

Actuarial accrued liability and assets are measured at Plan Year End.

Total payroll is capped for members hired after December 31, 2010, as defined in Public Act 96-0889.

SECTION E

RECOMMENDED ACTUARIAL ASSUMPTIONS

Recommended Actuarial Assumptions

Actuarial Cost Method as Mandated by 40 ILCS 5/2-124, Adopted June 30, 1989

The projected unit credit normal cost method is used. Under this method, the projected pension at retirement age is first calculated and the present value at the individual member's current or attained age is determined. The normal cost for the member for the current year is equal to actuarial present value divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

The actuarial accrued liability at any point in time is the present value of the projected pensions at that time less the value of future normal costs.

The same procedure outlined above is applied to active member ancillary benefits such as termination benefits, survivor benefits, and postretirement benefit increases.

Estimated annual administrative expenses are added to the normal cost.

For actuarial valuation purposes, as well as projection purposes, an actuarial value of assets is used.

Recommended Actuarial Assumptions

Proposed Actuarial Assumptions to be Adopted for the June 30, 2025, Actuarial Valuation

Mortality

Post-Retirement Mortality

Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scale. This assumption provides a margin for future mortality improvements.

Pre-Retirement Mortality, including terminated vested members prior to attaining age 50

Pub-2010 Above-Median Income General Employee Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scale. This assumption provides a margin for future mortality improvements.

Future mortality improvements are reflected by projecting the base mortality tables forward from the year 2010 using the MP-2021 projection scale.

Recommended Actuarial Assumptions

Age	Future Life Expectancy (years) in 2024		Future Life Expectancy (years) in 2039	
	Postretirement		Postretirement	
	Male	Female	Male	Female
35	52.00	54.54	53.31	55.68
40	46.72	49.24	48.04	50.39
45	41.48	43.96	42.79	45.11
50	36.35	38.77	37.64	39.92
55	31.44	33.78	32.67	34.90
60	26.67	28.90	27.84	29.96
65	22.10	24.15	23.18	25.14
70	17.76	19.59	18.70	20.48
75	13.74	15.32	14.53	16.08

Recommended Actuarial Assumptions

Interest

6.50 percent per annum, compounded annually.

General Inflation

2.40 percent per annum, compounded annually.

This assumption serves as the basis for the determination of Tier Two pay cap growth and annual increases that are equal to the lesser of 3.0 percent or the annual change in the consumer price index-u during the preceding 12-month calendar year.

Marriage Assumption

70.0 percent of active and retired participants are assumed to be married.

Termination

Rates of withdrawal are assumed to be equal to seven percent for all ages 20 through 65.

It is assumed that terminated employees will not be rehired. The rates apply only to employees who have not fulfilled the service requirement necessary for retirement at any given age.

Salary Increases

A salary increase of 2.65 percent per annum is assumed, which is comprised of 2.40 percent for inflation and 0.25 percent for salary increases due to leadership appointments.

Recommended Actuarial Assumptions

Load for Inactive Members Eligible for Deferred Vested Pension Benefits

Deferred vested liability is increased by 10 percent to account for increases in final average salary due to participation in a reciprocal system.

Disability

No assumption for disability was assumed.

Recommended Actuarial Assumptions

Population Projection

For purposes of determining the annual appropriation as a percent of total covered payroll, the size of the active group is projected to decrease from 128 members as of the valuation date, to 87 members in 2045, and ultimately reach 84 members in 2053, due to the assumption that 35 percent of future members will elect to opt out of the pension system. New entrants are assumed to enter with an average age and average pay as disclosed below. The new entrant profile is based on the averages for all current active members. New entrant pay is assumed to increase by the salary scale assumption, and is limited by the projected statutory salary cap.

New Entrant Profile				
Age Group	No.	Uncapped Salary		Capped Salary
Under 20				
20-24	3	\$	279,403	\$ 279,403
25-29	8		850,907	850,907
30-34	22		2,318,064	2,256,361
35-39	20		1,967,495	1,967,495
40-44	23		2,404,414	2,350,042
45-49	18		1,955,315	1,900,943
50-54	14		1,450,573	1,419,722
55-59	11		1,111,864	1,111,864
60-64				
65-69	1		100,903	100,903
70 & Over				
Total	120	\$	12,438,938	\$ 12,237,640
Avg. Salary		\$	103,658	\$ 101,980
Avg. Age				41.65
Percent Male				54.17%

Recommended Actuarial Assumptions

Retirement

Tier I employees are assumed to retire in accordance with the rates shown below. The rates apply only to employees who have fulfilled the service requirement necessary for retirement at any given age.

Retirement Rates	
Age	Males & Females
55	5.00%
56-64	15.00%
65-74	20.00%
75	100.00%

Assets

Assets available for benefits are determined as described on pages 46 and 47 of the June 30, 2024, actuarial valuation report. The asset valuation method is prescribed by statute, and does not appear to allow a corridor; therefore, a corridor has not been established.

Expenses

As estimated and advised by GARS staff, based on current expenses and expected to increase in relation to the projected capped payroll. Expenses are included in the service cost.

Spouse's Age

The female spouse is assumed to be four years younger than the male spouse.

Decrement Timing

All decrements are assumed to occur beginning of year.

Decrement Relativity

Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

Decrement Operation

Turnover decrements do not operate after member reaches retirement eligibility.

Eligibility Testing

Eligibility for benefits is determined based upon the age nearest birthday and service on the date the decrement is assumed to occur.

Recommended Actuarial Assumptions

415(b) and 401(a)(17) Limits

No explicit assumption is made with respect to these items.

Assumptions as a Result of Public Act 96-0889 – Tier 2 Assumptions

Members hired after December 31, 2010, are assumed to make contributions on salary up to the final average compensation cap in a given year until this plan provision or administrative procedure is clarified.

State contributions, expressed as a percentage of pay, are calculated based upon capped pay.

Retirement rates for tier two members to account for the change in retirement age are as follows:

Retirement Rates for Tier Two Members	
Age	Male & Female
67	35.00%
68-70	25.00%
71-74	20.00%
75	100.00%
Early Retirement Rates for Tier Two Members	
Age	Males and Females
62	20.00%
63	10.00%
64	12.00%
65	14.00%
66	16.00%

Rates of withdrawal for Tier Two members are assumed to be equal to seven percent for all ages 20 through 65.

Projection Methodology and Appropriation Requirements under P.A. 93-0002, P.A. 94-0004, P.A. 96-0043, and P.A. 100-0023

State Contributions under P.A. 93-0002

In general, for each year during the life of the GOB program, the state contributions to the System are to be calculated as follows:

1. Calculation of the contribution maximum
 - a. A projection of contributions will be made from the valuation date to June 30, 2045. Such projection will be based on hypothetical asset values determined using the following assumptions:
 - i) That the System had received no portion of the general obligation bond proceeds in excess of the scheduled contributions for the remainder of fiscal 2003 and for the entirety of 2004,
 - ii) That hypothetical state contributions had been made each fiscal year from 2005 through the valuation date, based on the funding process in place prior to P.A. 93-0002 (without regard to prior state minimum requirements),
 - iii) That the actual amounts of member contributions and the actual cash outflows (benefit payments, refunds and administrative expenses) for each year prior to the valuation date were realized, and
 - iv) That the hypothetical fund earned returns in each prior fiscal year equal to the rate of total return actually earned by the retirement fund in that year.
 - b. The hypothetical asset values developed in a., above, will not exceed the actual assets of the fund.
 - c. A projection of maximum contributions for each year of the GOB program will be performed each year, by reducing the contributions produced in a., above, by the respective amount of debt service allocated to the System for each year.
2. Calculation of the contribution with GOB proceeds
 - a. The basic projection of State contributions from the valuation date through June 30, 2045, will be made, taking into account all assets of the System, including the GOB proceeds.
 - b. State contribution rates (expressed as a percentage of covered pay), in the pattern required by the funding sections of the statutes, are calculated.
 - c. In those projections, the dollars of state contributions which are added to assets each year during the GOB program are limited by the contribution maximum. Because the bonds are to be liquidated by the end of fiscal 2033, there is no contribution maximum thereafter.

Projection Methodology and Appropriation Requirements under P.A. 93-0002, P.A. 94-0004, P.A. 96-0043, and P.A. 100-0023

State Contributions under P.A. 94-0004

The following is an excerpt from the Illinois Compiled statutes 40 ILCS 5/2-124:

(c) Notwithstanding any other provision of this Article, the total State contribution for fiscal year 2006 is \$4,157,000.

Notwithstanding any other provision of this Article, the total State contribution for fiscal year 2007 is \$5,220,300.

For each State fiscal years 2008 through 2010, the State contribution to the System, as a percentage of the applicable payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at a rate otherwise required under this Section.

State Contributions under P.A. 96-0043

The following is an excerpt from the Illinois Compiled statutes 40 ILCS 5/2-124:

(d) For purposes of determining the required State contribution to the System, the value of the System's assets shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:

As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the five-year period following that fiscal year.

(e) For purposes of determining the required State contribution to the system for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal to the system's actuarially assumed rate of return.

State Contributions under P.A. 100-0023

Public Act ("P.A.") 100-0023, effective July 6, 2017, modified the State's funding policy to include smoothing State contribution rate increases or decreases due to changes in actuarial assumptions, including investment return assumptions, over a five-year period in equal annual amounts beginning in fiscal year 2018. In addition, changes in actuarial or investment assumptions that increased or decreased the State contribution rate in fiscal years 2014 through 2017 are to be smoothed over a five-year period in equal annual amounts, applying only to the portion of the five-year phase-in that is applicable to fiscal years on and after 2018.

Projection Methodology and Appropriation Requirements under P.A. 93-0002, P.A. 94-0004, P.A. 96-0043, and P.A. 100-0023

Phase-in of the Financial Impact of Assumption Changes

Following is a table with the recognition schedule for the phase-in of actuarial assumption changes required under Public Act 100-0023. The following actuarial assumption changes were made:

1. Beginning with the June 30, 2013, actuarial valuation, there were changes to the economic and demographic assumptions.
2. Beginning with the June 30, 2015, actuarial valuation, there were changes to the new entrant population assumptions.
3. Beginning with the June 30, 2016, actuarial valuation, there were changes to the economic and demographic assumptions.
4. Beginning with the June 30, 2018, actuarial valuation, there were changes to the economic assumptions.
5. Beginning with the June 30, 2019, actuarial valuation, there were changes to the economic and demographic assumptions.
6. Beginning with the June 30, 2022, actuarial valuation, there were changes to the demographic assumptions.
7. Beginning with the June 30, 2024, actuarial valuation, there were changes to the economic and demographic assumptions due to an experience review.^a

Valuation Year Ending June 30,	2019	2020	2021	2022	2023	2024 ^a	2023	2024	2025	2026
Applicable Fiscal Year Ending June 30,	2021	2022	2023	2024	2025	2026	2025	2026	2027	2028
\$ in Millions After Impact of GOB Proceeds										
Contribution Before Assumption Change										
(1) Contribution Dollar	\$ 27.643	\$ -	\$ -	\$ 26.496	\$ -	\$ 26.501				
(2) Contribution Rate	282.677%	0.000%	0.000%	270.279%	0.000%	208.386%				
Contribution After Assumption Change And Before Phase-In										
(3) Contribution Dollar	\$ 26.825	\$ -	\$ -	\$ 25.543	\$ -	\$ 24.916				
(4) Contribution Rate	273.142%	0.000%	0.000%	258.289%	0.000%	192.533%				
(5) Assumption Change Impact as a Percentage of Capped Payroll [(4) - (2)]	-9.535%	0.000%	0.000%	-11.990%	0.000%	-15.853%				
(6) Assumption Change Impact Recognized This Year (5-year Recognition)										
(6a) From This Year	-1.907%	0.000%	0.000%	-2.398%	0.000%	-3.171%				
(6b) From One Year Ago	1.029%	-1.907%	0.000%	0.000%	-2.398%	0.000%	-3.171%			
(6c) From Two Years Ago	0.000%	1.029%	-1.907%	0.000%	0.000%	-2.398%	0.000%	-3.171%		
(6d) From Three Years Ago	6.801%	0.000%	1.029%	-1.907%	0.000%	0.000%	-2.398%	0.000%	-3.171%	
(6e) From Four Years Ago	10.940%	6.802%	0.000%	1.029%	-1.907%	0.000%	0.000%	-2.398%	0.000%	-3.169%
(6f) Total Recognized Assumption Change Impact	16.863%	5.924%	-0.878%	-3.276%	-4.305%	-5.569%	-5.569%	-5.569%	-3.171%	-3.169%

^a The June 30, 2024, phase-in adjustments for the change in assumptions due to the experience review study will be re-measured as of June 30, 2025, and will become effective beginning with the June 30, 2025, actuarial valuation.