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EMPLOYEES'
RETIREMENT SYSTEM
OF GEORGIA

GEORGIA LEGISLATIVE RETIREMENT SYSTEM

**EXPERIENCE INVESTIGATION FOR THE
FIVE-YEAR PERIOD ENDING JUNE 30, 2019**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

December 18, 2020

Board of Trustees,
Georgia Legislative Retirement System
Suite 400, Two Northside 75
Atlanta, GA 30318

Members of the Board:

We are pleased to submit the results of an investigation of the economic and demographic experience for the Georgia Legislative Retirement System (LRS) for the five-year period from July 1, 2014 to June 30, 2019. The study was based on the data submitted by LRS for the annual valuation. In preparing this report, we relied, without audit, on the data provided.

The purpose of the investigation is to assess the reasonability of the current LRS economic assumptions and demographic actuarial assumptions for the Retirement System. The results of the investigation indicate that the assumed rates of separation from active service due to withdrawal, death and retirement and rates of post-retirement mortality need revision in order to provide a better fit between the actual and anticipated experience of the Retirement System. As a result of the investigation, it is recommended that revised economic assumptions and demographic tables be adopted by the Board for future use.

All recommended rates of separation, mortality and salary increase at each age are shown in the attached tables in Appendix C of this report. In the actuary's judgment, the rates recommended are suitable for use until further experience indicates that modifications are desirable.

We hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.



Board of Trustees
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We further certify that, in our opinion, the assumptions developed in this report satisfy Actuarial Standards of Practice, in particular, No. 27 (Selection of Economic Assumptions for Measuring Pension Obligations) and No. 35 (Selection of Demographic and Other Non-economic Assumptions for Measuring Pension Obligations).

The experience investigation was performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

A handwritten signature in blue ink that reads "Edward J. Koebel".

Edward J. Koebel, ASA, EA, MAAA
Chief Executive Officer

A handwritten signature in blue ink that reads "Cathy Turcot".

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink that reads "Ben Mobley".

Ben Mobley, ASA, EA, MAAA
Senior Actuary



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Section I - Executive Summary

The purpose of an actuarial valuation is to provide a timely best estimate of the ultimate costs of a retirement system. An actuarial valuation of the Georgia Legislative Retirement System (LRS) is prepared annually to determine the actuarial contribution rates required to fund it on an actuarial reserve basis, (i.e. the current assets plus future contributions, along with investment earnings are expected to be sufficient to provide the benefits promised by the system). The valuation requires the use of certain assumptions with respect to the occurrence of future events, such as death, termination of employment, retirement, and salary changes (if applicable) to estimate the obligations of the system.

The basic purpose of an experience study is to determine whether the actuarial assumptions currently in use have adequately anticipated the actual emerging experience. This information, along with the professional judgment of system personnel and advisors, is used to evaluate the appropriateness of continued use of the current actuarial assumptions. When analyzing experience and assumptions, it is important to recognize that actual experience is reported in the short term while assumptions are intended to be long-term estimates of experience. Therefore, actual experience is expected to vary from study period to study period, without necessarily indicating a change in assumptions is needed.

Cavanaugh Macdonald Consulting, LLC (CMC) has performed a study of the experience of each of the Plans under the ERS Board of Trustees purview for the five-year period ending June 30, 2019. This report presents the results, analysis, and resulting recommendations of our study for LRS only. Each plan will have its own report. It is anticipated that the changes, if approved, will first be reflected in the June 30, 2020 actuarial valuations.

These assumptions have been developed in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the applicable Actuarial Standards of Practice adopted by the Actuarial Standards Board (ASB). While the recommended assumptions represent our best estimate of future experience, there are other reasonable assumption sets that could be supported by the results of this experience study. Those other sets of reasonable assumptions could produce liabilities and costs that are either higher or lower.

Our Philosophy

Similar to an actuarial valuation, the calculation of actual and expected experience is a fairly mechanical process, and differences between actuaries in this area are generally minor. However, the setting of assumptions is more likely to result in differences between actuaries, as it is more art than science. In this report, we have recommended changes to certain assumptions. To explain our thought process, we offer a brief summary of our philosophy:



Section I - Executive Summary

- **Do Not Overreact:** When we see significant changes in experience, we generally do not adjust our rates to reflect the entire difference. We will typically recommend rates somewhere between the old rates and the new experience. If the experience during the next study period shows similar results, we will probably recognize the trend at that point in time or at least move further in the direction of the observed experience. On the other hand, if experience returns closer to its prior level, we will not have overreacted, possibly causing volatility in the actuarial contribution rates.
- **Anticipate Trends:** If there is an identified trend that is expected to continue, we believe that this should be recognized. An example is the retiree mortality assumption. It is an established trend that people are living longer. Therefore, we believe the best estimate of liabilities in the valuation should reflect the expected increase in life expectancy.
- **Simplify:** In general, we attempt to identify which factors are significant and eliminate or ignore those that do not materially improve the accuracy of the liability projections.

The following summarizes the findings and recommendations regarding the assumptions utilized for LRS. Detailed explanations for the recommendations are found in the sections that follow.

Recommended Economic Assumption Changes

Economic assumptions are some of the most visible and significant assumptions used in the valuation process. The items in the broad economy modeled by these assumptions can be very volatile over short periods of time, as clearly seen in the economic downturn in 2008 followed by the rebound in many financial markets in the years following. Our goal is to try to find the emerging long-term trends in the midst of this volatility so that we can then apply reasonable assumptions.

Most of the economic assumptions used by actuaries are developed through a building-block approach. For example, the expected return on assets is based on the expectation for inflation plus the expected real return on assets. At the core of the economic assumptions is the inflation assumption. As we discuss later in the report, based on recent trends of inflation, the market pricing of inflation, and the Chief Actuary of the Social Security Administration's view of inflation, **we are recommending a decrease in the price inflation assumption from 2.75% to 2.50%.**



Section I - Executive Summary

We are also recommending a corresponding decrease in the long-term expected return on assets assumption from 7.50% to 7.00%, reflecting the 0.25% decrease in the inflation assumption and a 0.25% decrease in the real rate of return. This will be discussed in detail later in this report, but a real rate of return of 4.50% is supported by the forecasting models developed using the capital market assumptions from Division of Investment Services that oversees LRS' investments and the Board's target asset allocation. Further analysis of the 35 sets of capital market assumptions included in the Horizon Actuarial Services, LLC. survey conducted in 2020 also support this recommendation.

The current LRS funding policy states that the long-term expected return on assets assumption, which was set at 7.50% in the previous experience study, shall be reduced by 0.10% per year from the immediate prior valuation when the actual rate of return for the fiscal year exceeds the assumed rate. The minimum return assumption stated in the funding policy is 7.00%. The asset return assumption used in the most recent actuarial valuation is 7.30%. We concur with the Board policy that will continue to reduce the rate of return used in future valuations until a 7.00% return is achieved so, therefore, the recommended rate change does not have any impact on the valuation results expected in the next few years.

Finally, we are recommending that the general wage inflation (payroll growth) assumption used as the underlying payroll growth for active member be decreased from 3.25% to 3.00%, reflecting the 0.25% decrease in the inflation assumption.

The following table summarizes the current and proposed economic assumptions:

Item	Current	Proposed
Price Inflation	2.75%	2.50%
Investment Return*	7.50%	7.00%
Wage Inflation (Payroll Growth)	3.25%	3.00%

* Net of investment expenses only.

Although we have recommended a change in the set of economic assumptions, we recognize there may be other sets of economic assumptions that are also reasonable for purposes of funding LRS. For example, we have typically reflected conservatism to the degree we would classify as moderate. Actuarial Standards of Practice allow for this difference in approaches and perspective, as long, as the assumptions are reasonable and consistent.



Section I - Executive Summary

Recommended Demographic Assumption Changes

In the experience study, actual experience for the study period is compared to that expected based on the current actuarial assumptions. The analysis is most commonly performed based on counts, i.e. each member is one exposure to the probability of the event occurring and one count if the event actually occurs. Comparing the actual incidence of the event to what was expected (called the Actual-to-Expected ratio, or A/E ratio) then provides the basis for our analysis.

The issue of future mortality improvement is one that the actuarial profession has become increasingly focused on studying in recent years. This has resulted in changes to the relevant Actuarial Standard of Practice, ASOP 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. This ASOP requires the pension actuary to make and disclose a specific recommendation with respect to future improvements in mortality after the valuation date. There have been significant improvements in longevity in the past, although there are different opinions about future expectations. We believe it is prudent to anticipate that the trend will continue to some degree in the future. Therefore, we believe it is appropriate to reflect future mortality improvement as part of the mortality assumption.

There are two widely used approaches for reflecting future improvements in mortality:

- (1) Static table with “margin”
- (2) Generational mortality

The first approach to reflecting mortality improvements is with the use of a static mortality table with “margin.” Under this approach, the A/E ratio is intentionally targeted to be over 100% so that mortality can improve without creating actuarial losses. While there is no formal guidance as to the amount of margin required (how far above 100% is appropriate for the A/E ratio), we typically prefer to have a margin of around 10 to 14% at the core ages of the retired member. The goal is still for the general shape of the curve to be a reasonable fit to the observed experience. Depending on the magnitude and duration of actual mortality improvements in the future, the margin may decrease and eventually become insufficient. If that occurs, the assumption would need to be updated.

Another approach, referred to as generational mortality, directly anticipates future improvements in mortality by using a different set of mortality rates for each year of birth, with the rates for later years of birth assuming lower mortality than the rates for earlier years of birth. The varying mortality rates by year of birth create a series of tables that contain “built-in” mortality improvements, e.g., a member who turns age 65 in 2035 has a longer life expectancy than a member who turns age 65 in 2020. When using generational mortality, the A/E ratios for the observed experience are set near 100% as future mortality improvements will be taken into account directly in the actuarial valuation process.



Section I - Executive Summary

For the mortality decrements, we also analyzed the experience using a liability-weighted approach. This is approximated by using the member's retirement benefit from the data collected. The exposure and actual occurrences are then multiplied by the benefit level to provide the liability-weighted experience. This approach is particularly insightful when analyzing experience from a non-homogenous group. While we reviewed the mortality experience on both a count and liability-weighted basis, we ultimately decided on the liability-weighted results to evaluate experience and develop a new mortality table.

The current post-retirement mortality assumption for healthy lives is a static table, the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females. This table is currently used by four of the five pension plans overseen by the ERS Board (The Public School Employees Retirement System uses a different mortality table). The results of the experience analysis indicate that this table provided a very reasonable expectation of mortality for the past 5 years. However, we have decided to adopt a generational mortality approach and have selected the mortality assumptions from the recently published Pub-2010 Public Mortality Plans Mortality Tables. These tables, released in 2019, were developed using public pension plan mortality experience only. The recommended table will be used for LRS, Employees Retirement System (ERS), Judicial Retirement System (JRS) and Georgia Military Pension Fund (GMPF). More information will be discussed in the demographic section of this report.

The following is a general list of the other recommended changes to the demographic assumptions for LRS.

- **Retirement: Decreased rates of retirement at most ages to better match experience and extended fixed retirement age to age 80.**
- **Withdrawal: Increased rates of withdrawal at younger ages and decreased slightly at older ages.**

Section V of this report will provide more detail to these recommended demographic changes.



Section I - Executive Summary

Actuarial Methods

The basic actuarial methodologies used in the valuation process include the:

- Actuarial Cost Method
- Asset Valuation Method
- Amortization Method

Based on our review, discussed in full detail in Section IV of this report, we recommend no changes in these actuarial methods at this time.

Other Assumptions

Another assumption that is included in the valuation is the determination of administrative expense component that is added to the total normal cost each year. The current method used to determine the load for administrative expenses is to use the budgeted expenses provided to us by the System for the applicable fiscal year (currently \$389,295 for LRS). **After reviewing the total amount of administrative expenses for the past four years, we are recommending a change in this method to use of a constant dollar amount. We recommend a decrease in this assumption from \$389,295 to \$300,000 for the next 5-year period.** The following table shows actual expenses over the past four years:

(\$ in Thousands)

Year Ending June 30	Administrative Expenses
2016	\$313
2017	\$224
2018	\$283
2019	\$290



Section II – Financial Impact

Although the assumption changes, if approved, will first be reflected in the 2020 valuations, we have provided the following table which highlights the impact of the recommended changes on the Unfunded Actuarial Accrued Liability (UAAL), Funding Ratio, Amortization Period and Actuarially Determined Employer Contribution on the 2019 valuation results.

Impact on Principal Valuation Results		
	Valuation Results 2019	Recommended Assumptions
Unfunded Accrued Liability	\$ (8,439,153)	\$ (8,541,832)
Funding Ratio	132.8%	133.4%
Actuarially Determined Employer Contribution		
Normal Cost*	\$411,036	\$338,325
Accrued Liability	<u>\$(411,036)</u>	<u>\$(338,325)</u>
Total	\$0	\$0
Amortization Period (in years)	N/A**	N/A**

*The normal cost includes estimated administrative expenses.

**The amortization period is infinite which means that the System would be expected to remain over 100% funded.



Section III – Economic Assumptions

There are two economic assumptions used in the actuarial valuations performed for the System. They are:

- Price Inflation
- Investment Return

Actuarial Standard of Practice (ASOP) No. 27, “*Selection of Economic Assumptions for Measuring Pension Obligations*” provides guidance to actuaries in selecting economic assumptions for measuring obligations under defined benefit plans. ASOP No. 27 was revised in September, 2013 and no longer includes the concept of a “best estimate range”. Instead, the revised standard now requires that each economic assumption selected by the actuary should be reasonable which means it has the following characteristics:

- It is appropriate for the purpose of the measurement;
- It reflects the actuary’s professional judgment;
- It takes into account historical and current economic data that is relevant as of the measurement date;
- It reflects the actuary’s estimate of future experience, the actuary’s observation of the estimates inherent in market data, or a combination thereof; and
- It has 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 and disclosed, or when alternative assumptions are used for the assessment of risk.

Each economic assumption should individually satisfy this standard. Furthermore, with respect to any particular valuation, each economic assumption should be consistent with every other economic assumption over the measurement period.



Section III – Economic Assumptions

In our opinion, the economic assumptions recommended in this report have been developed in accordance with ASOP No. 27. The following table shows our recommendations followed by detailed discussions of each assumption.

Item	Current	Proposed
Price Inflation	2.75%	2.50%
Real Rate of Return*	<u>4.75</u>	<u>4.50</u>
Investment Return	7.50%	7.00%

* Net of investment expenses

Note that future price inflation has an indirect impact on the results of the actuarial valuation through the development of the assumptions for investment return. However, it is not directly used in the valuation process.



Section III – Economic Assumptions

Price Inflation

Background

As can be seen from the table above, assumed price inflation is used as the basis for the investment return assumption. This latter assumption will be discussed in detail in the following section.

It is important that the price inflation assumption be consistently applied throughout the economic assumptions utilized in an actuarial valuation. This is called for in ASOP No. 27 and is also required to meet the parameters for determining pension liabilities and expense under Governmental Accounting Standards Board (GASB) Statements No. 67 and 68.

The relationship between price inflation and investment return has long been recognized by economists. The basic principle is that the investor demands a relatively level “real return” – the excess of actual investment return over price inflation. Over the long-term, if inflation rates are expected to be high, investment return rates are also expected to be high, while low inflation rates are expected to result in lower expected investment returns.

The current price inflation assumption is 2.75% per year.

Past Experience

The Consumer Price Index, US City Average, All Urban Consumers, CPI (U), has been used as the basis for reviewing historical levels of price inflation. The table below provides historical annualized rates and annual standard deviation of the CPI-U over periods ending June 30th.

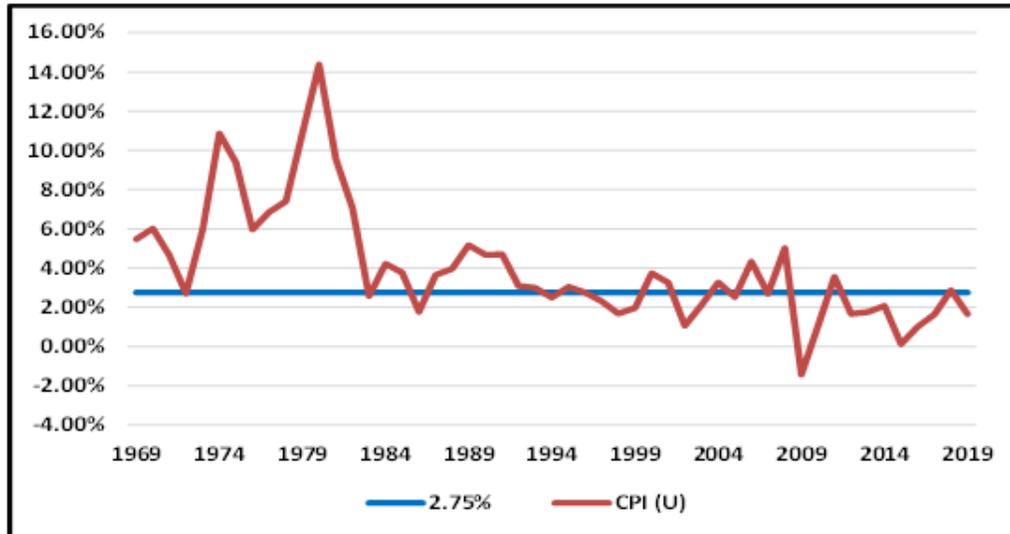
Period	Number of Years	Annualized Rate of Inflation	Annual Standard Deviation
1926 – 2019	93	2.90%	4.06%
1959 – 2019	60	3.69	2.87
1969 – 2019	50	3.97	3.00
1979 – 2019	40	3.21	2.59
1989 – 2019	30	2.44	1.38
1999 – 2019	20	2.19	1.49
2009 - 2019	10	1.73	0.96



Section III – Economic Assumptions

The following graph illustrates the historical levels of price inflation measured as of June 30th of each of the last 50 years and compared to the current 2.75% annual rate currently assumed.

Annual Rate of CPI (U) Increases



Over the last 50 years, the average annual rate of increase in the CPI-U has been just below 4.00%. The period of high inflation from 1973 to 1982 has a significant impact on the averages over periods which include these rates. The volatility of the annual rates in the more recent years has been markedly lower as indicated by the significantly lower annual standard deviations. Many experts attribute the lower average annual rates and lower volatility to the increased efforts of the Federal Reserve since the early 1980's to stabilize price inflation.

Forecasts

Based upon information contained in the “Survey of Professional Forecasters” for the fourth quarter of 2020 as published by the Philadelphia Federal Reserve Bank, the median expected annual rate of inflation for the next ten years is 2.12%. Although 10 years of future expectation is too short of a period for the basis of our inflation assumption, the information does provide some evidence that the consensus expectations of these experts are for rates of inflation lower than our current assumption of 2.75% for the near term future.



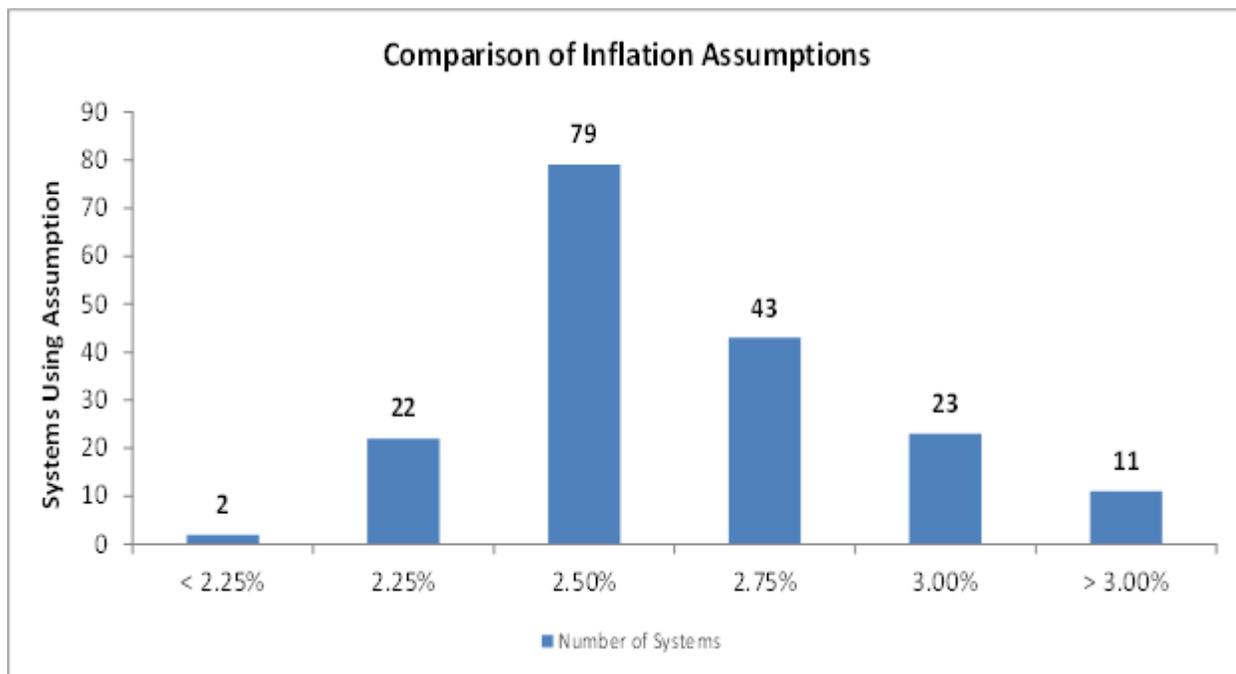
Section III – Economic Assumptions

Social Security Administration

Although many economists forecast lower inflation than the assumption used by most retirement plans, they are generally looking at a shorter time horizon than is appropriate for a pension valuation. To consider a longer, similar time frame, we looked at the expected increase in the CPI by the Office of the Chief Actuary for the Social Security Administration. In the 2020 annual report, the projected ultimate average annual increase in the CPI over the next 75 years was estimated to be 2.40%, under the intermediate (best estimate) cost assumption. The range of inflation assumptions used in the Social Security 75-year modeling, which includes a low and high cost scenario, in addition to the intermediate cost projection, was 1.80% to 3.00%. This is a decline of 0.20% in the CPI forecasts from the Social Security Administration from their 2019 annual report.

Peer Comparison

While we do not recommend the selection of any assumption based on what other systems use, it does provide another set of relevant information to consider. The following chart shows the inflation rate assumptions of 180 plans in the Public Plan Database of the Center for Retirement Research. The assumptions are from actuarial valuation reported in FYE 2019.





Section III – Economic Assumptions

Recommendation

It is difficult to predict inflation accurately. Inflation’s short-term volatility is illustrated by comparing its average rate over the last 10 and 50 years. Although the 10-year average of 1.73% is lower than the System’s assumed rate of 2.75%, the longer 50-year averages of 3.97% is somewhat higher than LRS’ current rate. The reasonableness of LRS’ assumption is, therefore, dependent upon the emphasis one assigns to the short and long-terms.

Current economic forecasts suggest lower inflation but are generally looking at a shorter time period than appropriate for our purposes. We consider the range included in the Social Security Administration of 1.80% to 3.00% to be reasonable and recommend lowering the inflation assumption for LRS from 2.75% to 2.50%.

Price Inflation Assumption	
Current	2.75%
Recommended	2.50%



Section III – Economic Assumptions

Investment Return

Background

The assumed investment return is one of the most significant assumptions in the annual actuarial valuation process as it is used to discount the expected benefit payments for all active, inactive and retired members. Minor changes in this assumption can have a major impact on valuation results. The investment return assumption should reflect the asset allocation target for the funds set by the Board of Trustees.

The current assumption is 7.50%, consisting of a price inflation assumption of 2.75% and a real rate of return assumption of 4.75%. The current LRS funding policy states that the long-term expected return on assets assumption, which was set at 7.50% in the previous experience study, shall be reduced by 0.10% per year from the immediate prior valuation when the actual rate of return for the fiscal year exceeds the assumed rate. The minimum return assumption stated in the funding policy is 7.00%. The asset return assumption used in the most recent actuarial valuation is 7.30%.

Long Term Perspective

Because the economy is constantly changing, assumptions about what may occur in the near term are volatile. Asset managers and investment consultants usually focus on this near-term horizon in order to make prudent choices regarding how to invest the trust funds. For actuarial calculations, we typically consider very long periods of time. For example, a newly hired employee who is 25 years old may work for 35 years, to age 60, and live another 30 years, to age 90 (or longer). The retirement system would receive contributions for the first 35 years and then pay out benefits for the next 30 years. During the entire 65-year period, the system is investing assets related to the member. For such a typical career employee, more than one-half of the investment income earned on assets accumulated to pay benefits is received after the employee retires. In addition, in an open, ongoing system like ERS, the stream of benefit payments is continually increasing as new hires replace current members who leave covered employment due to death, termination of employment, and retirement. This difference in the time horizon used by actuaries and investment consultants is frequently a source of debate and confusion when setting economic assumptions.

Past Experience:

One of the inherent problems with analyzing historical data is that the results can look significantly different depending on the timeframe used, especially if the year-to-year results vary widely. In addition, the asset allocation can also impact the investment returns so comparing results over long periods when different asset allocations were in place may not be meaningful.



Section III – Economic Assumptions

The assets for LRS are valued using a widely accepted asset-smoothing methodology that fully recognizes the expected investment income and also recognizes 20% of each year’s investment gain or loss (the difference between actual and expected investment income). The recent experience over the last five years is shown in the table below.

Year Ending 6/30	Actuarial Value	Market Value Rate of Return
2015	9.15%	3.72%
2016	7.42	1.15
2017	7.91	12.43
2018	8.47	9.23
2019	6.56	6.70
Average	7.90%	6.57%

While important to review and analyze, historical returns over such a short time period are not credible for the purpose of setting the long-term assumed future rate of return.

Future Expectation Analysis

The Division of Investment Services (DIS) assists the Employees’ Retirement System (ERS) Board that oversees LRS with developing investment strategies and providing capital market assumptions for the asset portfolio. As part of their duties, DIS periodically performs asset-liability studies, along with comprehensive reviews of the expected return of the various asset classes in which the asset portfolio is invested. We believe it is appropriate to consider the results of DIS’ work as one factor in assessing expected future returns.

We also recognize that there can be differences of opinion among investment professionals regarding future return expectations. Horizon Actuarial Services prepares an annual study in which they survey various investment advisors (35 were included in the 2020 study with a 10-year horizon) and provide ranges of results as well as averages. This information provides an additional perspective on what a broad group of investment experts anticipate for future investment returns.

Our forward-looking analysis used the real rates of return in the DIS capital market assumptions and the target asset allocation. Using statistical projections that assume investment returns approximately follow a lognormal distribution with no correlation between years, produces an expected range of real rates of return over a 50-year time horizon. Looking at one year’s results produces a mean real return of 6.18%, but also has a high standard deviation or measurement of volatility. By expanding the time horizon, the real return does not change, but the volatility declines significantly. The table below provides a summary of results.



Section III – Economic Assumptions

Time Span In Years	Mean Real Return	Standard Deviation	Real Returns by Percentile				
			5 th	25 th	50 th	75 th	95 th
1	6.18%	13.90%	-15.04%	-3.58%	5.28%	14.95%	30.46%
5	5.46	6.15	-4.35	1.22	5.28	9.50	15.87
10	5.37	4.35	-1.62	2.39	5.28	8.25	12.66
20	5.32	3.07	0.35	3.23	5.28	7.37	10.45
30	5.31	2.51	1.24	3.60	5.28	6.98	9.48
40	5.30	2.17	1.77	3.82	5.28	6.75	8.91
50	5.30	1.94	2.13	3.98	5.28	6.59	8.52

The percentile results are the percentages of random returns over the time span shown that are expected to be less than the amount indicated. For example, for the 10-year time span, 5% of the resulting real rates of return will be below -1.62% and 95% will be above that. As the time span increases, the results begin to converge. Over a 50-year time span, the results indicate there will be a 25% chance that real returns will be below 3.98% and a 25% chance they will be above 6.59%. In other words, there is a 50% chance the real returns will be between 3.98% and 6.59%.

For a broader view of expected returns, we also reviewed the 2020 Survey of Capital Market Assumptions produced by Horizon Actuarial Services, LLC to see what other investment professionals are currently using for capital market assumptions. The Horizon survey includes both 10-year horizon and 20-year horizon capital market assumptions. We applied the same statistical analysis to these survey results as we did the capital market assumptions of DIS with the following real return results for the 20-year horizon:



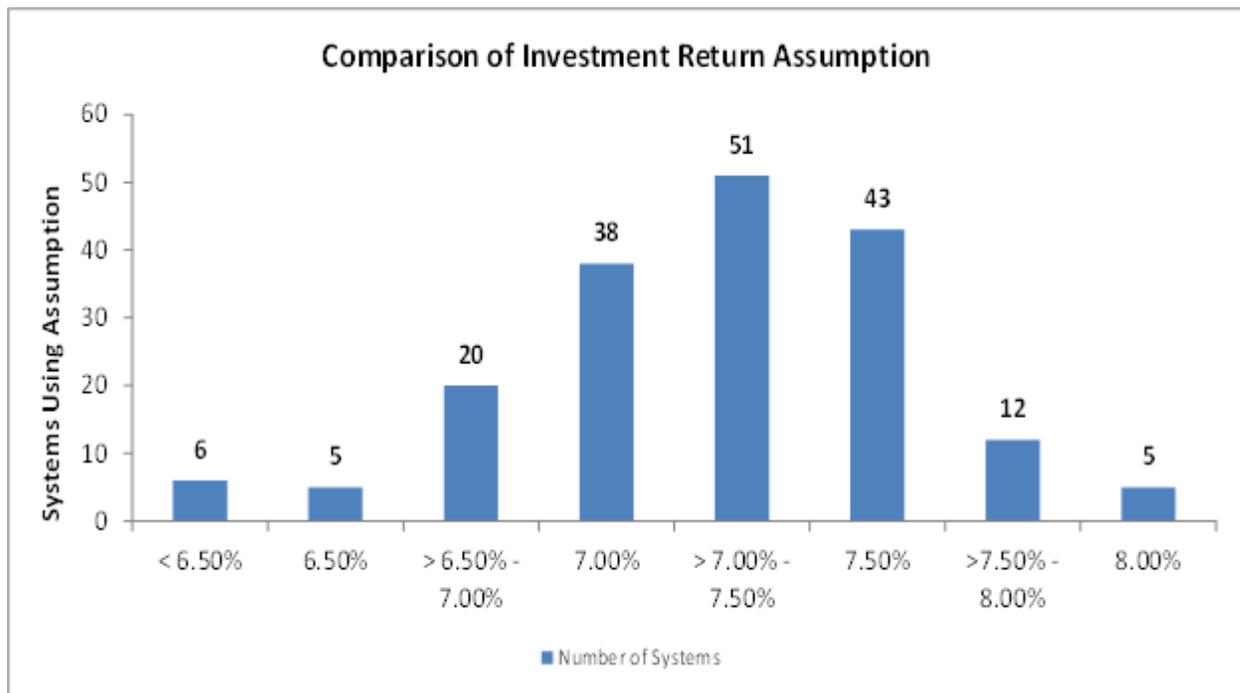
Section III – Economic Assumptions

Time Span In Years	Mean Real Return	Standard Deviation	Real Returns by Percentile				
			5 th	25 th	50 th	75 th	95 th
1	4.85%	11.49%	-12.92%	-3.18%	4.22%	12.19%	24.74%
5	4.35	5.10	-3.82	0.84	4.22	7.71	12.94
10	4.28	3.60	-1.54	1.82	4.22	6.68	10.32
20	4.25	2.55	0.12	2.52	4.22	5.95	8.50
30	4.24	2.08	0.86	2.83	4.22	5.63	7.70
40	4.24	1.80	1.30	3.01	4.22	5.44	7.23
50	4.23	1.61	1.61	3.14	4.22	5.31	6.90

As can be seen from the Horizon survey analysis, the forecast shows that over a 50-year time span, there is a 50% chance that real returns will be between 3.14% and 5.31%. This is slightly lower than the results from DIS' analysis.

Peer Comparison

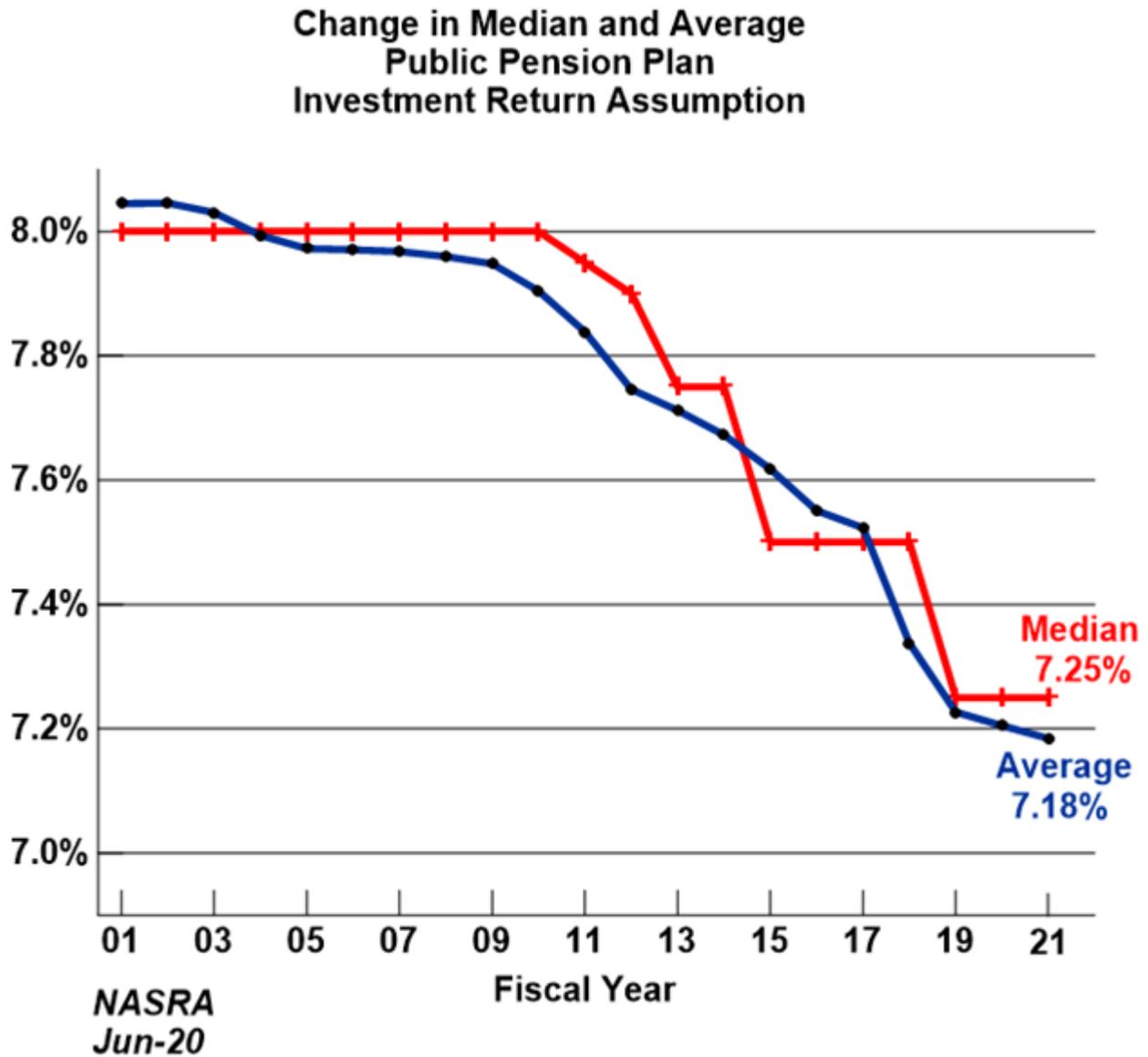
The following chart shows the nominal investment return assumptions of 180 plans in the Public Plan Database of the Center for Retirement Research. The assumptions are from FYE 2019 reporting.





Section III – Economic Assumptions

The following chart shows the changes in expected investment return assumption from the NASRA public plan survey over the last 20 years from 2001.





Section III – Economic Assumptions

Recommendation

By actuarial standards, we are required to maintain a long-term perspective in setting all assumptions, including the investment return assumption. Therefore, we believe we must be careful not to let recent experience or the short-term expectations impact our judgment regarding the appropriateness of the current assumption over the long term.

Based on our analysis of DIS' capital market assumptions and the Horizon Survey capital market assumptions, we are recommending a reduction in the real return assumption from 4.75% to 4.50%. Based on our recommended inflation assumption of 2.50%, we are recommending a 7.00% expected long term nominal rate of return assumption.

Investment Return Assumption		
	Current*	Recommended
Real Rate of Return**	4.75%	4.50%
Inflation	<u>2.75</u>	<u>2.50</u>
Net Investment Return	7.50%	7.00%

* actual assumption for the 2019 valuation is 7.30% based on the Board funding policy

** net of investment expenses



Section IV – Actuarial Methods

Actuarial Cost Method

There are various actuarial cost methods, each of which has different characteristics, advantages and disadvantages. However, Governmental Accounting Standard Board (GASB) Statement Numbers 67 and 68 require that the Entry Age Normal (EAN) cost method be used for financial reporting. Most systems do not want to use a different actuarial cost method for funding and financial reporting. In addition, the Entry Age Normal method has been the most common funding method for public systems for many years. This is the cost method currently used by LRS.

The rationale of the (EAN funding method is that the cost of each member's benefit is determined to be a level percentage of salary from date of hire to the end of employment. This level percentage multiplied by the member's annual salary is referred to as the normal cost and is that portion of the total cost of the employee's benefit that is allocated to the current year. The portion of the present value of future benefits allocated to the future is determined by multiplying this percentage times the present value of the member's assumed earnings for all future years including the current year. The EAN actuarial accrued liability is then developed by subtracting from the present value of future benefits that portion of costs allocated to the future. To determine the unfunded actuarial accrued liability, the value of plan assets is subtracted from the EAN actuarial accrued liability. The current year's cost to amortize the unfunded actuarial accrued liability is developed by applying an amortization factor based on the funding policy.

It is to be expected that future events will not occur exactly as anticipated by the actuarial assumptions in each year. Actuarial gains/losses from experience under this actuarial cost method can be directly calculated and are reflected as a decrease/increase in the unfunded actuarial accrued liability. Consequently, the gain/loss results in a decrease/increase in the amortization payment, and therefore the contribution rate.

Considering that the EAN cost method is the most commonly used cost method by public plans, that it develops a normal cost rate that tends to be stable and less volatile, and is the required cost method under calculations required by GASB Numbers 67 and 68, **we recommend the Entry Age Normal actuarial cost method be retained for LRS.**



Section IV – Actuarial Methods

Actuarial Value of Assets

In preparing an actuarial valuation, the actuary must assign a value to the assets of the fund. An adjusted market value is often used to smooth out the volatility that is reflected in the market value of assets. This is because most employers would rather have annual costs remain relatively smooth, as a percentage of payroll or in actual dollars, as opposed to a cost pattern that is extremely volatile.

The actuary does not have complete freedom in assigning this value. The Actuarial Standards Board also has basic principles regarding the calculation of a smoothed asset value, Actuarial Standard of Practice No. 44 (ASOP 44), *Selection and Use of Asset Valuation Methods for Pension Valuations*.

ASOP 44 provides that the asset valuation method should bear a reasonable relationship to the market value. Furthermore, the asset valuation method should be likely to satisfy both of the following:

- Produce values within a reasonable range around market value, AND
- Recognize differences from market value in a reasonable amount of time.

In lieu of both of the above, the standard will be met if either of the following requirements is satisfied:

- There is a sufficiently narrow range around the market value, OR
- The method recognizes differences from market value in a sufficiently short period.

These rules or principles prevent the asset valuation methodology from being used to manipulate annual funding patterns. No matter what asset valuation method is used, it is important to note that, like a cost method or actuarial assumptions, the asset valuation method does not affect the true cost of the plan; it only impacts the incidence of cost. The 5-year phase-in methodology that LRS currently uses meets these rules and is, in fact, the most commonly used methodology for plans similar to LRS.

Currently, the actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected market value. **We recommend no change in this methodology.**



Section IV – Actuarial Methods

Amortization of the Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the portion of the actuarial present value of future benefits that are not included in future normal costs. Thus, it represents the liability that, in theory, should have been funded through normal costs for past service. Unfunded actuarial accrued liability (UAAL) exists when the actuarial accrued liability exceeds the actuarial value of plan assets. These deficiencies can result from:

- (i) plan improvements that have not been completely paid for,
- (ii) experience that is less favorable than expected,
- (iii) assumption changes that increase liabilities, or
- (iv) contributions that are less than the actuarial contribution rate.

There are a variety of different methods that can be used to amortize the UAAL. Each method results in a different payment stream and, therefore, has cost implications. For each methodology, there are three characteristics:

- The period over which the UAAL is amortized,
- The rate at which the amortization payment increases, and
- The number of components of UAAL (separate amortization bases).

Amortization Period: The amortization period can be either closed or open. If it is a closed amortization period, the number of years remaining in the amortization period declines by one in each future valuation. Alternatively, if the amortization period is an open or rolling period, the amortization period does not decline but is reset to the same number each year. This approach essentially “refinances” the System’s debt (UAAL) every year.

Amortization Payment: The level dollar amortization method is similar to the method in which a homeowner pays off a mortgage. The liability, once calculated, is financed by a constant fixed dollar amount, based on the amortization period until the liability is extinguished. This results in the liability steadily decreasing while the payments, though remaining level in dollar terms, in all probability decrease as a percentage of payroll. (Even if a plan sponsor’s population is not growing, inflationary salary increases will usually be sufficient to increase the aggregate covered payroll).

Amortization Bases: The UAAL can be amortized either as one single amount or as components or “layers”, each with a separate amortization base, payment and period. If the UAAL is amortized as one amount, the UAAL is recalculated each year in the valuation and experience gains/losses or other changes in the UAAL are folded into the single UAAL



Section IV – Actuarial Methods

amortization base. The amortization payment is then the total UAAL divided by an amortization factor for the applicable amortization period.

If separate amortization bases are maintained, the UAAL is composed of multiple amortization bases, each with its own payment schedule and remaining amortization period. In each valuation, the unexpected change in the UAAL is established as a new amortization base over the appropriate amortization period beginning on that valuation date. The UAAL is then the sum of all the outstanding amortization bases on the valuation date and the UAAL payment is the sum of all the amortization payments on the existing amortization bases. This approach provides transparency in that the current UAAL is paid off over a fixed period and the remaining components of the UAAL are clearly identified. Adjustments to the UAAL in future years are also separately identified in each future year. One downside of this approach is that it can create some discontinuities in contribution rates when UAAL layers/components are fully paid off. If this occurs, it likely would be far in the future, with adequate time to address any adjustments needed.

Recommendation

In the current LRS Board funding policy, an actuarially determined employer contribution (ADEC) is calculated during each annual valuation. The methodology in calculating the ADEC is as follows:

- Amortization Period – Closed period with maximum period of 20 years for new bases
- Amortization Payment – Level dollar
- Amortization Bases – Separate bases for all experience gains and losses, assumption changes or benefit changes

We recommend no changes in these methods.



Section V – Demographic Assumptions

There are several demographic assumptions used in the actuarial valuations performed for Georgia LRS. They are:

- Rates of Withdrawal
- Rates of Service Retirement
- Rates of Mortality

The Actuarial Standards Board has issued Actuarial Standard of Practice (ASOP) No. 35, “*Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*”, which provides guidance to actuaries in selecting demographic assumptions for measuring obligations under defined benefit plans. In our opinion, the demographic assumptions recommended in this report have been developed in accordance with ASOP No. 35.

The purpose of a study of demographic experience is to compare what actually happened to the membership during the study period (July 1, 2014, through June 30, 2019) with what was expected to happen based on the assumptions used in the most recent Actuarial Valuations.

Detailed tabulations by age, service and/or gender are performed over the entire study period. These tabulations look at all active and retired members during the period as well as separately annotating those who experience a demographic event, also referred to as a decrement. In addition, the tabulation of all members together with the current assumptions permits the calculation of the number of expected decrements during the study period.

If the actual experience differs significantly from the overall expected results, or if the pattern of actual decrements, or rates of decrement, by age, gender, or service does not follow the expected pattern, new assumptions are recommended. Recommended changes usually do not follow the exact actual experience during the observation period. Judgment is required to extrapolate future experience from past trends and current member behavior. In addition, non-recurring events, such as early retirement windows, need to be taken into account in determining the weight to give to recent experience.

The remainder of this section presents the results of the demographic study. We have prepared tables that show a comparison of the actual and expected decrements and the overall ratio of actual to expected results (A/E Ratios) under the current assumptions. If a change is being proposed, the revised A/E Ratios are shown as well. Salary adjustments, other than the economic assumption for wage inflation discussed in the previous section, are treated as demographic assumptions.



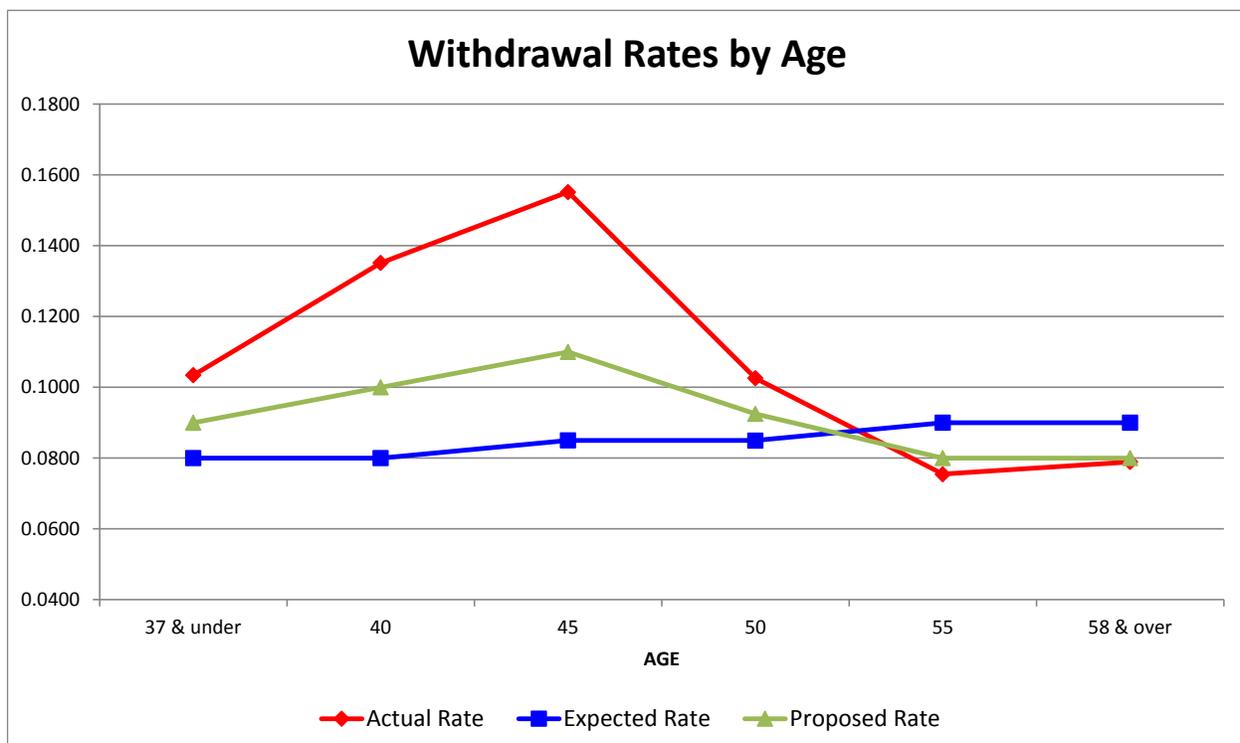
Section V – Demographic Assumptions

RATES OF WITHDRAWAL

COMPARISON OF ACTUAL AND EXPECTED WITHDRAWALS FROM ACTIVE SERVICE

CENTRAL AGE OF GROUP	NUMBER OF WITHDRAWALS		
	CURRENT RATES		
	Actual	Expected	Ratio of Actual to Expected
37 & under	9	7.0	1.286
40	15	8.9	1.685
45	18	9.9	1.818
50	12	9.9	1.212
55	12	14.3	0.839
58 & over	18	20.5	0.878
TOTAL	84	70.5	1.191

The rates of withdrawal adopted by the Board are used to determine the expected number of separations from active service which will occur as a result of resignation or dismissal. The experience indicates that during the period studied, there were more withdrawals than expected in most age groups except for those 53 and over. We recommend an adjustment in the rates to partially reflect the experience. The following graph shows a comparison of the current expected, actual, and proposed rates of withdrawal for actives.





Section V – Demographic Assumptions

The charts below provide our recommended changes to this assumption and the resulting A/E (actual to expected) ratio.

COMPARATIVE RATES OF WITHDRAWAL

RATES OF WITHDRAWAL		
AGE	Present	Proposed
37 & under	8.00%	9.00%
40	8.00%	10.00%
45	8.50%	11.00%
50	8.50%	9.25%
55	9.00%	8.00%
58 & over	9.00%	8.00%

COMPARISON OF ACTUAL AND EXPECTED WITHDRAWALS BASED ON PROPOSED RATES

CENTRAL AGE OF GROUP	NUMBER OF WITHDRAWALS		
	PROPOSED RATES		
	Actual	Expected	Ratio of Actual to Expected
37 & under	9	7.8	1.154
40	15	11.1	1.351
45	18	12.8	1.406
50	12	10.8	1.111
55	12	12.7	0.945
58 & over	18	18.2	0.989
TOTAL	84	73.4	1.144



Section V – Demographic Assumptions

RATES OF DISABILITY RETIREMENT

Since there are no specific disability benefits payable from the System and the experience indicates no members are classified as disabled, we recommend no disability retirement rates be utilized at this time.



Section V – Demographic Assumptions

RATES OF RETIREMENT

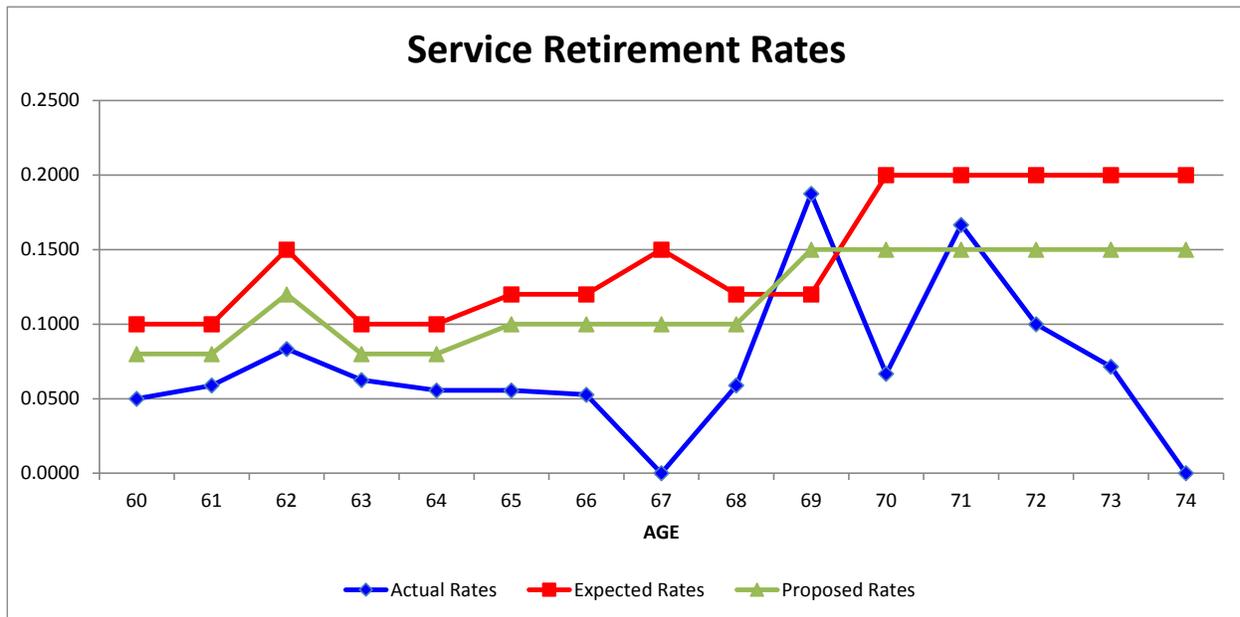
COMPARISON OF ACTUAL AND EXPECTED RETIREMENTS

NUMBER OF SERVICE RETIREMENTS			
CENTRAL AGE OF GROUP	CURRENT RATES		
	Actual	Expected	Ratio of Actual to Expected
60	1	2.0	0.500
61	1	1.7	0.588
62	2	3.6	0.556
63	1	1.6	0.625
64	1	1.8	0.556
65	1	2.2	0.455
66	1	2.3	0.435
67	0	2.4	0.000
68	1	2.0	0.500
69	3	1.9	1.579
70	1	3.0	0.333
71	2	2.4	0.833
72	1	2.0	0.500
73	1	2.8	0.357
74	0	2.8	0.000
SUBTOTAL	17	34.5	0.493
75 & over	8	44.0	0.182
TOTAL	25	78.5	0.318

The analysis of the experience reflects that the current assumed rates of retirement under-anticipate retirements at most ages and in total over the five-year period. We recommend small adjustments to the rates to reflect the experience as well as maintain a reasonable degree of margin. The following graph shows a comparison of the present and actual rates of service retirements.



Section V – Demographic Assumptions



The charts below provide our recommended changes to this assumption and the resulting A/E (actual to expected) ratio.

COMPARITIVE RATES OF RETIREMENT

RATES OF WITHDRAWAL		
AGE	Present	Proposed
60 – 61	10%	8%
62	15%	12%
63 – 64	10%	8%
65 – 66	12%	10%
67	15%	10%
68	12%	10%
69	12%	15%
70 – 74	20%	15%
75 - 79	100%	15%
80 & over	100%	100%



Section V – Demographic Assumptions

**COMPARISON OF ACTUAL AND EXPECTED RETIREMENTS
BASED ON PROPOSED RATES**

NUMBER OF SERVICE RETIREMENTS			
CENTRAL AGE OF GROUP	PROPOSED RATES		
	Actual	Expected	Ratio of Actual to Expected
60	1	1.6	0.625
61	1	1.4	0.714
62	2	2.9	0.690
63	1	1.3	0.769
64	1	1.4	0.714
65	1	1.8	0.556
66	1	1.9	0.526
67	0	1.6	0.000
68	1	1.7	0.588
69	3	2.4	1.250
70	1	2.3	0.435
71	2	1.8	1.111
72	1	1.5	0.667
73	1	2.1	0.476
74	0	2.1	0.000
SUBTOTAL	17	27.8	0.612
75 & over	8	10.1	0.792
TOTAL	25	37.9	0.660



Section V – Demographic Assumptions

RATES OF MORTALITY

Post-Retirement Mortality Rates

Since the Fund has minimal post-retirement mortality experience, we recommend that the rates of post-retirement mortality be revised to the same mortality tables used for the Employees’ Retirement System of Georgia. We believe the new Pub-2010 tables would be a good choice and we recommend changing the mortality basis for LRS so that all ERS plans can share a common family of tables. We also recommend the most recent mortality improvement scale, MP-2019, be used to anticipate future mortality improvements in the valuation process through at least the next experience study.

Therefore, our recommended mortality assumption for service retirees is based on the Pub-2010 healthy annuitant tables, with adjustments as outlined below to better fit actual experience, projected generationally with the MP-2019 scale.

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Service Retirees	General	Male: +1, Female: +1	Male: 105%, Female: 108%
Beneficiaries	General	Male: +2, Female: +2	Male: 106%, Female: 105%

Since there are no disability retirements in the Fund, we recommend no disability mortality rates be utilized at this time.

Pre-Retirement Mortality

Since the Fund has minimal pre-retirement mortality experience, we recommend that the rates of mortality in active service for both males and females be changed to the same mortality table that is used for the Employees’ Retirement Fund of Georgia. The recommended table is the Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale.



Section VI – Other Assumptions and Methods

ADMINISTRATIVE EXPENSES: Currently, budgeted administrative expenses for the fiscal year are added to the normal cost. **We recommend that an annual amount of \$300,000 be added to normal cost.**

COST OF LIVING: Currently, we assume cost of living increases of 1.5% semi-annually. **We recommend maintaining this assumption.**

OPTION FACTORS: The option factors currently used by the Retirement System are based on the mortality tables used in the valuation. **We recommend that the factors be revised to be based on the mortality table recommended for the valuation.**

PERCENT MARRIED: Currently, 90% of active members are assumed to be married with the male three years older than his spouse. **We recommend maintaining this assumption.**



Appendix A – Historical June CPI(U) Index

Year	CPI (U)	Year	CPI (U)
1961	29.8	1991	136.0
1962	30.2	1992	140.2
1963	30.6	1993	144.4
1964	31.0	1994	148.0
1965	31.6	1995	152.5
1966	32.4	1996	156.7
1967	33.3	1997	160.3
1968	35.7	1998	163.0
1969	34.7	1999	166.2
1970	38.8	2000	172.4
1971	40.6	2001	178.0
1972	41.7	2002	179.9
1973	44.2	2003	183.7
1974	49.0	2004	189.7
1975	53.6	2005	194.5
1976	56.8	2006	202.9
1977	60.7	2007	208.352
1978	65.2	2008	218.815
1979	72.3	2009	215.693
1980	82.7	2010	217.965
1981	90.6	2011	225.722
1982	97.0	2012	229.478
1983	99.5	2013	233.504
1984	103.7	2014	238.343
1985	107.6	2015	238.638
1986	109.5	2016	241.018
1987	113.5	2017	244.955
1988	118.0	2018	251.989
1989	124.1	2019	256.143
1990	129.9	2020	257.797



Appendix B – Capital Market Assumptions and Asset Allocation

As Provided by the System

Arithmetic Rates of Return and Standard Deviations by Asset Class

Asset Class	Expected Rate of Return*	Standard Deviation
Fixed Income	1.4%	2.3%
US Large Stocks	12.1%	19.8%
US Small Stocks	16.3%	31.5%
Int'l Developed Mkt Stocks	12.1%	21.8%
Int'l Emerging Mkt Stocks	13.3%	31.7%
Alternatives	13.5%	27.9%

*Includes 2.90% assumed inflation

Asset Class Correlation Coefficients

Asset Class	Fixed Income	US Large Stocks	US Small Stocks	Int'l Dev Mkt Stocks	Int'l EM Mkt Stocks	Alts
Fixed Income	1.00					
US Large Stocks	0.01	1.00				
US Small Stocks	(0.09)	0.79	1.00			
Int'l Developed Mkt Stocks	(0.11)	0.67	0.51	1.00		
Int'l Emerging Mkt Stocks	(0.11)	0.67	0.51	0.72	1.00	
Alternatives	0.31	0.74	0.74	0.64	0.62	1.00

Asset Allocation Targets

Asset Class	Asset Allocation
Fixed Income	30.0%
US Large Stocks	46.4%
US Small Stocks	1.1%
Int'l Developed Mkt Stocks	11.7%
Int'l Emerging Mkt Stocks	5.8%
Alternatives	5.0%



Appendix B – Capital Market Assumptions and Asset Allocation

**As Determined by the 2020 Horizon Actuarial Services, LLC.
Survey of Capital Market Assumptions (20-year Horizon)**

Arithmetic Rates of Return and Standard Deviations by Asset Class

Asset Class	Expected Rate of Return*	Standard Deviation
Fixed Income	2.28%	1.78%
US Large Stocks	8.36%	16.22%
US Small Stocks	9.54%	20.22%
Int'l Developed Mkt Stocks	9.09%	18.05%
Int'l Emerging Mkt Stocks	11.33%	24.23%
Alternatives (Private Equity)	12.54%	21.99%

*Includes 2.17% assumed inflation

Asset Class Correlation Coefficients

Asset Class	Fixed Income	US Large Stocks	US Small Stocks	Int'l Dev Mkt Stocks	Int'l EM Mkt Stocks	Alts
Fixed Income	1.00					
US Large Stocks	(0.08)	1.00				
US Small Stocks	(0.08)	0.89	1.00			
Int'l Developed Mkt Stocks	(0.07)	0.84	0.76	1.00		
Int'l Emerging Mkt Stocks	(0.06)	0.73	0.69	0.80	1.00	
Alternatives (Private Equity)	(0.06)	0.73	0.71	0.67	0.59	1.00



TABLE 1
RATES OF SEPARATION FROM ACTIVE SERVICE

AGE	RATES OF WITHDRAWAL	BASE RATES OF DEATH*		RATES OF SERVICE RETIREMENT
		MALES	FEMALES	
25	0.09	0.00028	0.00009	
26	0.09	0.00030	0.00010	
27	0.09	0.00031	0.00011	
28	0.09	0.00033	0.00012	
29	0.09	0.00034	0.00013	
30	0.09	0.00036	0.00015	
31	0.09	0.00038	0.00016	
32	0.09	0.00040	0.00018	
33	0.09	0.00042	0.00019	
34	0.09	0.00044	0.00021	
35	0.09	0.00047	0.00023	
36	0.09	0.00050	0.00025	
37	0.09	0.00053	0.00028	
38	0.10	0.00057	0.00030	
39	0.10	0.00061	0.00033	
40	0.10	0.00066	0.00036	
41	0.10	0.00071	0.00040	
42	0.10	0.00077	0.00043	
43	0.11	0.00083	0.00047	
44	0.11	0.00090	0.00051	
45	0.11	0.00098	0.00056	
46	0.11	0.00107	0.00061	
47	0.11	0.00116	0.00066	
48	0.09	0.00127	0.00071	
49	0.09	0.00138	0.00077	
50	0.09	0.00149	0.00083	
51	0.09	0.00162	0.00090	
52	0.09	0.00175	0.00097	
53	0.08	0.00189	0.00105	
54	0.08	0.00203	0.00113	
55	0.08	0.00219	0.00123	
56	0.08	0.00236	0.00133	
57	0.08	0.00255	0.00144	
58	0.08	0.00275	0.00156	
59	0.08	0.00296	0.00170	
60	0.08	0.00319	0.00186	0.08
61	0.08	0.00344	0.00203	0.08
62	0.08	0.00371	0.00222	0.12
63	0.08	0.00401	0.00244	0.08
64	0.08	0.00433	0.00269	0.08
65	0.08	0.00468	0.00296	0.10
66	0.08	0.00506	0.00327	0.10
67	0.08	0.00548	0.00362	0.10
68	0.08	0.00594	0.00400	0.10
69	0.08	0.00646	0.00442	0.15
70	0.08	0.00703	0.00489	0.15
71	0.08	0.00767	0.00541	0.15
72	0.08	0.00837	0.00598	0.15
73	0.08	0.00915	0.00661	0.15
74	0.08	0.01001	0.00731	0.15
75	0.08	0.01096	0.00808	0.15
76	0.08	0.01200	0.00893	0.15
77	0.08	0.01315	0.00986	0.15
78	0.08	0.01440	0.01090	0.15
79	0.08	0.01578	0.01204	0.15
80	0.00	0.01730	0.01330	1.00

*Base mortality rates as of 2010 before application of the improvement scale



Appendix C – Recommended Rates

TABLE 2

BASE RATES OF MORTALITY FOR MEMBERS RETIRED ON ACCOUNT OF SERVICE*

AGE	MALES	FEMALES	AGE	MALES	FEMALES
19	0.00039	0.00014	70	0.01788	0.01286
20	0.00038	0.00013	71	0.01999	0.01442
21	0.00035	0.00012	72	0.02236	0.01617
22	0.00033	0.00011	73	0.02503	0.01813
23	0.00031	0.00010	74	0.02805	0.02034
24	0.00029	0.00010	75	0.03145	0.02280
25	0.00032	0.00011	76	0.03529	0.02557
26	0.00033	0.00012	77	0.03964	0.02871
27	0.00035	0.00013	78	0.04455	0.03225
28	0.00036	0.00014	79	0.05013	0.03629
29	0.00038	0.00016	80	0.05643	0.04090
30	0.00040	0.00017	81	0.06355	0.04618
31	0.00042	0.00019	82	0.07152	0.05221
32	0.00044	0.00021	83	0.08039	0.05912
33	0.00046	0.00023	84	0.09021	0.06701
34	0.00049	0.00025	85	0.10096	0.07604
35	0.00053	0.00027	86	0.11270	0.08626
36	0.00056	0.00030	87	0.12544	0.09770
37	0.00060	0.00032	88	0.13923	0.11033
38	0.00064	0.00036	89	0.15406	0.12406
39	0.00069	0.00039	90	0.16979	0.13860
40	0.00075	0.00043	91	0.18632	0.15378
41	0.00081	0.00046	92	0.20362	0.16958
42	0.00087	0.00051	93	0.22162	0.18606
43	0.00095	0.00055	94	0.24032	0.20331
44	0.00103	0.00061	95	0.25968	0.22145
45	0.00112	0.00066	96	0.27966	0.24060
46	0.00122	0.00071	97	0.30018	0.26079
47	0.00133	0.00077	98	0.32115	0.28202
48	0.00145	0.00083	99	0.34240	0.30413
49	0.00313	0.00240	100	0.36368	0.32686
50	0.00337	0.00252	101	0.38472	0.34973
51	0.00363	0.00266	102	0.40534	0.37254
52	0.00391	0.00280	103	0.42538	0.39508
53	0.00421	0.00294	104	0.44470	0.41715
54	0.00453	0.00309	105	0.46319	0.43858
55	0.00486	0.00325	106	0.48075	0.45921
56	0.00522	0.00343	107	0.49732	0.47888
57	0.00560	0.00363	108	0.51285	0.49752
58	0.00602	0.00387	109	0.52500	0.51505
59	0.00646	0.00415	110	0.52500	0.53141
60	0.00694	0.00449	111	0.52500	0.54000
61	0.00749	0.00490	112	0.52500	0.54000
62	0.00809	0.00540	113	0.52500	0.54000
63	0.00878	0.00596	114	0.52500	0.54000
64	0.00959	0.00662	115	0.52500	0.54000
65	0.01053	0.00737	116	0.52500	0.54000
66	0.01163	0.00821	117	0.52500	0.54000
67	0.01291	0.00917	118	0.52500	0.54000
68	0.01436	0.01026	119	1.00000	1.00000
69	0.01602	0.01148	120	1.00000	1.00000

*Base mortality rates as of 2010 before application of the improvement scale



Appendix C – Recommended Rates

TABLE 3

BASE RATES OF MORTALITY FOR BENEFICIARIES OF DECEASED MEMBERS*

AGE	MALES	FEMALES	AGE	MALES	FEMALES
19	0.00038	0.00013	70	0.02716	0.01700
20	0.00035	0.00012	71	0.02980	0.01866
21	0.00033	0.00011	72	0.03269	0.02051
22	0.00031	0.00010	73	0.03585	0.02259
23	0.00030	0.00010	74	0.03928	0.02490
24	0.00032	0.00011	75	0.04304	0.02750
25	0.00033	0.00012	76	0.04717	0.03043
26	0.00035	0.00013	77	0.05173	0.03375
27	0.00036	0.00014	78	0.05682	0.03752
28	0.00038	0.00016	79	0.06251	0.04184
29	0.00040	0.00017	80	0.06888	0.04678
30	0.00042	0.00019	81	0.07599	0.05244
31	0.00045	0.00020	82	0.08390	0.05892
32	0.00047	0.00022	83	0.09268	0.06632
33	0.00050	0.00024	84	0.10238	0.07478
34	0.00053	0.00026	85	0.11305	0.08432
35	0.00056	0.00029	86	0.12474	0.09493
36	0.00060	0.00032	87	0.13757	0.10653
37	0.00065	0.00035	88	0.15283	0.11896
38	0.00070	0.00038	89	0.16904	0.13226
39	0.00075	0.00042	90	0.18608	0.14650
40	0.00082	0.00045	91	0.20390	0.16171
41	0.00088	0.00049	92	0.22245	0.17793
42	0.00095	0.00054	93	0.24168	0.19520
43	0.00582	0.00275	94	0.26154	0.21349
44	0.00606	0.00287	95	0.28197	0.23278
45	0.00632	0.00298	96	0.30288	0.25299
46	0.00658	0.00311	97	0.32416	0.27402
47	0.00685	0.00323	98	0.34566	0.29568
48	0.00743	0.00336	99	0.36714	0.31778
49	0.00767	0.00359	100	0.38838	0.34001
50	0.00792	0.00384	101	0.40920	0.36219
51	0.00817	0.00411	102	0.42943	0.38410
52	0.00845	0.00438	103	0.44893	0.40556
53	0.00873	0.00468	104	0.46760	0.42640
54	0.00905	0.00500	105	0.48533	0.44645
55	0.00940	0.00533	106	0.50206	0.46558
56	0.00979	0.00570	107	0.51774	0.48370
57	0.01023	0.00610	108	0.53000	0.50075
58	0.01073	0.00653	109	0.53000	0.51665
59	0.01131	0.00700	110	0.53000	0.52500
60	0.01198	0.00753	111	0.53000	0.52500
61	0.01274	0.00811	112	0.53000	0.52500
62	0.01363	0.00875	113	0.53000	0.52500
63	0.01467	0.00944	114	0.53000	0.52500
64	0.01587	0.01022	115	0.53000	0.52500
65	0.01726	0.01106	116	0.53000	0.52500
66	0.01883	0.01200	117	0.53000	0.52500
67	0.02060	0.01304	118	1.00000	1.00000
68	0.02257	0.01421	119	1.00000	1.00000
69	0.02475	0.01552	120	1.00000	1.00000

*Base mortality rates as of 2010 before application of the improvement scale