

# North Dakota Teachers' Fund for Retirement

**Actuarial Valuation and Review as of July 1, 2021**



This report has been prepared at the request of the Board of Trustees to assist in administering the North Dakota Teachers' Fund for Retirement. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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**Segal**



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October 21, 2021

Board of Trustees  
North Dakota Teachers' Fund for Retirement  
3442 East Century Avenue  
Bismarck, ND 58507-7100

Dear Trustees:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement (TFFR) as of July 1, 2021.

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. In our opinion the results presented also comply with the State Code, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board (GASB). The undersigned are independent actuaries. All are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and are experienced in performing valuations for large public retirement systems. They meet the Qualification Standards of the American Academy of Actuaries.

## **ACTUARIAL VALUATION**

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of TFFR, and to analyze changes in TFFR's financial condition. In addition, the report provides information required by TFFR in connection with Governmental Accounting Standards Board Statement No. 67 (GASB 67) and it provides various summaries of the data. Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

## **FINANCING OBJECTIVES**

The member and employer contribution rates are established by statute. Member and employer rates are 11.75% and 12.75%, respectively. The 11.75% member contribution rate and 12.75% employer contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the employer and member contribution rates will revert to 7.75%. The rates are intended

to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial liability (UAAL) over a period of 21 years beginning July 1, 2021, although at any given time, the statutory rates may be insufficient.

## **PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES**

In order to determine the adequacy of the 12.75% statutory employer contribution rate, it is compared to the actuarially determined contribution (ADC). The ADC is equal to the sum of (a) the employer normal cost rate and (b) the level percentage of pay required to amortize the UAAL over the 30-year closed period that began July 1, 2013 (22 years remaining as of July 1, 2021). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2021, the ADC is 12.37% compared to 13.19% last year. This is less than the 12.75% rate currently required by law. The decrease in ADC is driven by favorable investment experience.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio as of July 1, 2021 is 68.6%, compared to 65.7% as of July 1, 2020. Based on the market value of assets rather than the actuarial value of assets, the funded ratio increased to 75.7% compared to 63.4% last year.

The Plan has a net investment gain of \$308.7 million from previous years that has not yet been recognized in the actuarial value of assets due to the five-year smoothing. This unrecognized asset gain is primarily due to the market gain during FY 2021, partially offset by market losses during FY 2019 and FY 2020. As this gain is recognized over the next four years, the funded ratio is expected to increase, assuming the plan earns 7.25% in the future.

## **REPORTING CONSEQUENCES**

TFFR is required to disclose certain annual information in its Comprehensive Annual Financial Report, including the Net Pension Liability (NPL), the sensitivity of the NPL to changes in the discount rate, a schedule of changes in NPL, and a comparison of actual contributions to the ADC. The State and the school districts need to comply with GASB 68, which also requires disclosure of certain actuarial information in their financial statements. This information will be provided in a separate report.

## **BENEFIT PROVISIONS**

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. These have not changed from the prior valuation.

## ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. In March 2020, the Board adopted new assumptions, effective for the July 1, 2020, valuation. In our opinion, the actuarial assumptions as approved by the Board are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience of the Plan. The actuarial assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice.

Effective with the July 1, 2013, actuarial valuation, the Trustees adopted an Actuarial Funding Policy, which provides direction on how to calculate an actuarially determined contribution. The actuarially determined contribution is compared to statutory contribution rates as a measure of funding adequacy.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

## DATA

Member data for retired, active, and inactive participants was supplied as of July 1, 2021, by the staff of the Retirement Office. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was also supplied by the staff. That assistance is gratefully acknowledged.

Sincerely,  
Segal



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Kim Nicholl, FSA, MAAA, EA  
Senior Vice President and Actuary



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Matthew A. Strom, FSA, MAAA, EA  
Senior Vice President and Actuary



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# Actuarial Valuation Summary

## Purpose and Basis

This report was prepared by Segal to present a valuation of the Plan as of July 1, 2021. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits and to provide information for required disclosures under Governmental Accounting Standards Board (GASB) Statement No. 67. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

Certain disclosure information required by GASB Statements 67 and 68 as of July 1, 2021, for TFFR is provided in a separate report.

The contribution requirements presented in this report are based on:

- The benefit provisions set forth in the North Dakota Century Code, as administered by the TFFR Board of Trustees;
- The characteristics of covered active members, inactive members, and retirees and beneficiaries as of July 1, 2021, provided by the North Dakota Retirement and Investment Office;
- The assets of the Plan as of June 30, 2021, provided by the North Dakota Retirement and Investment Office;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.; and
- The funding policy adopted by the TFFR Board of Trustees.

## Section 1: Actuarial Valuation Summary

### Valuation Highlights

1. Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance. The funding policy adopted by the TFFR meets this standard.
2. The total contributions made during the fiscal year ending July 1, 2021, under the North Dakota Century Code is equal to 12.75% of payroll for employers. Compared to the actuarially determined contribution of 12.37% of payroll, there is a contribution sufficiency of 0.38% of payroll as of July 1, 2021. The actuarially determined contribution rate defined by the Plan's funding policy is based on a 22-year, level percent of payroll amortization of the unfunded actuarial accrued liability. The employer statutory contribution rate of 12.75% results in an effective amortization period of 21 years, which is 1 year less than the Plan's funding policy amortization period.
3. Actual employer contributions made during the fiscal year ending June 30, 2021, were \$98,264,202, which is 96.7% of the actuarially determined contribution (ADC). In the prior fiscal year, actual contributions were \$93,032,453, which is 99.3% of the prior year ADC.
4. The funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2021, is 68.6%, compared to 65.7% as of July 1, 2020. This ratio is one measure of funding status, and its history is a measure of funding progress. These measurements are not necessarily appropriate for assessing the sufficiency of the Plan's assets to cover the estimated cost of settling the Plan's benefit obligation.
5. For the year ended June 30, 2021, Segal has determined that the asset return on a market value basis was 26.1%. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 10.3%. This represents an experience gain when compared to the assumed rate of 7.25%. As of June 30, 2021, the actuarial value of assets (\$2.97 billion) represented 90.6% of the market value of assets (\$3.28 billion).
6. The portion of deferred investment gains and losses recognized during the calculation of the July 1, 2021, actuarial value of assets contributed to a gain of \$83.8 million. The demographic and liability experience resulted in an \$8.3 million loss.
7. As mentioned above, the current method used to determine the actuarial value of assets yields an amount that is 90.6% of the market value of assets as of June 30, 2021. 90.6% falls within the 20% corridor, so no further adjustment to the actuarial value of assets is necessary. Guidelines in Actuarial Standard of Practice No. 44 (Selection and Use of Asset Valuation Methods for Pension Valuations) recommend that asset values fall within a reasonable range around the corresponding market value. The actuarial asset method complies with these guidelines.



## Section 1: Actuarial Valuation Summary

8. When measuring pension liability for GASB purposes, the same actuarial cost method (Entry Age Normal) is used to determine the funded status of the Plan, the actuarially determined contribution rate, and the effective amortization period. In addition, the GASB blended discount rate calculation results in the same discount rate (expected return on assets) as used for funding purposes (7.25%). This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding. We note that the same is true for the Normal Cost component of the annual plan cost for funding and financial reporting.
9. The Net Pension Liability (NPL) is equal to the difference between the Total Pension Liability (TPL) and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is the same as the Unfunded Actuarial Accrued Liability on a market value basis. The NPL decreased from \$1,530,503,462 as of June 30, 2020, to \$1,053,665,311 as of June 30, 2021.
10. The Fund's net cash flow (contributions minus benefit payments, refunds, and expenses) as a percentage of the market value of assets is -1.6% as of June 30, 2021, compared to -2.0% as of June 30, 2020. The change in net cash flow is primarily due to the increase in total assets. It is not unusual for a mature pension system to operate with minor negative cash flow as returns on investments generally exceed the net cash outflow and assets continue to rise. However, as the degree of negative cash flow increases, the plan's vulnerability to investment market volatility increases.
11. This actuarial report as of July 1, 2021, is based on financial and demographic data as of that date. Changes subsequent to that date are not reflected and will affect future actuarial costs of the plan.
12. Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. We have included a discussion of various risks that may affect the plan in *Section 2*.

## Section 1: Actuarial Valuation Summary

### Summary of Key Valuation Results

		2021	2020
<b>Statutory</b>	• Member rate	11.75%	11.75%
<b>Contributions for fiscal year beginning July 1:</b>	• Employer rate	12.75%	12.75%
	• Actuarially determined contribution rate	12.37%	13.19%
	• Margin/(deficit)	0.38%	-0.44%
<b>Actuarial accrued liability for plan year beginning July 1:</b>	• Retired participants and beneficiaries	\$2,515,161,131	\$2,397,641,558
	• Inactive vested members	117,782,340	111,740,262
	• Active members	1,689,602,021	1,659,845,094
	• Inactive members due a refund of employee contributions	<u>13,514,649</u>	<u>11,808,849</u>
	• Total	4,336,060,141	4,181,035,763
	• Normal cost including administrative expenses for plan year beginning July 1	98,353,148	92,321,533
<b>Assets for plan year beginning July 1:</b>	• Market value of assets (MVA)	\$3,282,404,830	\$2,650,532,301
	• Actuarial value of assets (AVA)	2,973,668,612	2,745,012,472
	• Actuarial value of assets as a percentage of market value of assets	90.6%	103.6%
<b>Funded status for plan year beginning July 1:</b>	• Unfunded/(overfunded) actuarial accrued liability on market value of assets	\$1,053,655,311	\$1,530,503,462
	• Funded percentage on MVA basis	75.7%	63.4%
	• Unfunded/(overfunded) actuarial accrued liability on actuarial value of assets	\$1,362,391,529	\$1,436,023,291
	• Funded percentage on AVA basis	68.6%	65.7%
	• Effective amortization period on an AVA basis	21 years	24 years
<b>GASB information</b>	• Discount rate	7.25%	7.25%
	• Total pension liability	\$4,336,060,141	\$4,181,035,763
	• Plan fiduciary net position	3,282,404,830	2,650,532,301
	• Net pension liability	1,053,655,311	1,530,503,462
	• Plan fiduciary net position as a percentage of total pension liability	75.7%	63.4%
<b>Demographic data for plan year beginning July 1:</b>	• Number of retired participants and beneficiaries	9,262	9,036
	• Number of inactive vested members	1,754	1,715
	• Number of inactive members due a refund of employee contributions	1,213	1,132
	• Number of active members	11,627	11,347
	• Total payroll supplied by System, annualized	\$749,414,372	\$711,039,756
	• Average payroll supplied by System, annualized	64,455	62,663
<b>Gains/(losses)</b>	• Asset experience	\$83,838,612	(\$40,946,816)
	• Liability experience	(7,708,533)	21,402,580
	• Administrative expenses	(547,450)	233,390
	• Assumption/method changes	0	<u>(51,813,028)</u>
	• Total gain/(loss)	75,582,629	(71,123,874)

## Section 1: Actuarial Valuation Summary

### Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

<b>Plan of benefits</b>	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
<b>Participant data</b>	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
<b>Assets</b>	The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
<b>Actuarial assumptions</b>	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.

## Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

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The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.

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An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

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Actuarial results in this report are not rounded, but that does not imply precision.

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If TFFR is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

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Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The State should look to their other advisors for expertise in these areas.

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As Segal has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

# Actuarial Valuation Results

## Member Data

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive vested members, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A, B, C and D.*

### Member Population: 2012 – 2021

Year Ended June 30	Active Members	Inactive Vested Members	Inactive Non- vested Members	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives <sup>1</sup>
2012	10,014	1,483	468	7,151	0.86
2013	10,138	1,500	563	7,489	0.89
2014	10,305	1,509	661	7,747	0.90
2015	10,514	1,607	660	8,025	0.92
2016	10,813	1,601	779	8,249	0.91
2017	10,874	1,600	878	8,501	0.93
2018	10,881	1,623	971	8,743	0.95
2019	11,175	1,657	1,035	8,918	0.95
2020	11,347	1,715	1,132	9,036	0.95
2021	11,627	1,754	1,213	9,262	0.95

<sup>1</sup> Excluding inactive non-vested members

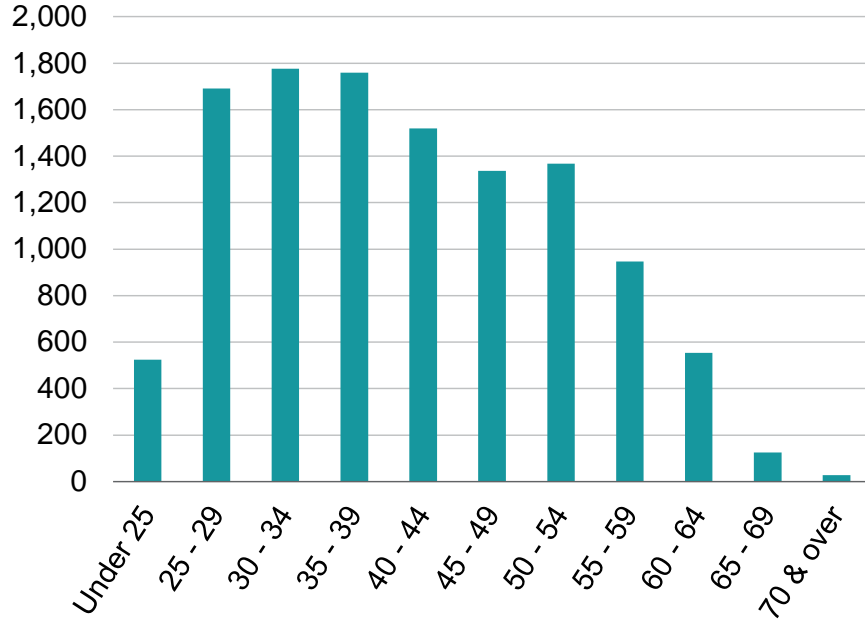
## Section 2: Actuarial Valuation Results

### Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 11,627 active members with an average age of 41.4 and average years of service of 11.4 years. The 11,347 active members in the prior valuation had an average age of 41.8 and average years of service of 11.7 years.

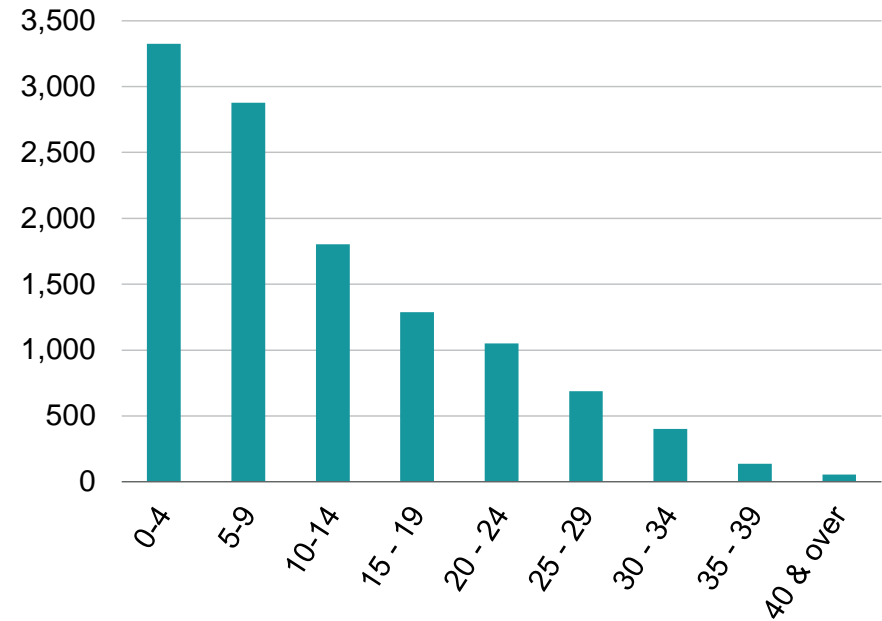
Distribution of Active Members as of June 30, 2021

Actives by Age



Average age	41.4
Prior year average age	<u>41.8</u>
Difference	-0.4

Actives by Years of Service



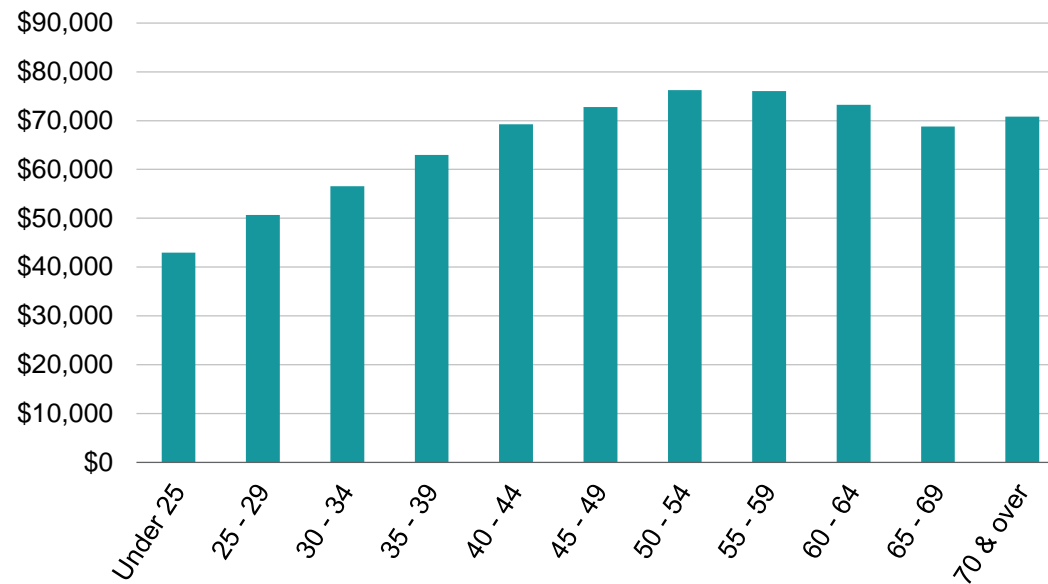
Average years of service	11.4
Prior year average years of service	<u>11.7</u>
Difference	-0.3

## Section 2: Actuarial Valuation Results

In this year's valuation, the 11,627 active members have an average compensation of \$64,455. The 11,347 active members in the prior valuation had an average compensation of \$62,663.

### Distribution of Active Members as of June 30, 2021

#### Average Compensation of Actives by Age



## Section 2: Actuarial Valuation Results

### **Inactive Members**

In this year's valuation, there were 1,754 members with a vested right to a deferred or immediate vested benefit.

In addition, there were 1,213 members entitled to a return of their employee contributions.



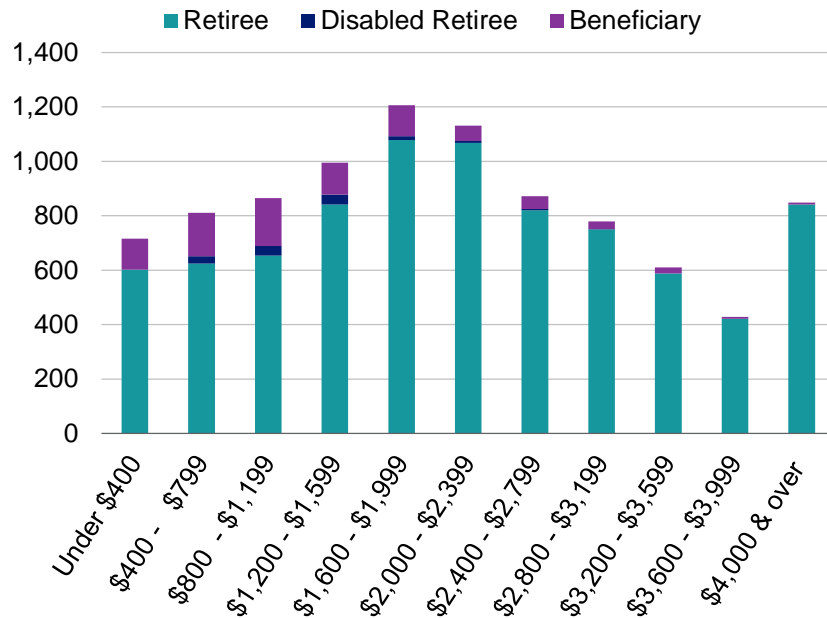
## Section 2: Actuarial Valuation Results

### Retired Participants and Beneficiaries

As of July 1, 2021, 8,415 retired participants and 847 beneficiaries were receiving total monthly benefits of \$20,118,739. For comparison, in the previous valuation, there were 8,218 retired participants and 818 beneficiaries receiving monthly benefits of \$19,116,138.

Distribution of Retirees and Beneficiaries as of June 30, 2021

Pensioners by Type and Monthly Amount



Pensioners by Type and Age

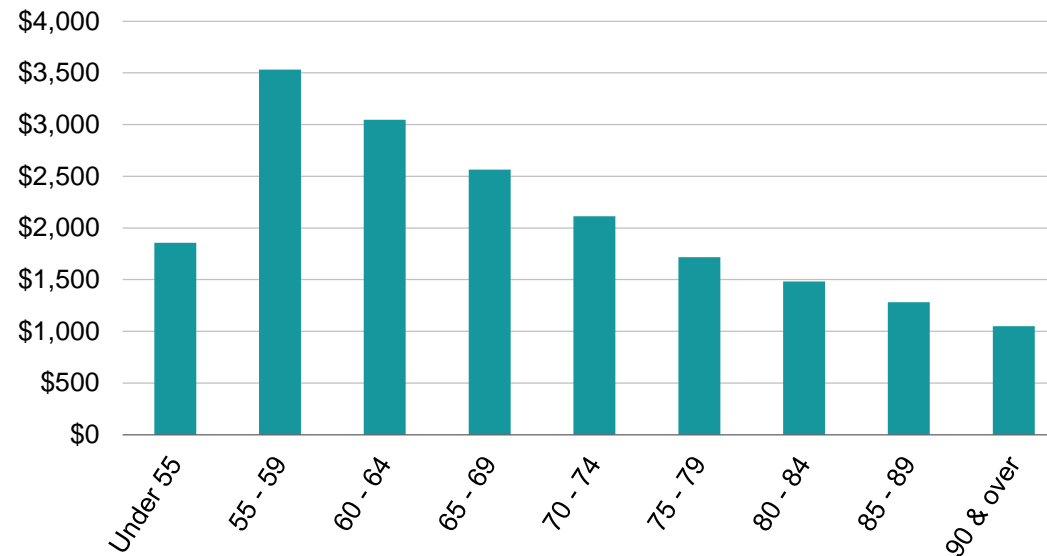


## Section 2: Actuarial Valuation Results

As of July 1, 2021, the average monthly benefit for retirees and beneficiaries is \$2,172 compared to \$2,116 in the previous valuation. The average age for retirees and beneficiaries is 72.8 in the current valuation, compared with 72.6 in the prior valuation.

### Distribution of Retirees and Beneficiaries as of June 30, 2021

#### Average Monthly Amount of Retirees and Beneficiaries by Age



## Section 2: Actuarial Valuation Results

### Historical Plan Population

The chart below demonstrates the progression of the active population over the last 20 years.

#### Active Member Data Statistics: 2002 – 2021

As of July 1	Active Members		Total Payroll Supplied by System, Annualized		Average Salary		Average Age	Average Service
	Number	Percent Change	Amount in \$ Millions	Percent Change	\$ Amount	Percent Change		
2002	9,931	-3.0%	\$348.1	1.7%	\$35,052	4.9%	44.5	14.4
2003	9,916	-0.2%	367.9	5.7%	37,105	5.9%	44.8	14.6
2004	9,826	-0.9%	376.5	2.3%	38,321	3.3%	44.9	14.7
2005	9,801	-0.3%	386.6	2.7%	39,447	2.9%	44.9	14.7
2006	9,585	-2.2%	390.1	0.9%	40,703	3.2%	44.8	14.6
2007	9,599	0.1%	401.3	2.9%	41,810	2.7%	44.7	14.5
2008	9,561	-0.4%	417.7	4.1%	43,684	4.5%	44.6	14.4
2009	9,707	1.5%	440.0	5.3%	45,327	3.8%	44.5	14.3
2010	9,907	2.1%	465.0	5.7%	46,937	3.6%	44.2	14.0
2011	10,004	1.0%	488.8	5.1%	48,857	4.1%	43.9	13.8
2012	10,014	0.1%	505.3	3.4%	50,458	3.3%	43.7	13.7
2013	10,138	1.2%	526.7	4.2%	51,953	3.0%	43.2	13.2
2014	10,305	1.6%	557.2	5.8%	54,073	4.1%	42.9	12.8
2015	10,514	2.0%	589.8	5.8%	56,095	3.7%	42.5	12.4
2016	10,813	2.8%	627.0	6.3%	57,986	3.4%	42.3	12.1
2017	10,874	0.6%	650.1	3.7%	59,780	3.1%	42.1	11.9
2018	10,881	0.1%	653.5	0.5%	60,055	0.5%	41.9	11.8
2019	11,175	2.7%	680.5	4.1%	60,893	1.4%	41.8	11.7
2020	11,347	1.5%	711.0	4.5%	62,663	2.9%	41.8	11.7
2021	11,627	2.5%	749.4	5.4%	64,455	2.9%	41.4	11.4

## Section 2: Actuarial Valuation Results

The chart below shows the growth among the retired population over the last 10 years.

### Service Retirees Data Statistics: 2012 – 2021

As of July 1	Service Retirees		Average Annual Amount		Average Age
	Number	Percent Change	\$ Amount	Percent Change	
2012	6,448	3.1%	\$20,739	3.7%	70.8
2013	6,754	4.7%	21,462	3.5%	70.8
2014	6,991	3.5%	22,230	3.6%	70.9
2015	7,250	3.7%	22,976	3.4%	71.0
2016	7,435	2.6%	23,593	2.7%	71.3
2017	7,664	3.1%	24,352	3.2%	71.5
2018	7,877	2.8%	25,187	3.4%	71.7
2019	8,019	1.8%	25,887	2.8%	72.0
2020	8,091	0.9%	26,531	2.5%	72.3
2021	8,290	2.5%	27,250	2.7%	72.5

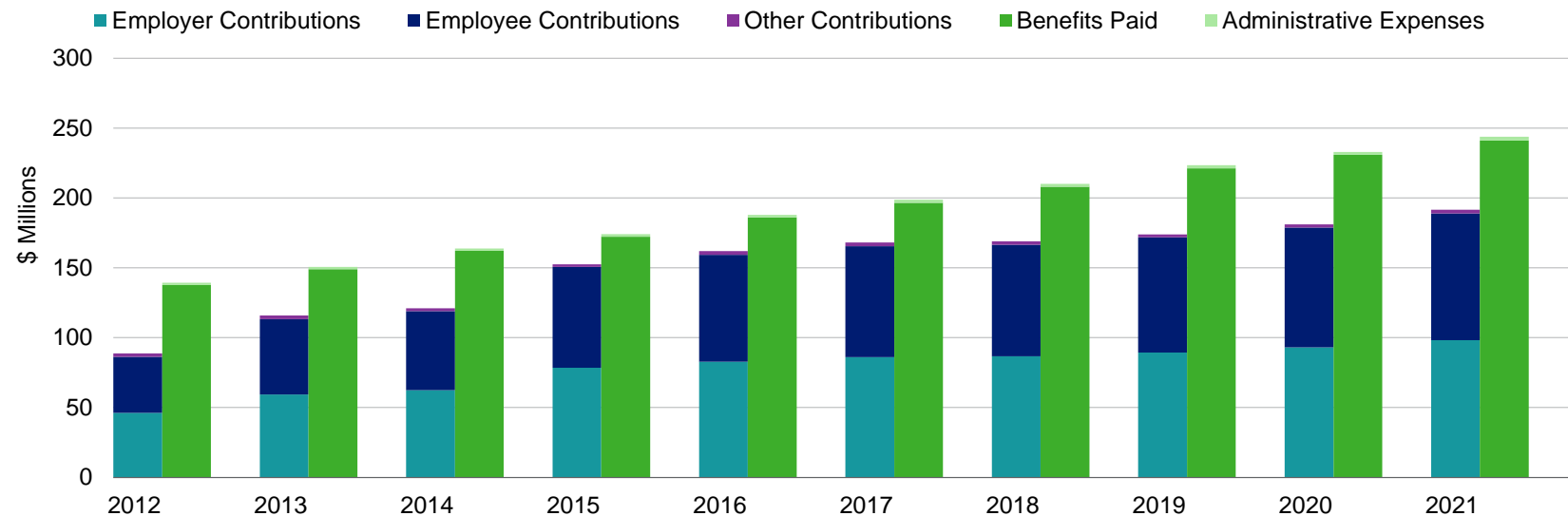
## Section 2: Actuarial Valuation Results

### Financial Information

Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits E, F and G*.

Comparison of Contributions with Benefits and Expenses  
for Years Ended June 30, 2012 – 2021



## Section 2: Actuarial Valuation Results

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

### Determination of Actuarial Value of Assets for Year Ended June 30, 2021, and June 30, 2020

		2021		2020	
<b>1</b>	Market value of assets		\$3,282,404,830		\$2,650,532,301
<b>2</b>	Calculation of unrecognized return <sup>1</sup>	<b>Original Amount<sup>2</sup></b>	<b>Percent Deferred</b>	<b>Percent Deferred</b>	
	(a) Year ended June 30, 2021	\$493,904,813	80%	\$395,123,850	
	(b) Year ended June 30, 2020	-114,538,151	60%	-68,722,890	80%
	(c) Year ended June 30, 2019	-59,163,355	40%	-23,665,342	60%
	(d) Year ended June 30, 2018	30,002,998	20%	6,000,600	40%
	(e) Year ended June 30, 2017	103,235,815	0%	0	20%
	(f) Total unrecognized return			308,736,218	-94,480,171
<b>3</b>	Actuarial value of assets: <b>1 – 2f</b>			<u>\$2,973,668,612</u>	<u>\$2,745,012,472</u>
<b>4</b>	Actuarial value as a percentage of market value: <b>3 ÷ 1</b>			90.6%	103.6%

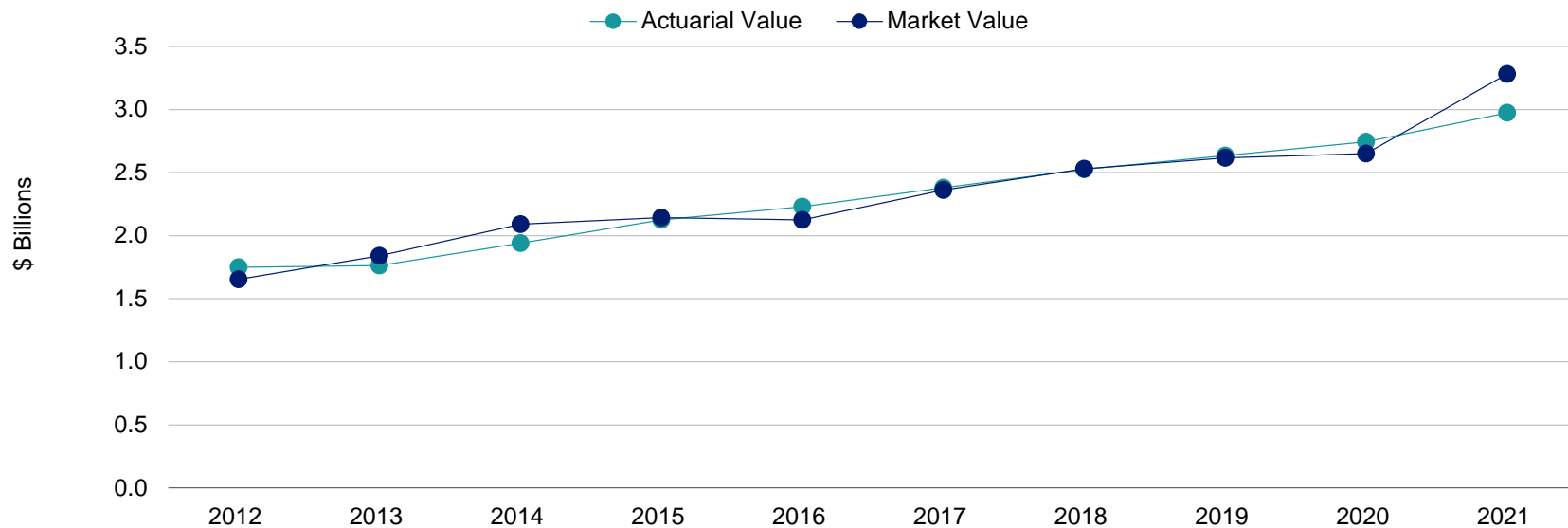
<sup>1</sup> Recognition at 20% per year over five years

<sup>2</sup> Total return minus expected return on a market value basis

## Section 2: Actuarial Valuation Results

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2012 – 2021



## Section 2: Actuarial Valuation Results

### Actuarial Experience

To calculate any actuarially determined contribution (ADC), assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the ADC will decrease relative to the previous year. On the other hand, the ADC will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year of experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is \$75.6 million, which includes \$83.8 million from investment gains and \$8.3 million in losses from all other sources. The net experience variation from individual sources other than investments was 0.2% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

#### Actuarial Experience for Year Ended June 30, 2021

<b>1</b>	Net gain from investments <sup>1</sup>	\$83,838,612
<b>2</b>	Net loss from administrative expenses	-547,450
<b>3</b>	Net loss from other experience	<u>-7,708,533</u>
<b>4</b>	Net experience gain: <b>1 + 2 + 3</b>	\$75,582,629

<sup>1</sup> Details on next page



## Section 2: Actuarial Valuation Results

### Investment Experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. The rate of return on the market value of assets was 26.07% for the year ended June 30, 2021.

For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.25%. The actual rate of return on an actuarial basis for the 2021 plan year was 10.33%. Since the actual return for the year was greater than the assumed return, the Plan experienced an actuarial gain during the year ended June 30, 2021, with regard to its investments.

#### Investment Experience

	Year Ended June 30, 2021		Year Ended June 30, 2020	
	Market Value	Actuarial Value	Market Value	Actuarial Value
<b>1</b> Value of assets at the beginning of year	\$2,650,532,301	\$2,745,012,472	\$2,616,171,056	\$2,635,557,447
<b>2</b> Contributions during the fiscal year	191,506,645	191,506,645	181,101,767	181,101,767
<b>3</b> Benefits and expense during the fiscal year	243,806,646	243,806,646	232,946,639	232,946,639
<b>4</b> Value of assets at end of year	3,282,404,830	2,973,668,612	2,650,532,301	2,745,012,472
<b>5</b> Net investment income: <b>4 – 1 – 2 + 3</b>	684,172,530	280,956,141	86,206,117	161,299,897
<b>6</b> Average value of assets: <b>1 + [2 – 3] x ½</b>	2,624,382,301	2,718,862,472	2,590,248,620	2,609,635,011
<b>7</b> Rate of return: <b>5 ÷ 6</b>	26.07%	10.33%	3.33%	6.18%
<b>8</b> Assumed rate of return	7.25%	7.25%	7.75%	7.75%
<b>9</b> Expected investment income: <b>6 x 8</b>	\$190,267,717	\$197,117,529	\$200,744,268	\$202,246,713
<b>10</b> Actuarial gain/(loss): <b>5 – 9</b>	<u>\$493,904,813</u>	<u>\$83,838,612</u>	<u>-\$114,538,151</u>	<u>-\$40,946,816</u>

## Section 2: Actuarial Valuation Results

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the actual market value investment return for the last 30 years, including averages over select time periods.

### Investment Return – Actuarial Value vs. Market Value: 1992 - 2021

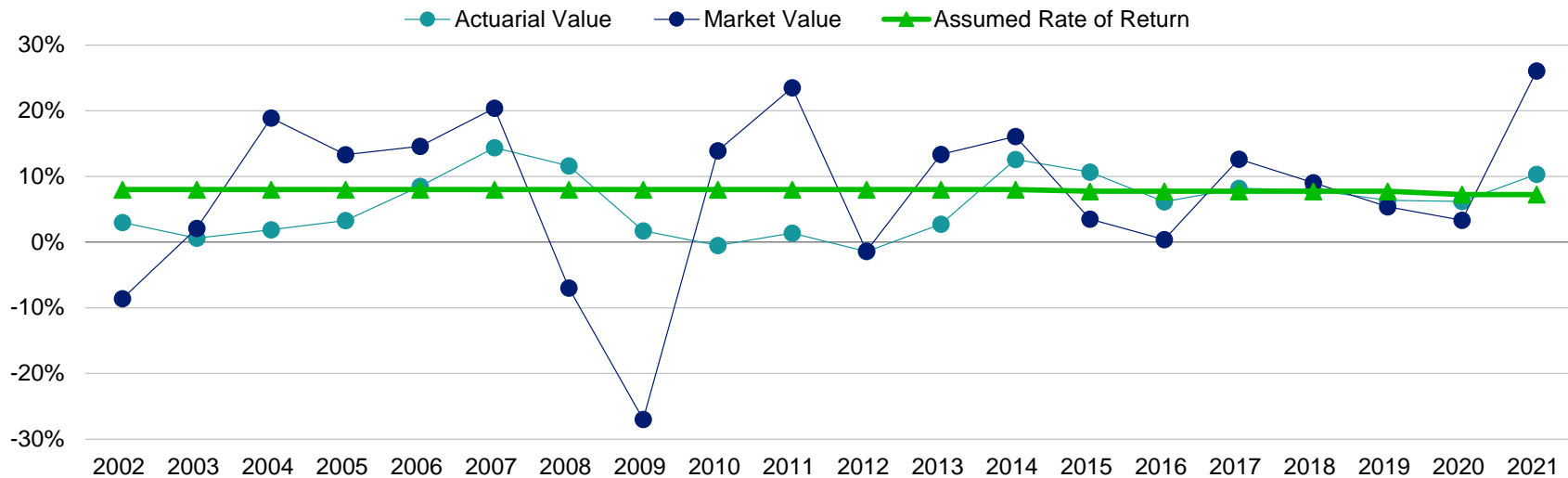
Year Ended June 30	Market Value	Actuarial Value	Year Ended June 30	Market Value	Actuarial Value	Year Ended June 30	Market Value	Actuarial Value	
1992	12.4%	6.5%	2002	-8.6%	3.0%	2012	-1.4%	-1.4%	
1993	14.7	8.1	2003	2.1	0.6	2013	13.4	2.7	
1994	1.2	7.0	2004	18.9	1.9	2014	16.1	12.6	
1995	13.6	9.1	2005	13.3	3.3	2015	3.5	10.7	
1996	15.6	11.3	2006	14.6	8.5	2016	0.4	6.2	
1997	18.5	12.6	2007	20.4	14.4	2017	12.6	8.2	
1998	13.2	12.6	2008	-7.0	11.6	2018	9.0	7.9	
1999	11.5	13.5	2009	-27.0	1.7	2019	5.4	6.4	
2000	11.6	13.3	2010	13.9	-0.5	2020	3.3	6.2	
2001	-7.6	8.6	2011	23.5	1.4	2021	26.1	10.3	
							Most recent five-year average return	11.0%	7.8%
							Most recent ten-year average return	8.6%	6.9%
							Most recent 15-year average return	6.6%	6.5%
							Most recent 20-year average return	6.9%	5.7%
							Most recent 30-year average return	8.0%	7.2%

Note: Each year's yield is weighted by the average asset value in that year.

## Section 2: Actuarial Valuation Results

As described earlier in this section, the actuarial asset valuation method gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market and Actuarial Rates of Return for Years Ended June 30, 2002 - 2021



## Section 2: Actuarial Valuation Results

### Administrative Expenses

- Administrative expenses for the year ended June 30, 2021, totaled \$2,678,375, as compared to the assumption of \$2,076,345.

### Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among members,
- retirement experience (earlier or later than projected),
- the number of disability retirements (more or fewer than projected), and
- salary increases (greater or smaller than projected).

The net loss from this other experience for the year ended June 30, 2021 amounted to \$7,708,533, which is 0.2% of the actuarial accrued liability.

#### Liability Changes Due to Demographic Experience for Year Ended June 30, 2021

Turnover	-\$1,844,017
Retirement	-6,174,806
Deaths among retired members and beneficiaries	5,879,360
Salary/service increase for continuing actives	1,067,168
New entrants	-6,123,323
Miscellaneous	<u>-512,915</u>
Total	-\$7,708,533

## Section 2: Actuarial Valuation Results

### Changes in the Actuarial Accrued Liability

The actuarial accrued liability as of July 1, 2021, is \$4,336,060,141, an increase of \$155,024,378, or 3.7%, from the actuarial accrued liability as of the prior valuation date. The liability is expected to grow each year with normal cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection), as well as changes in assumptions and plan provisions (as discussed below).

### Actuarial Assumptions

There were no changes in actuarial assumptions since the prior valuation.

Details on actuarial assumptions and methods are in *Section 4, Exhibit I*.

### Plan Provisions

There were no changes in plan provisions since the prior valuation.

A summary of plan provisions is in *Section 4, Exhibit II*.

## Section 2: Actuarial Valuation Results

### Cash Flow

#### Disbursements or Expenditures

Year Ended June 30	Contributions <sup>1</sup>	Benefit Payments	Refunds	Administrative Expenses	Total Disbursements	Net Cash Flow for the Year <sup>2</sup>	Market Value of Assets	Net Cash Flow as Percent of Market Value
2012	\$88,808,604	(\$135,250,568)	(\$2,479,194)	(\$1,596,976)	(\$139,326,738)	(\$50,518,134)	\$1,654,149,659	-3.1%
2013	115,849,348	(145,943,323)	(3,053,395)	(1,623,638)	(150,620,356)	(34,771,008)	1,839,583,960	-1.9%
2014	120,991,968	(158,350,355)	(3,908,921)	(1,586,045)	(163,845,321)	(42,853,353)	2,090,977,056	-2.0%
2015	152,463,762	(168,349,762)	(3,889,671)	(1,923,392)	(174,162,825)	(21,699,063)	2,141,920,800	-1.0%
2016	161,995,828	(180,617,784)	(5,350,896)	(1,851,656)	(187,820,336)	(25,824,508)	2,124,335,288	-1.2%
2017	168,157,111	(191,104,694)	(5,411,850)	(2,173,431)	(198,689,975)	(30,532,864)	2,360,491,075	-1.3%
2018	168,928,460	(202,417,031)	(5,561,668)	(2,128,794)	(210,107,493)	(41,179,033)	2,530,657,411	-1.6%
2019	173,949,975	(215,328,174)	(5,900,392)	(2,251,083)	(223,479,649)	(49,529,649)	2,616,171,056	-1.9%
2020	181,101,767	(224,361,530)	(6,489,704)	(2,095,405)	(232,946,639)	(51,844,872)	2,650,532,301	-2.0%
2021	191,506,645	(235,205,084)	(5,923,187)	(2,678,375)	(243,806,646)	(52,300,001)	3,282,404,830	-1.6%

<sup>1</sup> Includes employee and employer contributions, as well as any purchased service credits during the year

<sup>2</sup> Equal to Contributions + Total Disbursements

## Section 2: Actuarial Valuation Results

### Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2021, and June 30, 2020

	2021 Plan year	2020 Plan Year
<b>1</b> Unfunded/(overfunded) actuarial accrued liability at beginning of year	\$1,436,023,291	\$1,357,866,713
<b>2</b> Normal cost at beginning of year	89,164,584	82,826,911
<b>3</b> Total expected contributions	-191,506,645	-181,101,767
<b>4</b> Interest		
• For whole year on <b>1 + 2</b>	\$110,576,121	\$111,653,756
• For full year on <b>3</b>	<u>-6,283,193</u>	<u>-6,346,196</u>
Total interest	<u>104,292,928</u>	<u>105,307,560</u>
<b>5</b> Expected unfunded/(overfunded) actuarial accrued liability	\$1,437,974,158	\$1,364,899,417
<b>6</b> Changes due to:		
• Investments	-\$83,838,612	\$40,946,816
• Demographics	8,255,983	-21,635,970
• Changes in actuarial assumptions	0	51,813,028
• Changes in actuarial cost method	0	0
• Changes due to plan amendments	<u>0</u>	<u>0</u>
Total changes	<u>-\$75,582,629</u>	<u>\$71,123,874</u>
<b>7</b> Unfunded/(overfunded) actuarial accrued liability at end of year	<u>\$1,362,391,529</u>	<u>\$1,436,023,291</u>

## Section 2: Actuarial Valuation Results

### Actuarially Determined Contribution

The amount of the actuarially determined contribution is comprised of an employer normal cost payment and a payment on the unfunded/(overfunded) actuarial accrued liability. This total amount is divided by the projected payroll for active members to determine the actuarially determined contribution rate of 12.36% of payroll.

TFFR sets the methodology used to calculate the actuarially determined contribution based on a closed amortization period of 30 years, established as of July 1, 2013. As of July 1, 2021, there are 22 years remaining on this schedule. The employer contribution rate for TFFR set by statute is currently 12.75% of payroll. Since the actuarially determined contribution is 12.37% of payroll, there is a margin of 0.38% of payroll. The calculated employer normal cost (including administrative expenses) is 0.66% of payroll. The remaining 11.71% of payroll will amortize the unfunded actuarial accrued liability over a period of 21 years.

The contribution requirement as of July 1, 2021 is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

#### Actuarially Determined Contribution for Year Beginning July 1

	2021		2020	
	Amount	% of Payroll	Amount	% of Payroll
<b>1</b> Total normal cost*	\$98,353,148	12.41%	\$92,321,533	12.28%
<b>2</b> Expected employee contributions*	<u>-93,143,425</u>	<u>-11.75%</u>	<u>-88,322,228</u>	<u>-11.75%</u>
<b>3</b> Employer normal cost*: <b>1 + 2</b>	\$5,209,723	0.66%	\$3,999,305	0.53%
<b>4</b> Actuarial accrued liability	4,336,060,141		4,181,035,763	
<b>5</b> Actuarial value of assets	2,973,668,612		2,745,012,472	
<b>6</b> Unfunded/(overfunded) actuarial accrued liability: <b>4 – 5</b>	1,362,391,529		1,436,023,291	
<b>7</b> Payment on unfunded/(overfunded) actuarial accrued liability*	92,845,703	11.71%	95,149,716	12.66%
<b>8</b> Actuarially determined contribution: <b>3 + 7</b>	<u>\$98,055,426</u>	<u>12.37%</u>	<u>\$99,149,022</u>	<u>13.19%</u>
<b>9</b> Total Payroll supplied by the System, annualized	\$749,414,372		\$711,039,756	
<b>10</b> Projected annual payroll for fiscal year beginning July 1	\$792,709,997		\$751,678,536	

\* Normal cost includes administrative expenses and contributions are assumed to be paid at the middle of every month



## Section 2: Actuarial Valuation Results

### Reconciliation of Actuarially Determined Contribution

The chart below details the changes in the actuarially determined contribution from the prior valuation to the current year's valuation.

#### Reconciliation of Actuarially Determined Contribution from July 1, 2020 to July 1, 2021

	July 1, 2021	July 1, 2020
Prior valuation	13.19%	12.84%
Increases/(decreases) due to:		
• Effect of change in amortization period (decrease from 24 years to 23 years remaining as of July 1, 2020 and decrease from 23 years to 22 years remaining as of July 1, 2021)	0.00%	0.00%
• Effect of change in covered payroll and normal cost	-0.29%	-0.20%
• Effect of contributions (more)/less than actuarially determined contribution	0.03%	-0.03%
• Effect of gains and losses on accrued liability and administrative expenses	0.15%	-0.20%
• Effect of investment (gain)/loss	-0.72%	0.38%
• Effect of legislative changes	0.00%	0.00%
• Effect of change in actuarial assumptions	0.00%	0.40%
• Net effect of other changes	0.01%	0.00%
Total change	<u>-0.82%</u>	<u>0.35%</u>
Current valuation	12.37%	13.19%
Statutory employer contribution rate	12.75%	12.75%
Margin available [contribution sufficiency/(deficiency)]	0.38%	-0.44%

## Section 2: Actuarial Valuation Results

### Schedule of Funding Progress through June 30, 2021

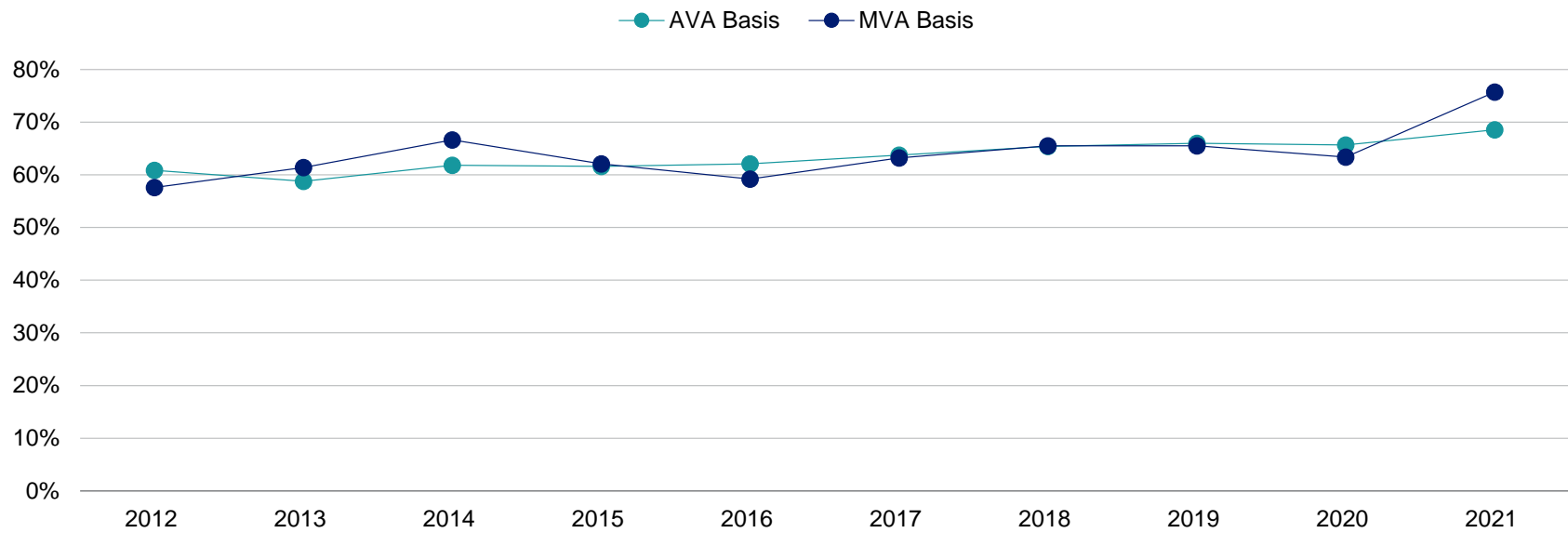
The other critical piece of information regarding TFFR's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors. The chart below shows the funded ratio calculated using the actuarial value of assets.

As of July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Total Payroll Supplied by System, Annualized	UAAL as a % of Covered Payroll
2012	\$1,748,080,771	\$2,871,870,286	\$1,123,789,515	60.9%	\$505,285,069	222.4%
2013	1,762,321,644	2,997,139,087	1,234,817,443	58.8%	526,698,342	234.4%
2014	1,940,473,504	3,138,799,773	1,198,326,269	61.8%	557,222,917	215.1%
2015	2,125,017,451	3,449,775,982	1,324,758,531	61.6%	589,783,780	224.6%
2016	2,229,292,988	3,589,393,851	1,360,100,863	62.1%	627,002,353	216.9%
2017	2,379,811,205	3,734,016,828	1,354,205,623	63.7%	650,052,674	208.3%
2018	2,526,058,269	3,863,515,726	1,337,457,457	65.4%	653,456,893	204.7%
2019	2,635,557,447	3,993,424,160	1,357,866,713	66.0%	680,481,816	199.5%
2020	2,745,012,472	4,181,035,763	1,436,023,291	65.7%	711,039,756	202.0%
2021	2,973,668,612	4,336,060,141	1,362,391,529	68.6%	749,414,372	181.8%

## Section 2: Actuarial Valuation Results

The chart below shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

Funded Ratio, as of July 1



## Section 2: Actuarial Valuation Results

### History of Employer Contributions

A history of the most recent years of contributions is shown below.

#### History of Employer Contributions: 2012 – 2021

Fiscal Year Ended June 30	Actuarially Determined Employer Contribution (ADC) <sup>1</sup>		Actual Employer Contribution <sup>2</sup>		
	Amount <sup>3</sup>	Percentage of Payroll <sup>4</sup>	Amount	Percentage of Payroll	Percent Contributed
2012	\$69,373,794	13.16%	\$46,126,193	8.75%	66.49%
2013	52,396,153	9.49% <sup>5</sup>	59,352,860	10.75%	113.28%
2014	59,513,485	10.26%	62,355,146	10.75%	104.77%
2015	71,167,632	11.57%	78,422,098	12.75%	110.19%
2016	84,724,123	13.04%	82,839,932	12.75%	97.78%
2017	89,231,211	13.22%	86,059,000	12.75%	96.44%
2018	88,307,239	12.99%	86,675,715	12.75%	98.15%
2019	90,777,781	12.94%	89,444,881	12.75%	98.53%
2020	93,688,429	12.84%	93,032,453	12.75%	99.30%
2021	101,655,277	13.19%	98,264,202	12.75%	96.66%

<sup>1</sup> Prior to FY 2014, the ADC is the same as the GASB ARC determined under GASB 25.

<sup>2</sup> Prior to FY 2014, these amounts include prior year corrections.

<sup>3</sup> The dollar amount of the ADC for FY 2014 through FY 2021 is based on actual payroll for the year and differs from the estimated dollar amount shown in the prior year's actuarial valuation report because of differences between estimated and actual payroll.

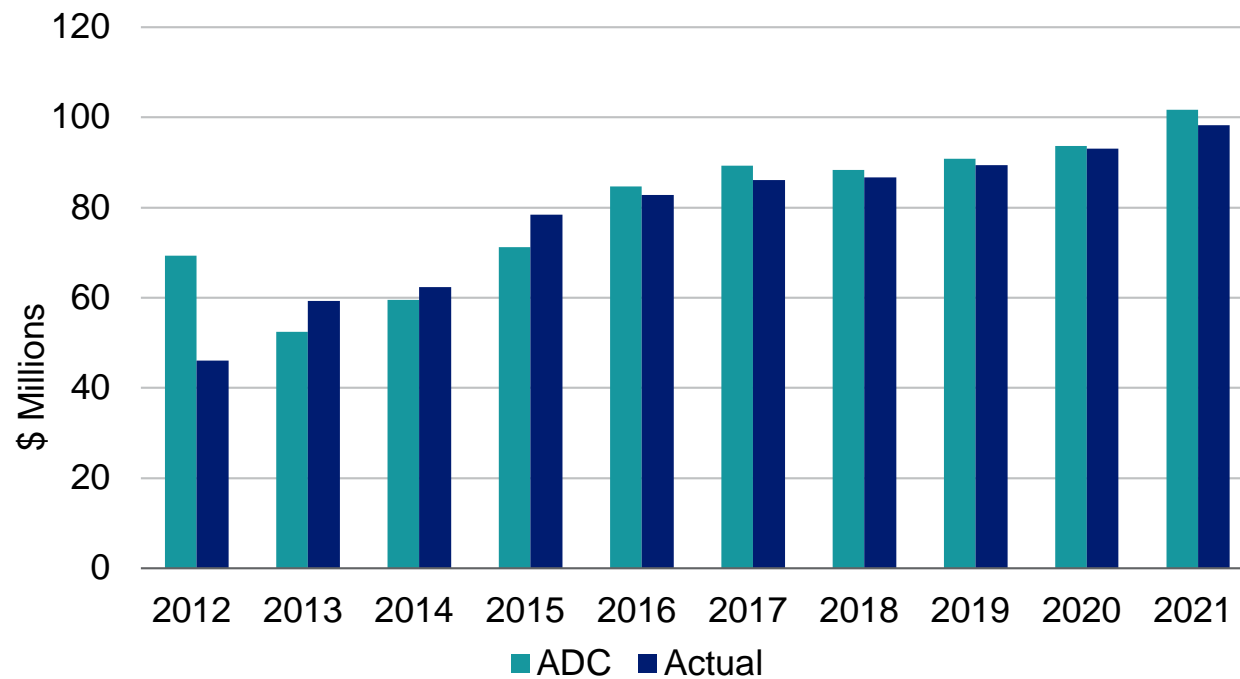
<sup>4</sup> The ADC for each fiscal year is based on the actuarial valuation as of the beginning of the year. Therefore, the FY 2021 ADC is based on the July 1, 2020 valuation. The ADC is defined as the contribution rate required to pay the employer normal cost and to amortize the unfunded actuarial accrued liability over the closed 30-year period that began July 1, 2013 as a level percentage of payroll.

<sup>5</sup> The FY 2013 ADC reflects the actuarial present value of the increased statutory contributions scheduled to occur July 1, 2014.

## Section 2: Actuarial Valuation Results

The chart below presents a graphical representation of the historical comparison of the actuarially determined contribution to the actual contributions for TFFR.

Actuarially Determined Contribution vs. Actual Employer Contribution,  
Years Ended June 30



## Section 2: Actuarial Valuation Results

### Risk

The actuarial valuation results depend on a single set of assumptions; however, there is a risk that emerging results may differ significantly as actual experience proves to be different than projected from the current assumptions.

In 2019, the Board engaged Segal to perform a detailed analysis of the potential range of the impact of risks relative to the Plan's future financial condition. This study included an overview of risks that affect the Fund and stakeholders, as well as various stochastic and deterministic modeling, primarily focusing on investment returns. The study concluded with the development of a Plan Management Policy designed to assess the overall health of TFFR.

Below is a brief discussion of some of the risks that may affect the Plan. This discussion is focused on funding-related risks, but similar concerns may apply to risks regarding the level of expense and liabilities reported for Plan accounting purposes as well.

A detailed risk assessment is important for TFFR because:

- The negative cash flow position of the Plan could be exacerbated by relatively small deviations from assumed future experience.
- Retired and inactive participants account for more than half of the Plan's liabilities limiting options for reducing plan liabilities in the event of adverse experience.
- The employer contribution rate has been less than the actuarially determined contribution rate for several years, which may indicate additional funding challenges in the future.
- The risks identified below show significant potential for variability.

The following risks could significantly affect the Plan's future condition:

1. **Investment risk** (the risk that returns will be different than expected)

If the actual market value return for the Plan Year were 1% different from the assumed (either higher or lower), the projected unfunded liability would change by about 3%, or about \$32 million.

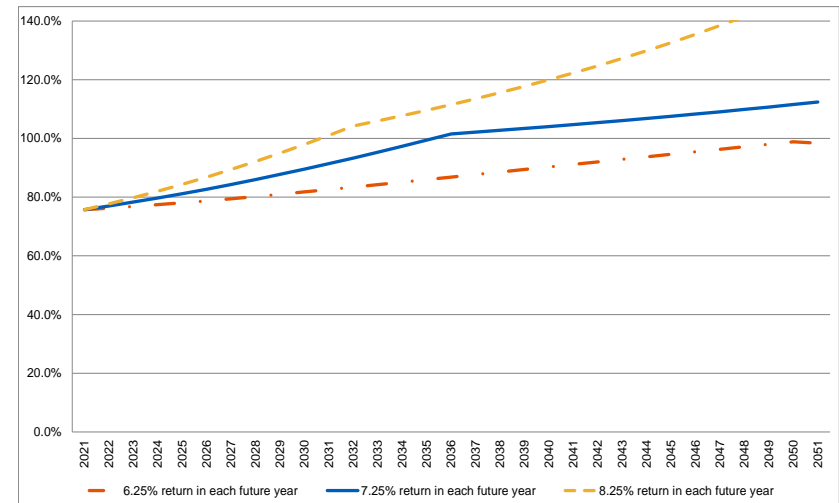
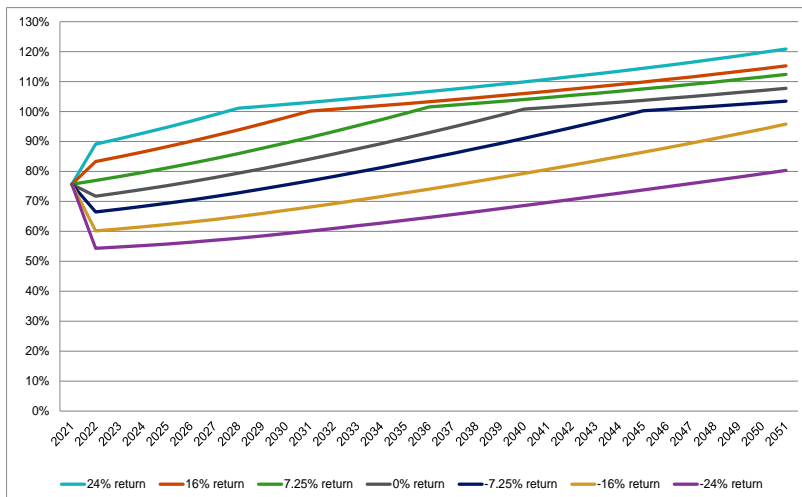
If the prior year's investment performance resulted in a market value of assets that is 10% different than the current value, it would result in a change of \$328.2 million in the asset value. A 10% increase in assets would cause the unfunded liability (market value basis) to decrease from \$1,053.7 million to \$725.5 million. Likewise, a 10% decrease in the asset value would cause the unfunded liability to increase from \$1,053.7 million to \$1,381.9 million.

## Section 2: Actuarial Valuation Results

Since the Plan's assets are much larger than contributions, investment performance may create volatility in the actuarially determined contribution requirements. For example, with each 1% difference in actual return, the actuarially determined contribution would increase or decrease by 0.05% of payroll. Ignoring the effects of the five-year phase-in of investment gains and losses, the actuarially determined contribution would change by 0.23% of payroll.

The market value rate of return over the last ten years has ranged from a low of -1.4% to a high of 26.1%, with an average of 8.6%. However, looking over a longer historical period of 20 years, the market value rate of return has an average of 6.9%.

The following graphs illustrate the impact on projected funded ratios (market value basis) under two scenarios: 1) market value returns for the next Plan year vary between -24% and +24%, and 2) market value returns in each future Plan year are +1% or -1% above or below the 7.25% assumption.



### 2. Longevity Risk (the risk that mortality experience will be different than expected)

The actuarial valuation includes an expectation of future improvement in life expectancy. Emerging plan experience that does not match these expectations will result in either an increase or decrease in the actuarially determined contribution.

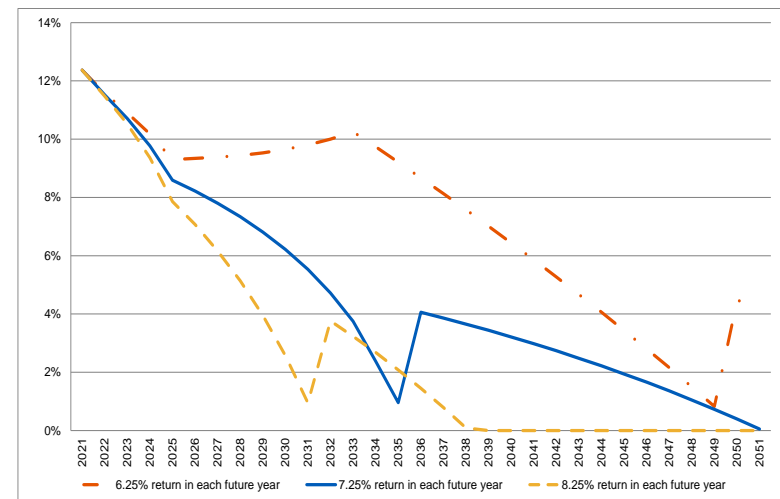
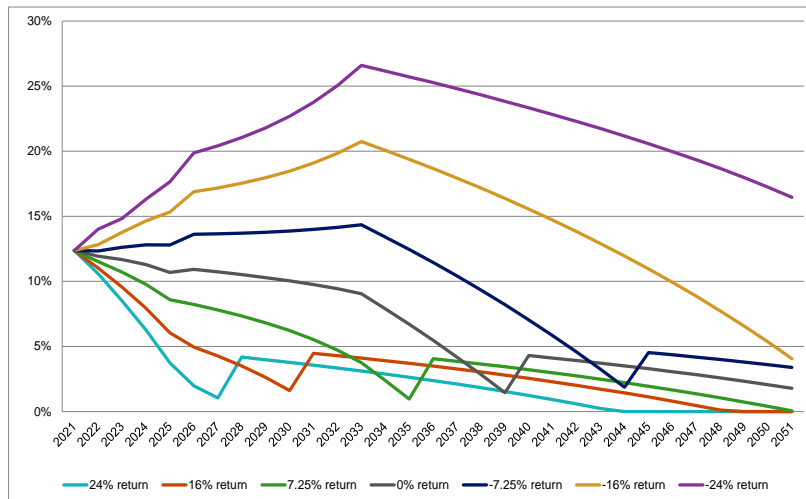
A 10% reduction in the assumed mortality rates results in an increase in the liabilities of roughly 3% for most plans. For TFFR, a 3% liability increase would result in an increase in the unfunded actuarially liability of \$130.0 million. The unfunded accrued liability (market value basis) would increase from \$1,053.7 million to \$1,183.7 million.

## Section 2: Actuarial Valuation Results

### 3. Contribution Risk (the risk that actual contributions will be different from the actuarially determined contribution)

Plan contributions are set by statute. If contributions remain at the current level and future experience matches the current assumptions, we project the unfunded actuarial accrued liability (market value basis) will be paid off in 2036 (15 years). The number of years projected to amortize the UAAL differs from the amortization period due to the use of an open group projection.

The following graphs illustrate the impact on projected actuarially determined contribution rates under two scenarios: 1) market value returns for the next Plan year vary between -24% and +24%, and 2) market value returns in each future Plan year are +1% or -1% above or below the 7.25% assumption



### 4. Demographic Risk (the risk that participant experience will be different than assumed)

Examples of this risk include:

- Actual retirements occurring earlier or later than assumed. The value of retirement plan benefits is sensitive to the rate of benefit accruals and any early retirement subsidies that apply.
- More or less active participant turnover than assumed.
- Salary increases more or less than assumed



## Section 2: Actuarial Valuation Results

### 5. Actual Experience

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past ten years:

- The investment gain/loss for a year has ranged from a loss of \$159 million to a gain of \$494 million
- The non-investment gain/loss for a year has ranged from a loss of \$8.9 million to a gain of \$28.7 million

The funded percentage on the actuarial value of assets has ranged from a low of 59% to a high of 92% since 2002.

### 6. Maturity Measures

The risk associated with a pension plan increases as it becomes more mature, meaning that the actives represent a smaller portion of the liabilities of the plan. When this happens, there is a greater risk that fluctuations in the experience of the non-active participants or of the assets of the plan can result in large swings in the contribution requirements.

- Over the past ten years, the ratio of non-active participants (excluding non-vested members) to active participants has increased from a low of 0.86 to a high of 0.95. Currently the Plan has a non-active to active participant ratio of 0.95. For the prior year, benefits paid were \$52.3 million more than contributions received. As the Plan matures, more cash will be needed from the investment portfolio to meet benefit payments.
- As of July 1, 2021, the retired life actuarial accrued liability represents 58% of the total actuarial accrued liability. In addition, the actuarial accrued liability for inactive vested participants represents 3% of the total. The higher the non-active actuarial accrued liability as a percent of the total liability, the greater the danger of volatility in results.
- Benefits and administrative expenses less contributions totaled \$52.3 million for the year ending June 30, 2021, 1.6% of the market value of assets. The Plan is dependent upon investment returns in order to pay benefits.

## Section 2: Actuarial Valuation Results

### GFOA Solvency Test

The Actuarial Accrued Liability represents the present value of benefits earned, calculated using the Plan's actuarial cost method. The Actuarial Value of Assets reflects the financial resources available to liquidate the liability. The portion of the liability covered by assets reflects the extent to which accumulated plan assets are sufficient to pay future benefits, and is shown for liabilities associated with employee contributions, pensioner liabilities, and other liabilities. The Government Finance Officers Association (GFOA) recommends that the funding policy aim to achieve a funded ratio of 100 percent.

#### GFOA Solvency Test as of July 1

	2021	2020
Actuarial accrued liability (AAL)		
• Active member contributions	\$1,063,204,862	\$1,010,505,427
• Retirees and beneficiaries	2,515,161,131	2,397,641,558
• Active and inactive members (employer-financed)	<u>757,694,148</u>	<u>772,888,778</u>
Total	\$4,336,060,141	\$4,181,035,763
Actuarial value of assets	2,973,668,612	2,745,012,472
Cumulative portion of AAL covered		
• Active member contributions	100.00%	100.00%
• Retirees and beneficiaries	75.96%	72.34%
• Active and inactive members (employer-financed)	0.00%	0.00%

## Section 2: Actuarial Valuation Results

### Summary of Actuarial Valuation Results

	July 1, 2021	July 1, 2020
<b>A Determination of Actuarial Accrued Liability</b>		
<b>1 Active members</b>		
<b>(a)</b> Retirement benefits	\$2,506,316,651	\$2,418,945,676
<b>(b)</b> Disability benefits	39,282,622	36,661,343
<b>(c)</b> Death benefits	34,594,717	32,751,864
<b>(d)</b> Withdrawal benefits	<u>184,030,064</u>	<u>170,541,448</u>
<b>(e)</b> Total	\$2,764,224,054	\$2,658,900,331
<b>2 Inactive vested members</b>	117,782,340	111,740,262
<b>3 Inactive non-vested members</b>	13,514,649	11,808,849
<b>4 Retirees and beneficiaries</b>	<u>2,515,161,131</u>	<u>2,397,641,558</u>
<b>5 Actuarial Present Value of Projected Benefits: 1e + 2 + 3 + 4</b>	<b>\$5,410,682,174</b>	<b>\$5,180,091,000</b>
<b>6 Actuarial Present Value of Future Normal Costs, Active Members</b>		
<b>(a)</b> Retirement benefits	\$854,375,305	\$796,601,373
<b>(b)</b> Disability benefits	18,017,543	16,746,301
<b>(c)</b> Death benefits	15,668,738	14,654,361
<b>(d)</b> Withdrawal benefits	<u>186,560,447</u>	<u>171,053,202</u>
<b>(e)</b> Total	<b>\$1,074,622,033</b>	<b>\$999,055,237</b>
<b>7 Actuarial Accrued Liability: 5 – 6e</b>	<b><u>\$4,336,060,141</u></b>	<b><u>\$4,181,035,763</u></b>
<b>B Determination of Unfunded Actuarial Accrued Liability</b>		
<b>1 Actuarial accrued liability</b>	\$4,336,060,141	\$4,181,035,763
<b>2 Actuarial value of assets</b>	<u>2,973,668,612</u>	<u>2,745,012,472</u>
<b>3 Unfunded actuarial accrued liability: 1 – 2</b>	\$1,362,391,529	\$1,436,023,291

## Section 2: Actuarial Valuation Results

### Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current members is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the "liability" of the Plan.

Second, this liability is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

#### Actuarial Balance Sheet

	Year Ended	
	June 30, 2021	June 30, 2020
<b>Liabilities</b>		
• Present value of benefits for retired participants and beneficiaries	\$2,515,161,131	\$2,397,641,558
• Present value of benefits for inactive vested members	131,296,989	123,549,111
• Present value of benefits for active members	<u>2,764,224,054</u>	<u>2,658,900,331</u>
<b>Total liabilities</b>	<b>\$5,410,682,174</b>	<b>\$5,180,091,000</b>
<b>Assets</b>		
• Total valuation value of assets	\$2,973,668,612	\$2,745,012,472
• Present value of future contributions by members	1,104,009,700	1,031,310,123
• Present value of future employer contributions for:		
• Entry age cost	-29,387,667	-32,254,886
• Unfunded actuarial accrued liability	<u>1,362,391,529</u>	<u>1,436,023,291</u>
<b>Total of current and future assets</b>	<b><u>\$5,410,682,174</u></b>	<b><u>\$5,180,091,000</u></b>

## Section 2: Actuarial Valuation Results

### Determination of Contribution Sufficiency

		July 1, 2021		July 1, 2020	
A	Statutory Contributions	%Payroll	\$ Amount	%Payroll	\$ Amount
1	Member contributions	11.75%	\$93,143,425	11.75%	\$88,322,228
2	Employer contributions	12.75%	<u>101,070,525</u>	12.75%	<u>95,839,013</u>
3	Total	24.50%	<u>\$194,213,950</u>	24.50%	<u>\$184,161,241</u>
B	Actuarially Determined Contribution	% Payroll	\$ Amount	% Payroll	\$ Amount
1	Normal cost				
	(a) Retirement	9.41%	\$74,606,935	9.39%	\$70,564,720
	(b) Disability	0.19%	1,495,177	0.19%	1,406,563
	(c) Death	0.17%	1,337,422	0.17%	1,264,292
	(d) Deferred termination benefit and refunds	<u>1.88%</u>	<u>14,896,400</u>	<u>1.84%</u>	<u>13,852,664</u>
	(e) Total	<u>11.65%</u>	<u>\$92,335,934</u>	<u>11.59%</u>	<u>\$87,088,239</u>
	(f) Normal cost, adjusted for timing	12.06%	95,605,168	12.00%	90,171,673
2	Administrative expenses, adjusted for timing	0.35%	2,747,980	0.28%	2,149,860
3	<b>Gross normal cost including administrative expenses, adjusted for timing: 1f + 2</b>	<b>12.41%</b>	<b>\$98,353,148</b>	<b>12.28%</b>	<b>\$92,321,533</b>
4	Less member contribution rate	11.75%	93,143,425	11.75%	88,322,228
5	Employer normal cost rate: <b>3 – 4</b>	0.66%	5,209,723	0.53%	3,999,305
6	Unfunded actuarial accrued liability rate, adjusted for timing	11.71%	92,845,704	12.66%	95,149,716
7	Total: <b>5 + 6</b>	<u>12.37%</u>	<u>98,055,426</u>	<u>13.19%</u>	<u>99,149,022</u>
C	<b>Contribution Sufficiency / (Deficiency): A2 – B7</b>	<b>0.38%</b>	<b>\$3,015,098</b>	<b>-0.44%</b>	<b>-\$3,466,401</b>
	Projected annual payroll for fiscal year beginning on the valuation date		\$792,709,997		\$751,678,536

# Supplemental Information

## Membership Data

Membership data was provided on electronic files sent by the RIO staff. Data for active members includes sex, birth date, service, salary for the prior fiscal year, and accumulated contributions. Data for inactive members was similar, but also includes the members' unreduced benefit. For retired members, data includes status (service retiree, disabled retiree or beneficiary), sex, birth date, pension amount, date of retirement, form of payment, and beneficiary sex and birth date if applicable.

While not verifying the correctness of the data at the source, we performed various tests to ensure the internal consistency of the data and its overall reasonableness.

Membership statistics are summarized in Exhibit A. Exhibit B shows the age/service distribution of active members. Exhibit C-1 and Exhibit C-2 show the distribution of retirees by option and by benefit amount. Exhibit D shows a reconciliation of the member data from last year's valuation to this year's valuation.

The number of active members increased by 2.5% since last year, from 11,347 to 11,627. Note that normally the actual number of members employed during the year will be somewhat higher than the valuation count, since the July 1 count excludes most June and July retirees but does not include new teachers joining the system for the next school year.

Total payroll increased 5.4% since last year. For all comparative purposes, payroll is the amount supplied by the RIO staff (i.e., the 2020-2021 member pay), annualized. However, this figure is increased by one year's assumed pay increase to determine the member's rate of pay (and thus, total projected payroll) at July 1, 2021. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased by 2.9%, from \$62,663 to \$64,455. This change includes the impact of replacing more highly paid members who retire with new teachers. The average increase in salary for the 10,518 continuing members (members active in both this valuation and the preceding valuation) was 5.6%.

The average age of active members decreased from 41.8 to 41.4, and their average service decreased from 11.7 to 11.4 years.

## Section 3: Supplemental Information

The table below shows additional information about the active membership this year and last year. Tier 1 Grandfathered members are those who had 65 points (age plus years of service) as of June 30, 2013, or were at least age 55 and vested. Members who joined prior to June 30, 2008, and did not meet these criteria are considered Tier 1 Non-grandfathered members. Tier 2 members are those hired or rehired after June 30, 2008. All new members in future years will enter as Tier 2 members, so the number will increase over time. The Tier 1 Grandfathered and Non-grandfathered population will decrease each year as members leave due to retirement, termination, death, and disability.

### Active Statistics

Category	July 1, 2021	July 1, 2020
<b>Plan Eligibility:</b>		
• Tier 1 Grandfathered	1,089	1,396
• Tier 1 Non-grandfathered	3,058	3,098
• Tier 2	<u>7,480</u>	<u>6,853</u>
• <b>Total</b>	<b>11,627</b>	<b>11,347</b>
<b>Benefit Eligibility:</b>		
• Non-Vested	3,321	3,131
• Vested	6,698	6,502
• Early Retirement	833	853
• Normal Retirement	<u>775</u>	<u>861</u>
• <b>Total</b>	<b>11,627</b>	<b>11,347</b>

In addition, this table shows the number of members who are non-vested, those who are vested but not eligible for retirement, those who are eligible only for an early retirement (reduced) benefit, and those eligible for a normal (unreduced) benefit. As of the valuation date, 1,608 members were eligible for either reduced or unreduced retirement, a decrease over last year's figure of 1,714.

## Section 3: Supplemental Information

### Exhibit A: Table of Plan Coverage

Category	July 1, 2021	July 1, 2020	Change From Prior Year
<b>Active members:</b>			
• Males	2,830	2,783	1.69%
• Females	8,797	8,564	2.72%
• Total number	11,627	11,347	2.47%
• Total payroll supplied by System, annualized	\$749,414,372	\$711,039,756	5.40%
• Average salary	\$64,455	\$62,663	2.86%
• Average age	41.4	41.8	-0.4
• Average service	11.4	11.7	-0.3
• Total contributions with interest	\$1,063,204,862	\$1,010,505,427	5.22%
• Average contribution with interest	\$91,443	\$89,055	2.68%
<b>Vested inactive members:</b>			
• Number	1,754	1,715	2.27%
• Total annual deferred benefits	\$14,619,290	\$13,923,998	4.99%
• Average annual deferred benefit	\$8,335	\$8,119	2.66%
• Average age	48.8	49.0	-0.2
<b>Non-vested inactive members:</b>			
• Number	1,213	1,132	7.16%
• Employee contributions with interest due	\$9,588,878	\$8,576,760	11.80%
• Average refund due	\$7,905	\$7,577	4.33%
• Average age	38.1	37.8	0.3
<b>Service retirees:</b>			
• Number	8,290	8,091	2.46%
• Total annual benefit	\$225,900,862	\$214,660,731	5.24%
• Average annual benefit	\$27,250	\$26,531	2.71%
• Average age	72.5	72.3	0.2
<b>Disabled retirees:</b>			
• Number	125	127	-1.57%
• Total annual benefit	\$1,882,094	\$1,931,238	-2.54%
• Average annual benefit	\$15,057	\$15,207	-0.99%
• Average age	65.8	65.0	0.8
<b>Beneficiaries:</b>			
• Number	847	818	3.55%
• Total annual benefit	\$13,641,912	\$12,801,691	6.56%
• Average annual benefit	\$16,106	\$15,650	2.91%
• Average age	76.6	76.4	0.2



## Section 3: Supplemental Information

### Exhibit B: Members in Active Service as of June 30, 2021 by Age, Years of Service, and Average Compensation

Age	Total	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	524	524	0	0	0	0	0	0	0	0
	\$42,969	\$42,969	0	0	0	0	0	0	0	0
25 - 29	1,691	1,218	473	0	0	0	0	0	0	0
	50,705	49,294	\$54,337	0	0	0	0	0	0	0
30 - 34	1,776	467	1,030	279	0	0	0	0	0	0
	56,552	50,044	57,982	\$62,164	0	0	0	0	0	0
35 - 39	1,759	334	487	748	190	0	0	0	0	0
	62,993	52,188	60,950	67,035	\$71,309	0	0	0	0	0
40 - 44	1,520	254	293	324	508	140	1	0	0	0
	69,258	54,231	64,260	70,876	76,212	\$78,022	\$66,378	0	0	0
45 - 49	1,337	176	205	184	243	428	100	1	0	0
	72,803	55,247	64,947	71,795	75,531	80,381	82,629	\$70,106	0	0
50 - 54	1,367	159	155	125	155	266	382	124	1	0
	76,228	61,263	68,061	70,726	75,498	80,268	82,499	84,194	\$63,967	0
55 - 59	947	93	119	80	107	131	151	216	49	1
	76,058	60,724	68,778	68,492	72,345	76,526	82,857	84,870	82,042	\$86,212
60 - 64	554	67	84	54	69	65	47	53	82	33
	73,230	59,763	69,153	62,923	72,069	78,823	78,041	78,609	83,298	78,720
65 - 69	125	27	26	6	11	18	7	6	5	19
	68,763	52,527	63,929	65,344	68,940	73,251	74,377	76,413	104,365	81,321
70 & over	27	6	6	3	5	2	0	1	1	3
	70,828	61,202	85,222	55,028	68,487	62,934	0	72,024	80,347	82,681
Total	11,627	3,325	2,878	1,803	1,288	1,050	688	401	138	56
	\$64,455	\$50,536	\$60,446	\$67,629	\$74,639	\$79,305	\$82,186	\$83,638	\$83,454	\$79,948

## Section 3: Supplemental Information

### Exhibit C.1: Schedule of Annuitants by Type of Benefit as of July 1, 2021

Type of Benefits/Form of Payment	Number	Annual Benefits Amount	Average Monthly Benefits
<b>Service:</b>			
• Straight Life	3,017	\$72,948,337	\$2,015
• 100% J&S	3,712	112,999,427	2,537
• 50% J&S	730	21,480,032	2,452
• 5 Years C&L	12	201,980	1,403
• 10 Years C&L	162	3,735,611	1,922
• 20 Years C&L	166	4,773,678	2,396
• Level	491	9,761,797	1,657
Subtotal:	8,290	\$225,900,862	\$2,271
<b>Disability:</b>			
• Straight Life	94	\$1,434,953	\$1,272
• 100% J&S	21	307,330	1,220
• 50% J&S	7	105,643	1,258
• 5 Years C&L	1	6,254	521.2
• 10 Years C&L	0	0	0
• 20 Years C&L	2	27,913	1,163
• Level	0	0	0
Subtotal:	125	\$1,882,094	\$1,255
<b>Beneficiaries:</b>			
• Straight Life	777	\$13,081,099	\$1,403
• 10 Years Certain	10	119,671	997
• 20 Years Certain	29	186,433	536
• QDRO Alternate Payee	31	254,709	685
Subtotal:	847	\$13,641,912	\$1,342
<b>Total:</b>	<b>9,262</b>	<b>\$241,424,868</b>	<b>\$2,172</b>

## Section 3: Supplemental Information

### Exhibit C.2: Schedule of Annuitants by Monthly Benefit as of July 1, 2021

Monthly Benefit Amount	Number of Members	Female	Male	Average Service
Under \$200	270	200	70	5.89
200 - 399	446	326	120	10.75
400 - 599	413	317	96	14.53
600 - 799	398	291	107	18.02
800 - 999	375	276	99	20.32
1,000 - 1,199	490	365	125	24.35
1,200 - 1,399	468	324	144	25.99
1,400 - 1,599	527	359	168	27.59
1,600 - 1,799	600	415	185	28.15
1,800 - 1,999	606	426	180	29.25
2,000 - 2,199	576	413	163	29.23
2,200 - 2,399	555	379	176	29.86
2,400 - 2,599	457	321	136	30.74
2,600 - 2,799	415	294	121	31.28
2,800 - 2,999	414	273	141	32.04
3,000 - 3,199	365	262	103	32.44
3,200 - 3,399	331	226	105	33.52
3,400 - 3,599	279	185	94	33.01
3,600 - 3,799	239	158	81	34.33
3,800 - 3,999	190	133	57	34.16
4,000 & over	<u>848</u>	<u>477</u>	<u>371</u>	36.15
<b>Total:</b>	<b>9,262</b>	<b>6,420</b>	<b>2,842</b>	<b>27.17</b>

## Section 3: Supplemental Information

### Exhibit D: Reconciliation of Member Data

	Active Members	Vested Terminated Members	Non-Vested Terminated Members	Service Retirees	Disabled Retirees	Beneficiaries	Total
A. Number as of July 1, 2020	11,347	1,715	1,132	8,091	127	818	23,230
B. Additions and new hires	1,000	0	0	0	0	0	1,000
C. Participant movement							
1. Retirement	-332	-69	0	401	0	0	0
2. Disability	-4	-1	0	0	5	0	0
3. Died with beneficiary	-4	-1	0	-62	-2	71*	2
4. Died without beneficiary	-3	-1	0	-138	-5	-43	-190
5. Terminated vested	-187	187	0	0	0	0	0
6. Terminated non-vested	-177	0	177	0	0	0	0
7. Refunds	-120	-26	-46	0	0	0	-192
8. Rehired as active	109	-53	-52	-4	0	0	0
9. Expired benefits	0	0	0	0	0	0	0
10. New alternate payee	0	0	0	0	0	2	2
11. Data corrections	-2	3	2	2	0	-1	4
D. Net change	280	39	81	199	-2	29	626
E. Number as of July 1, 2021	11,627	1,754	1,213	8,290	125	847	23,856

\*Includes additional beneficiaries of deceased participants with more than one beneficiary

## Section 3: Supplemental Information

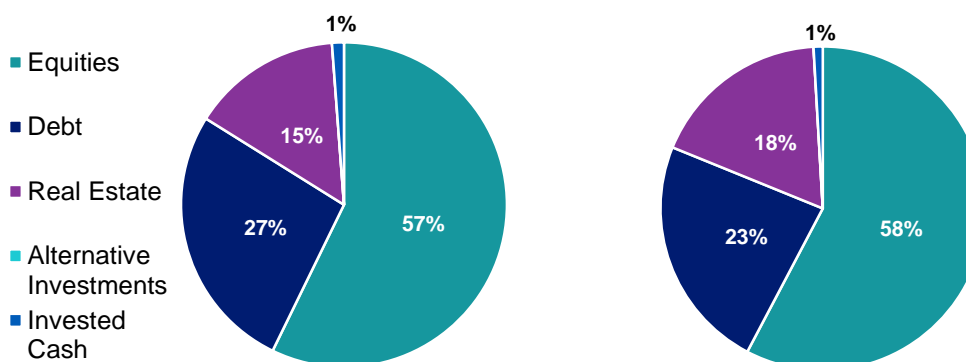
### Exhibit E: Summary Statement of Income and Expenses on a Market Value Basis

	Year Ended June 30, 2021	Year Ended June 30, 2020
Net assets at market value at the beginning of the year	\$2,650,532,301	\$2,616,171,056
<b>Contribution income:</b>		
• Employer contributions	\$98,264,202	\$93,032,453
• Employee contributions	90,557,210	85,735,134
• Other contributions	2,685,233	2,334,180
• Less administrative expenses	<u>-2,678,375</u>	<u>-2,095,405</u>
<i>Net contribution income</i>	<i>\$188,828,270</i>	<i>\$179,006,362</i>
Other income	\$0	\$0
<b>Investment income:</b>		
• Interest, dividends and other income	\$52,091,317	\$54,800,603
• Asset appreciation	640,469,814	37,928,921
• Less investment fees	<u>-8,388,601</u>	<u>-6,523,407</u>
<i>Net investment income</i>	<i><u>\$684,172,530</u></i>	<i><u>\$86,206,117</u></i>
<b>Total income available for benefits</b>	<b>\$873,000,800</b>	<b>\$265,212,479</b>
<b>Less benefit payments:</b>		
• Refunds	-\$5,923,187	-\$6,489,704
• Regular benefits	-234,211,585	-223,936,233
• Partial lump sum	<u>-993,499</u>	<u>-425,297</u>
<i>Net benefit payments</i>	<i>-\$241,128,271</i>	<i>-\$230,851,234</i>
<b>Change in reserve for future benefits</b>	<b>\$631,872,529</b>	<b>\$34,361,245</b>
<b>Net assets at market value at the end of the year</b>	<b>\$3,282,424,830</b>	<b>\$2,650,532,301</b>

## Section 3: Supplemental Information

### Exhibit F: Summary Statement of Plan Assets

	June 30, 2021	June 30, 2020
Cash equivalents	\$25,622,063	\$21,063,359
Total accounts receivable	40,863,972	34,183,828
<b>Investments:</b>		
• Equities	\$1,843,851,776	\$1,500,306,819
• Debt	859,935,213	609,737,594
• Real Assets	480,647,867	466,252,190
• Invested Cash	<u>38,081,928</u>	<u>23,710,131</u>
Total investments at market value	<u>\$3,222,516,784</u>	<u>\$2,600,006,734</u>
Total assets	\$3,289,002,819	\$2,655,253,921
Total accounts payable	-6,597,989	-4,721,620
<b>Net assets at market value</b>	<b>\$3,282,404,830</b>	<b>\$2,650,532,301</b>
<b>Net assets at actuarial value</b>	<b>\$2,973,668,612</b>	<b>\$2,745,012,472</b>



## Section 3: Supplemental Information

### Exhibit G: Development of the Fund through June 30, 2021

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return	Admin. Expenses	Benefit Payments	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2012	\$46,126,193	\$40,254,562	\$2,427,849	-\$23,108,500	\$1,600,000	\$137,729,762	\$1,654,149,659	\$1,748,080,771	105.7%
2013	59,352,860	53,824,557	2,671,931	218,581,671	1,600,000	148,996,718	1,839,583,960	1,762,321,644	95.8%
2014	62,355,146	56,554,767	2,082,055	292,660,404	1,600,000	162,259,276	2,090,977,056	1,940,473,504	92.8%
2015	78,422,098	72,268,451	1,773,213	73,204,806	1,923,392	172,239,433	2,141,920,800	2,125,017,451	99.2%
2016	82,839,932	76,342,685	2,813,211	8,238,996	1,851,656	185,968,680	2,124,335,288	2,229,292,988	104.9%
2017	86,058,868	79,309,153	2,789,090	266,688,651	2,173,431	196,516,544	2,360,491,075	2,379,811,205	100.8%
2018	86,675,715	79,877,611	2,375,134	211,345,369	2,128,794	207,978,699	2,530,657,411	2,526,058,269	99.8%
2019	89,444,880	82,429,595	2,075,500	135,043,319	2,251,083	221,228,566	2,616,171,056	2,635,557,447	100.7%
2020	93,032,453	85,735,134	2,334,180	86,206,117	2,095,405	230,851,234	2,650,532,301	2,745,012,472	103.6%
2021	98,264,202	90,557,210	2,685,233	684,172,530	2,678,375	241,128,271	3,282,404,830	2,973,668,612	90.6%

## Section 3: Supplemental Information

### Exhibit H: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

<b>Actuarial Accrued Liability for Actives:</b>	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
<b>Actuarial Accrued Liability for Pensioners and Beneficiaries:</b>	Actuarial Present Value of lifetime benefits to existing pensioners and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
<b>Actuarial Cost Method:</b>	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution.
<b>Actuarial Gain or Loss:</b>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
<b>Actuarially Equivalent:</b>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<b>Actuarial Present Value (APV):</b>	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is: Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and Discounted according to an assumed rate (or rates) of return to reflect the time value of money.
<b>Actuarial Present Value of Future Benefits:</b>	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The



## Section 3: Supplemental Information

	Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<b>Actuarial Valuation:</b>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions.
<b>Actuarial Value of Assets (AVA):</b>	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution.
<b>Actuarially Determined:</b>	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
<b>Actuarially Determined Contribution (ADC):</b>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
<b>Amortization Method:</b>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
<b>Amortization Payment:</b>	The portion of the pension plan contribution, or ADC, that is intended to pay off the Unfunded Actuarial Accrued Liability.
<b>Assumptions or Actuarial Assumptions:</b>	The estimates upon which the cost of the Plan is calculated, including: <u>Investment return</u> - the rate of investment yield that the Plan will earn over the long-term future; <u>Mortality rates</u> - the rate or probability of death at a given age for employees and pensioners; <u>Retirement rates</u> - the rate or probability of retirement at a given age or service; <u>Disability rates</u> - the rate or probability of disability retirement at a given age;

## Section 3: Supplemental Information

	<p><u>Withdrawal rates</u> - the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;</p> <p><u>Salary increase rates</u> - the rates of salary increase due to inflation, real wage growth and merit and promotion increases.</p>
<b>Closed Amortization Period:</b>	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period.
<b>Decrements:</b>	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
<b>Defined Benefit Plan:</b>	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
<b>Defined Contribution Plan:</b>	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
<b>Employer Normal Cost:</b>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<b>Experience Study:</b>	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
<b>Funded Ratio:</b>	The ratio of the Actuarial Value of Assets (AVA) to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA.
<b>Funding Period or Amortization Period:</b>	The term "Funding Period" is used in two ways. First, it is the period used in calculating the Amortization Payment as a component of the ADC. Second, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e. pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.
<b>GASB 67 and GASB 68:</b>	Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.

## Section 3: Supplemental Information

<b>Investment Return:</b>	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
<b>Margin:</b>	The difference, whether positive or negative, between the statutory employer contribution rate and the Actuarial Determined Contribution (ADC).
<b>Net Pension Liability (NPL):</b>	The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position.
<b>Normal Cost:</b>	The portion of the Actuarial Present Value of Future Benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated.
<b>Open Amortization Period:</b>	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period.
<b>Plan Fiduciary Net Position:</b>	Market value of assets.
<b>Real Rate of Return:</b>	Nominal rate of return on investments, adjusted for inflation.
<b>Total Pension Liability (TPL):</b>	The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
<b>Unfunded Actuarial Accrued Liability:</b>	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability.
<b>Valuation Date or Actuarial Valuation Date:</b>	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

# Actuarial Valuation Basis

## Exhibit I: Actuarial Assumptions and Actuarial Cost Method

**Investment Return Rate:** 7.25% per annum, compounded annually, equal to an assumed 2.30% inflation rate plus a 5.18% real rate of return, less 0.23% for adverse deviation. (Adopted effective July 1, 2020).

**Mortality Rates:** The mortality rates were based on historical and current demographic data, as used in the experience study dated March 19, 2020. The underlying tables reasonably reflect the mortality experience of the Fund as of the measurement date.

**Post-Retirement Non-Disabled:** 104% of the Pub T-2010 Retiree Table and 95% of the Pub T-2010 Contingent Survivor Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020). Sample 2010 rates are as follows:

Age	Retiree Rates		Survivor Rates	
	Male	Female	Male	Female
55	0.23%	0.20%	0.78%	0.42%
60	0.37%	0.30%	0.96%	0.59%
65	0.62%	0.46%	1.31%	0.85%
70	1.11%	0.80%	2.02%	1.29%
75	2.11%	1.52%	3.21%	2.04%
80	4.00%	2.93%	5.09%	3.39%
85	7.53%	5.60%	8.31%	6.00%
90	13.79%	10.49%	13.70%	10.76%
95	23.21%	18.75%	21.66%	17.66%
100	33.91%	29.29%	30.98%	26.75%

The mortality tables are adjusted forward from 2010 using a generational projection to reflect future mortality improvement.

**Post-Retirement Disabled:** PubNS-2010 Non-Safety Disabled Mortality Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020).

**Pre-Retirement Non-Disabled:** Pub T-2010 Employee Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020).

## Section 4: Actuarial Valuation Basis

### Retirement Rates:

The following rates of retirement are assumed for members eligible to retire. (Adopted effective July 1, 2020).

Age	Unreduced Retirement*		Reduced Retirement
	Male	Female	Unisex
50-54	15.0%	15.0%	2.0%
55-56	15.0%	15.0%	2.0%
57	15.0%	15.0%	3.0%
58	15.0%	15.0%	3.5%
59	15.0%	15.0%	4.0%
60	15.0%	15.0%	5.0%
61	30.0%	25.0%	9.0%
62	30.0%	30.0%	10.0%
63	25.0%	30.0%	11.0%
64	35.0%	40.0%	12.0%
65	30.0%	35.0%	
66	25.0%	30.0%	
67	25.0%	20.0%	
68-74	20.0%	20.0%	
75	100.0%	100.0%	

\* If a member reaches eligibility for unreduced retirement before age 65 under the rule of 85 (Grandfathered Tier 1) or the Rule of 90/Age 60 (Non-grandfathered Tier 1 and Tier 2), 12.5% is added to the rate at the age (and only this age) the member becomes first eligible for an unreduced retirement benefit.

## Section 4: Actuarial Valuation Basis

### Disability Rates:

Shown below for selected ages. (Adopted effective July 1, 2020).

Age	Unisex
20	0.0088%
25	0.0088%
30	0.0088%
35	0.0088%
40	0.0264%
45	0.0440%
50	0.0704%
55	0.1232%
60	0.2376%

### Termination Rates:

Termination rates based on years of service, for causes other than death, disability, or retirement. (Adopted effective July 1, 2020).

Years from Hire	Male	Female	Years from Hire	Male	Female
0	15.00%	15.00%	10	2.50%	2.75%
1	13.00%	11.00%	11-12	2.00%	2.50%
2	11.00%	9.50%	13	2.00%	2.25%
3	8.00%	7.50%	14	1.50%	2.25%
4	6.00%	6.00%	15-16	1.50%	1.75%
5	5.25%	5.50%	17-18	1.50%	1.50%
6	4.00%	4.50%	19-22	0.75%	1.25%
7	3.75%	4.00%	23-24	0.75%	1.00%
8	3.00%	2.75%	24+	0.75%	0.75%
9	2.50%	2.75%			

Termination rates eliminated at first retirement eligibility.

## Section 4: Actuarial Valuation Basis

### Salary Increase Rates:

Inflation rate of 2.30% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted effective July 1, 2020).

Years from Hire	Annual Step-Rate Promotional Component	Annual Total Salary Increase
0	11.00%	14.80%
1	3.00%	6.80%
2	2.75%	6.55%
3-4	2.50%	6.30%
5-6	2.00%	5.80%
7-8	1.75%	5.55%
9-11	1.50%	5.30%
12-13	1.25%	5.05%
14-15	1.00%	4.80%
16-18	0.75%	4.55%
19-22	0.50%	4.30%
23-29	0.25%	4.05%
30+	0.00%	3.80%

### Payroll Growth Rate:

3.25% per annum. This assumption does not include any allowances for future increase in the number of members. (Adopted effective July 1, 2010).

### Percent Married:

For valuation purposes, 75% of members are assumed to be married. Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. (Adopted effective July 1, 1992).

### Percent Electing a Deferred Termination Benefit:

Terminating members are assumed to elect the most valuable benefit at the time of termination. Termination benefits are assumed to commence at the first age at which unreduced benefits are available. (Adopted effective July 1, 1990).

### Loading Factor for New Retirees:

The liability includes a 3% load for members who retired during the year ended June 30, 2020, to reflect that their benefits are not finalized as of the valuation date.

## Section 4: Actuarial Valuation Basis

<b>Annual Administrative Expenses:</b>	Annual administrative expenses of \$2,739,978 (actual expenses for the previous year, increased with inflation) are expected to be paid monthly for the year beginning July 1, 2021.
<b>Asset Valuation Method:</b>	The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (or less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The actual investment return for this purpose is determined net of all investment expenses. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<b>Actuarial Cost Method</b>	Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary. Entry age is determined as the age at member's enrollment in TFFR. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets.
<b>Amortization Period and Method:</b>	The actuarially determined contribution (ADC) is determined as the sum of (a) the employer normal cost rate, and (b) a level percentage of payroll required to amortize the unfunded actuarial accrued liability over the 30-year closed period that began July 1, 2013.



## Section 4: Actuarial Valuation Basis

### Exhibit II: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

<b>Effective Date:</b>	July 1, 1971															
<b>Plan Year:</b>	July 1 through June 30															
<b>Administration</b>	The Teachers' Fund for Retirement (TFFR) is administrated by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although TFFR's Board establishes the asset allocation policy. The Retirement and Investment Office is the administrative agency for TFFR.															
<b>Type of Plan:</b>	TFFR is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple-employer public employee retirement system.															
<b>Eligibility:</b>	All certified teachers of any public school in the State participate in TFFR. This includes teachers, supervisors, principals, administrators, etc. Non-certified employees such as teacher's aides, janitors, secretaries, drivers, etc. are not allowed to participate in TFFR. Eligible employees become members at their date of employment.															
<b>Member Contributions:</b>	All active members contribute 11.75% of their salary per year. The employer may "pick up" the member's contribution under the provisions of Internal Revenue Code Section 414(h). The member contribution rate was increased from 7.75% to 9.75% effective July 1, 2012, and was increased to 11.75% effective July 1, 2014. The total addition of 4.00% to the member contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75%.															
<b>Salary:</b>	A member's total earnings are used for salary purposes, including overtime, etc., and including nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick and vacation leave.															
<b>Employer Contributions:</b>	<p>The district or other employer that employs a member contributes a percentage of the member's salary. This percentage consists of a base percentage of 7.75%, plus since July 1, 2008 additions as shown below.</p> <table border="1"> <thead> <tr> <th>Effective Date</th> <th>Addition to 7.75% Base Rate</th> <th>Employer Contribution Rate</th> </tr> </thead> <tbody> <tr> <td>July 1, 2008</td> <td>0.50%</td> <td>8.25%</td> </tr> <tr> <td>July 1, 2010</td> <td>1.00%</td> <td>8.75%</td> </tr> <tr> <td>July 1, 2012</td> <td>3.00%</td> <td>10.75%</td> </tr> <tr> <td>July 1, 2014</td> <td>5.00%</td> <td>12.75%</td> </tr> </tbody> </table> <p>However, the additions are subject to a "sunset" provision, so the contribution rate will revert to 7.75% once the funded ratio reaches 100%, measure using the actuarial value of assets. The contribution rate will not automatically increase if the funded ratio later falls back below 100%.</p>	Effective Date	Addition to 7.75% Base Rate	Employer Contribution Rate	July 1, 2008	0.50%	8.25%	July 1, 2010	1.00%	8.75%	July 1, 2012	3.00%	10.75%	July 1, 2014	5.00%	12.75%
Effective Date	Addition to 7.75% Base Rate	Employer Contribution Rate														
July 1, 2008	0.50%	8.25%														
July 1, 2010	1.00%	8.75%														
July 1, 2012	3.00%	10.75%														
July 1, 2014	5.00%	12.75%														

## Section 4: Actuarial Valuation Basis

<b>Service:</b>	Employees receive credit for service while a member. A member may also purchase credit for certain periods, such as time spent teaching at a public school in another state, by paying the actuarially determined cost of the additional service. Special rules and limits govern the purchase of additional service.
<b>Tiers:</b>	Members who join TFFR by June 30, 2008 are in Tier 1, while members who join later are in Tier 2. If a Tier 1 member terminates, takes a refund, and later rejoins TFFR after June 30, 2008, that member will be in Tier 2. As of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, are considered Grandfathered, and previous plan provisions will not change. Tier 1 members who do not fit these criteria as of June 30, 2013, are considered Non-grandfathered. These members, along with Tier 2, have new plan provisions, as described below.
<b>Final Average Compensation (FAC):</b>	The average of the member's highest three (Tier 1 members) or five (Tier 2 members) plan year salaries. Monthly benefits are based on one-twelfth of this amount.
<b>Normal Retirement:</b>	<p>a. Eligibility:</p> <ul style="list-style-type: none"> <li>• Tier 1 members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 85. Effective as of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, normal retirement eligibility will not change (participants are Grandfathered). For those who did not meet these criteria as of June 30, 2013 (Non-grandfathered), members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.</li> <li>• Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90. Effective July 1, 2013, Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.</li> </ul> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service.</p> <p>c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's contributions plus interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.</p>
<b>Early Retirement:</b>	<p>a. Eligibility: Tier 1 members may retire early after reaching age 55 with credit for three years of service, while Tier 2 members may retire early after reaching age 55 with credit for five years of service.</p> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service, multiplied by a factor that reduces the benefit 6% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 85 (Tier 1 members) or 90 (Tier 2 members). Effective July 1, 2013 for members who are either Non-grandfathered Tier 1 or Tier 2: 2.00% of FAC (monthly) times years of service, multiplied by a factor</p>

## Section 4: Actuarial Valuation Basis

	<p>that reduces the benefit 8% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 90 with a minimum age of 60.</p> <p>c. Payment Form: Same as for Normal Retirement above.</p>
<b>Disability:</b>	<p>a. Eligibility: A member is eligible provided he/she has credit for at least one year of service. Effective July 1, 2013, a member is eligible provided he/she has credit for at least five years of service.</p> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service. Effective July 1, 2013, 2.00% of FAC (monthly) times years of service.</p> <p>c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's contributions plus interest as of the date of retirement that is in excess of the sum of payments already received will be paid in a lump sum to the member's beneficiary.</p> <p>d. All alternative forms of payment other than level income and the partial lump-sum option are also permitted in the case of disability retirement. For basis recovery only, disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.</p>
<b>Deferred Termination Benefit:</b>	<p>a. Eligibility: A Tier 1 member with at least three years of service, or a Tier 2 member with at least five years of service, who does not withdraw his/her contributions from the fund, is eligible for a deferred termination benefit.</p> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the sum of the member's age and service is 85 (Grandfathered Tier 1 members) or 90 with a minimum age of 60 (Non-grandfathered Tier 1 and Tier 2 members). Reduced benefits may commence at or after age 55 if the member is not eligible for an unreduced benefit. Reductions are the same as for Early Retirement.</p> <p>c. Payment Form: The form of payment is the same as for Normal Retirement above.</p> <p>d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below.</p>
<b>Withdrawal (Refund) Benefit:</b>	<p>a. Eligibility: Tier 1 members leaving covered employment with less than three years of service, and Tier 2 members leaving covered employment with less than five years of service, are eligible. Optionally, vested members may withdraw their contributions plus interest in lieu of the deferred benefits otherwise due.</p> <p>b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus the interest credited on these contributions. Interest is credited at 6% per year prior to benefit commencement (0.5% per month).</p>
<b>Death Benefit:</b>	<p>a. Eligibility: Death must have occurred while an active or an inactive, non-retired member.</p> <p>b. Benefit: Upon the death of a nonvested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect (i) the refund benefit above, or (ii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. In determining</p>

## Section 4: Actuarial Valuation Basis

	the reduction for Option One, members not eligible for normal retirement benefits use the Fund's option tables for disabled members.
<b>Optional Forms of Payment:</b>	<p>There are optional forms of payment available on an actuarially equivalent basis, as follows:</p> <p>Option 1 - A life annuity payable while either the participant or his beneficiary is alive, "popping-up" to the original life annuity if the beneficiary predeceases the member.</p> <p>Option 2 - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary, and "popping-up" to the original life annuity if the beneficiary predeceases the member.</p> <p>Option 3a - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)</p> <p>Option 3b - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 240 payments (twenty years), the payments will be continued to a beneficiary for the balance of the twenty-year period. (This option replaced Option 3a effective August 1, 2003.)</p> <p>Option 4 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 120 payments (10 years), the payments will be continued to a beneficiary for the balance of the ten-year period.</p> <p>Option 5 - A non-level annuity payable to the member, designed to provide a level total income when combined with the member's Social Security benefit. This option is not available to disabled retirees.</p> <p>In addition, members may elect a partial lump-sum option (PLSO) at retirement. Under this option, a member receives an immediate lump sum equal to 12 times the monthly life annuity benefit and a reduced annuity. The reduction is determined actuarially. The member can then elect to receive the annuity benefit in one of the other optional forms, except that members who receive a PLSO may not elect Option 5 – the level income option. The PLSO is not available to disabled retirees or retirees who are not eligible for an unreduced retirement benefit.</p> <p>Actuarial equivalence is based on tables adopted by the Board of Trustees.</p>
<b>Cost-of-living Increase:</b>	From time to time, TFFR has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

## Section 4: Actuarial Valuation Basis

### Exhibit III: Summary of Plan Changes

#### **1991 Legislative Sessions:**

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.
2. Provide a post retirement benefit increases for all annuitants receiving a monthly benefit on June 30, 1991. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:
  - a. \$3 per year of service for retirements before 1980
  - b. \$2 per year of service for retirements between 1980 and 1983
  - c. \$1 per year of service for retirements from 1984 through June 30, 1991

Minimum increase is \$5 per month. Maximum increase is \$75 per month

#### **1993 Legislative Session:**

1. Benefit multiplier increased from 1.39% to 1.55% for all future retirees.
2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1993. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:
  - a. \$3 per year of service for retirements before 1980
  - b. \$2.50 per year of service for retirements between 1980 and 1983
  - c. \$1 per year of service for retirements from 1984 through June 30, 1993

Minimum increase is \$5 per month. Maximum increase is \$100 per month.

3. Minimum retirement benefit increased to \$10 times years of service up to 25, plus \$15 times years of service greater than 25. (Previously was \$6 up to 25 years of service plus \$7.50 over 25 years of service.)
4. Disability benefit changed to 1.55% of FAC times years of service using a minimum of 20 years of service.

#### **1995 Legislative Session:**

There were no material changes made during the 1995 legislative session.

#### **1997 Legislative Session:**

1. Benefit multiplier increased from 1.55% to 1.75% for all future retirees.
2. Member contribution rate and employer contribution rate increased from 6.75% to 7.75%.
3. A \$30.00/month benefit improvement was granted to all retirees and beneficiaries.

## Section 4: Actuarial Valuation Basis

### **1999 Legislative Session:**

1. Active members will now be fully vested after three years (rather than five years) of service.
2. Early retirement benefits will be reduced 6% per year from the earlier of (i) age 65, or (ii) the date as of which age plus service equals 85 (rather than from age 65 in all cases).
3. An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional \$2.00 per month for each year of service plus \$1.00 per month for each year since the member's retirement.
4. The formula multiplier was increased from 1.75% to 1.88% effective July 1, 1999.

### **2001 Legislative Session:**

1. An ad hoc COLA was provided for all retirees and beneficiaries. The ad hoc COLA increase is equal to an additional \$2.00 per month for each year of service plus \$1.00 per month for each year since the member's retirement. Retirees and beneficiaries will also receive two additional increases equal to 0.75% times the monthly benefit, payable July 1, 2001 and July 1, 2002. The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase.
2. The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

### **2003 Legislative Session:**

1. Partial lump-sum option adopted, equal to twelve times the monthly life annuity benefit. Not available if level-income option is elected. Not available for reduced retirement or disability retirement.
2. Five-year certain and life option replaced with 20-year certain and life. This does not impact retirees who retired under the five-years certain and life option.
3. Employer service purchase authorized.
4. Active members of the Department of Public Instruction are permitted to make a one-time irrevocable election to transfer to the State Public Employees Retirement System in FY 2004. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be based on the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance if larger.

### **2005 Legislative Session:**

There were no material changes made during the 2005 legislative sessions.

## Section 4: Actuarial Valuation Basis

### **2007 Legislative Session:**

1. For active members hired on or after July 1, 2008 (called Tier 2 members):
  - a. Members will be eligible for an unreduced retirement benefit when they reach age 65 with at least five years of service (rather than three years of service); or if earlier, when the sum of the member's age and service is at least 90 (rather than 85).
  - b. Members will be eligible for a reduced (early) retirement benefit when they reach age 55 with five years of service, rather than three years of service.
  - c. Members will be fully vested after five years of service (rather than three year of service).
  - d. The Final Average Compensation for Tier 2 members is the average of the member's highest five plan year salaries, rather than the average of the three highest salaries.
2. The employer contribution rate increases from 7.75% to 8.25% effective July 1, 2008, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.25%.)
3. Employer contributions are required on the salary of reemployed retirees.
4. Active members of the Department of Career and Technical Education are permitted to make a one-time irrevocable election to transfer to the State Public Employees Retirement System in FY 2008. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance, if larger.

### **2009 Legislative Session:**

1. An individual who retired before January 1, 2009, and is receiving monthly benefits is entitled to receive a supplemental payment from the fund. The supplemental payment is equal to an amount determined by taking twenty dollars multiplied by the member's number of years of service credit plus fifteen dollars multiplied by the number of years since the member's retirement as of January 1, 2009. The supplemental payment may not exceed the greater of 10% of the member's annual annuity or \$750.00. TFFR will make the supplemental payment in December 2009.
2. The employer contribution rate increases from 8.25% to 8.75% effective July 1, 2010, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.75%.)

## Section 4: Actuarial Valuation Basis

### **2011 Legislative Session:**

1. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.
2. For current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR the sum of the member's age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who will not meet this criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.
3. Eligibility for normal/ unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, unreduced retirement benefits start when the member reaches age 65 and is vested (3 years for Tier 1 Non-grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.
4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65 OR the age at which the sum of the member's age and service is at least 90, with a minimum age of 60.
5. Effective after June 30, 2013, all members may retire on disability after a period of at least five years of service (rather one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of twenty years of service in the current calculation).
6. Effective July 1, 2012, re-employed retirees are required to pay member contributions.
7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

### **2013 Legislative Session:**

1. Employer and member contribution rates will be reset to 7.75% once the Fund reaches a 100% funded ratio (rather than the 90% funded ratio enacted with the 2011 Legislation), measured using the actuarial value of assets.
2. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

### **2015 Legislative Session:**

1. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

### **2017 Legislative Session:**

There were no material changes made during the 2017 legislative sessions.

### **2019 Legislative Session:**

There were no material changes made during the 2019 legislative sessions.

### **2021 Legislative Session:**

There were no material changes made during the 2021 legislative sessions.



# GASB Information

## Exhibit 1: Net Pension Liability

The components of the net pension liability at July 1, 2021, and July 1, 2020, were as follows:

	July 1, 2021	July 1, 2020
Total pension liability	\$4,336,060,141	\$4,181,035,763
Plan fiduciary net position	<u>(3,282,404,830)</u>	<u>(2,650,532,301)</u>
Net pension liability	\$1,053,655,311	\$1,530,503,462
Plan fiduciary net position as a percentage of the total pension liability	75.7%	63.4%

The net pension liability was measured as of June 30, 2021, and is determined based on the total pension liability from the July 1, 2021, actuarial valuation.

*Plan provisions.* The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of July 1, 2021.

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	None

The post-retirement healthy mortality table is 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019.

The disabled mortality is the PubNC-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

## GASB Information

The pre-retirement mortality table is the Pub T-2010 Employee table projected with generational improvement using Scale MP-2019. The actuarial assumptions used were based on the results of an experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2021, actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return<sup>1</sup></b>
Global Equities	55.0%	6.87%
Global Fixed Income	26.0%	0.74%
Global Real Assets	18.0%	4.80%
Cash Equivalents	<u>1.0%</u>	<u>-1.00%</u>
<b>Total</b>	100%	

<sup>1</sup> As reported by the North Dakota Retirement and Investment Office

Discount rate: The long-term expected rate of return on pension plan investments is 7.25%. The high quality tax-exempt general obligation municipal bond rate (20-Bond GO Index) as of the closest date prior to the valuation date of June 30, 2021, is 2.16%, as published by The Bond Buyer.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on this July 1, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

## GASB Information

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net pension liability as of June 30, 2017*	\$1,826,126,843	\$1,373,525,753	\$996,748,988
Net pension liability as of June 30, 2018*	1,799,744,383	1,332,858,315	944,554,161
Net pension liability as of June 30, 2019*	1,859,994,289	1,377,253,104	976,082,834
Net pension liability as of June 30, 2020	2,038,548,355	1,530,503,462	1,108,292,065
Net pension liability as of June 30, 2021	1,582,102,595	1,053,655,311	614,833,478

\* Net pension liability on or before June 30, 2019 were based on 6.75% (1% Decrease), 7.75% (Current Discount) and 8.75% (1% Increase) discount rates.

## GASB Information

### Exhibit 2: Schedule of Changes in Net Pension Liability

	2021	2020
<b>Total pension liability</b>		
• Service cost	\$87,088,239	\$80,591,201
• Interest	300,698,090	306,790,705
• Change of benefit terms	0	0
• Differences between expected and actual experience	8,366,320	(20,732,097)
• Changes of assumptions	0	51,813,028
• Benefit payments, including refunds of employee contributions	(241,128,271)	(230,851,234)
<b>Net change in total pension liability</b>	<b>\$155,024,378</b>	<b>\$187,611,603</b>
<b>Total pension liability – beginning</b>	<b>4,181,035,763</b>	<b>3,993,424,160</b>
<b>Total pension liability – ending (a)</b>	<b>\$4,336,060,141</b>	<b>\$4,181,035,763</b>
<b>Plan fiduciary net position</b>		
• Contributions – employer	\$98,264,202	\$93,032,453
• Contributions – employee	90,557,210	85,735,134
• Contributions – purchased service credit	2,559,121	2,175,497
• Contributions – other	126,112	158,683
• Net investment income	684,172,530	86,206,117
• Benefit payments, including refunds of employee contributions	(241,128,271)	(230,851,234)
• Administrative expense	(2,678,375)	(2,095,405)
• Other	0	0
<b>Net change in plan fiduciary net position</b>	<b>\$631,872,529</b>	<b>\$34,361,245</b>
<b>Plan fiduciary net position – beginning</b>	<b>2,650,532,301</b>	<b>2,616,171,056</b>
<b>Plan fiduciary net position – ending (b)</b>	<b>\$3,282,404,830</b>	<b>\$2,650,532,301</b>
<b>Net pension liability – ending (a) – (b)</b>	<b>\$1,053,655,311</b>	<b>\$1,530,503,462</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>75.7%</b>	<b>63.4%</b>
<b>Covered employee payroll</b>	<b>\$770,699,600</b>	<b>\$729,660,661</b>
<b>Net pension liability as percentage of covered employee payroll</b>	<b>136.7%</b>	<b>209.8%</b>

## GASB Information

### Exhibit 3: Schedule of Employer Contributions

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2013	\$52,396,153	\$59,300,720	(\$6,904,567)	\$551,655,590	10.75%
2014	59,513,485	62,355,146	(2,841,661)	580,053,235	10.75%
2015	71,167,632	78,422,098	(7,254,466)	615,104,860	12.75%
2016	84,724,122	82,839,932	1,884,190	649,724,868	12.75%
2017	89,231,211	86,058,868	3,172,343	674,971,342	12.75%
2018	88,307,239	86,675,715	1,631,524	679,809,385	12.75%
2019	90,777,781	89,444,881	1,332,900	701,528,450	12.75%
2020	93,688,429	93,032,453	655,976	729,660,661	12.75%
2021	101,655,277	98,264,202	3,391,075	770,699,600	12.75%

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