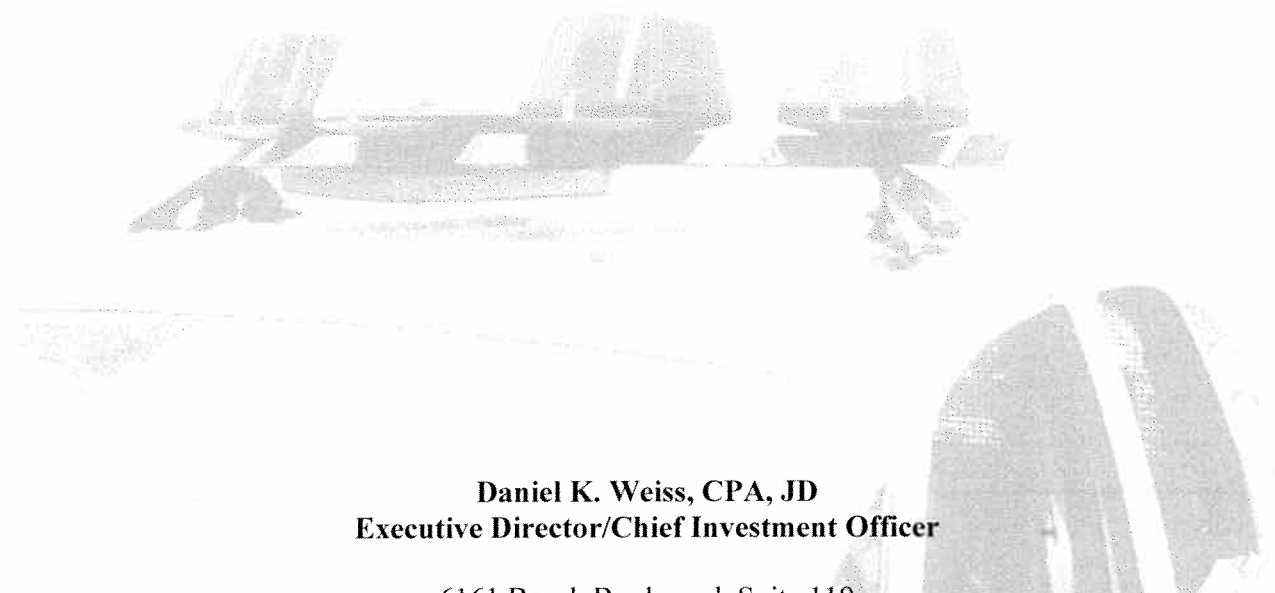


Presentation to the
Committee on Health and Aging
Ohio House of Representatives

January 26, 2011

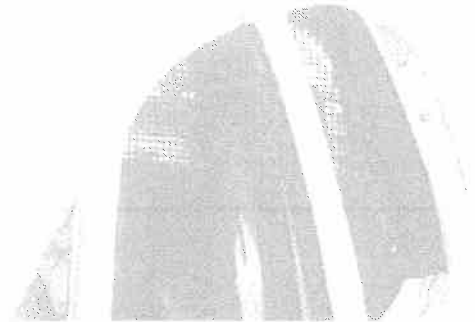
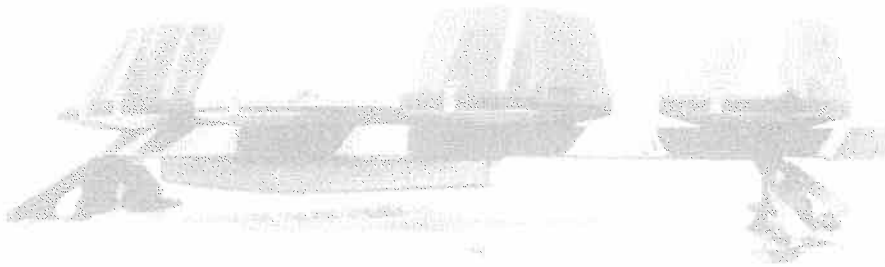


Daniel K. Weiss, CPA, JD
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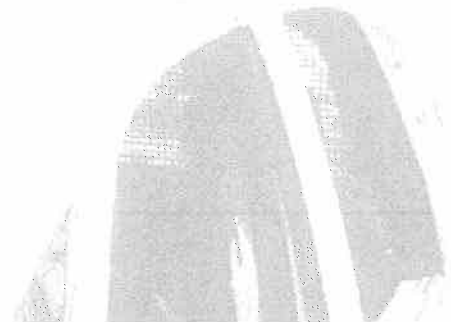
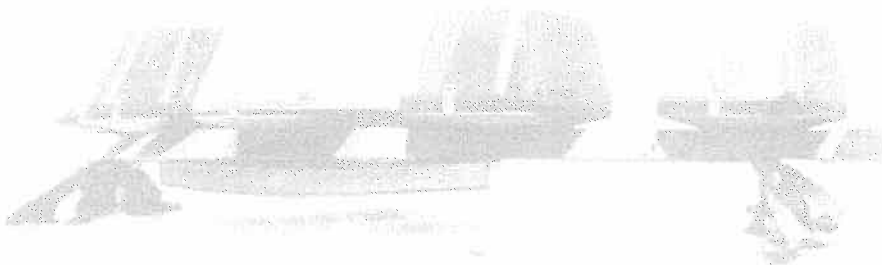
System Profile

- Established in 1944 for uniformed officers of the Ohio State Highway Patrol (OSHP)
 - The only single-employer system in Ohio
- Mission: To provide retirement security for the members of the OSHP and their families
- 1,548 active participants; 1,420 benefit recipients
- Assets of \$730 million at December 31, 2010



Governance

- The governing body is an 11-member Board.
 - 5 elected representatives from active ranks
 - 2 elected retirees
 - Superintendent of the OSHP
 - 3 investment experts appointed by the Treasurer of State, the Governor, and the General Assembly
- Much of the Board's work is done in small committees.
- Committees meet during odd-numbered months.
- The full Board meets during even-numbered months.



Funding

- Contributions from members (10.0% of active member payroll) and the employer (26.5%) are invested for long-term growth.
 - Not “Pay-As-You-Go” like Social Security
- Benefits are paid from long-term investment returns.
 - 13.4% estimated return in 2010
 - 8.0% investment return assumption
- Each year, an independent actuary, Gabriel Roeder Smith & Co., performs a valuation of system assets and liabilities.
- Historically, funding has been consistent and dependable – until it was interrupted by unprecedented market events in late 2008 and early 2009.
- Effective with the 12/31/08 valuation, the actuary determined that unfunded liabilities could not be amortized over thirty years.



The Plan

- During 2009, a Special Committee of the Retirement Board solicited feedback from active and retired stakeholders.
- With all constituents agreeing to sacrifice, the Board approved a plan:
 - Reduce COLA from 3% to 2%
 - Increase the member contribution rate from 10% to 11%
 - Increase Final Average Salary from 3 to 5 years (eff. 1/1/2015)
 - Increase COLA eligibility age from 53 to 60 (effective with new retirements)
 - Allocate 1% from health care to pension
- According to the actuary, upon enactment, this plan is expected to immediately bring HPRS within the Ohio Revised Code guideline of a thirty-year amortization period.

*See the appendix for the actuarial effect of each aspect of the plan



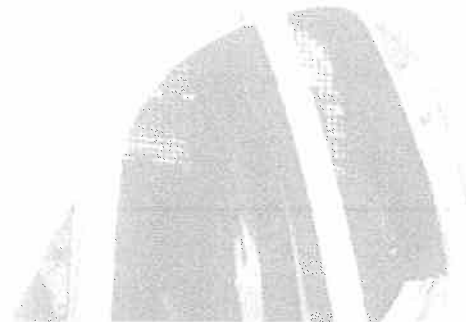
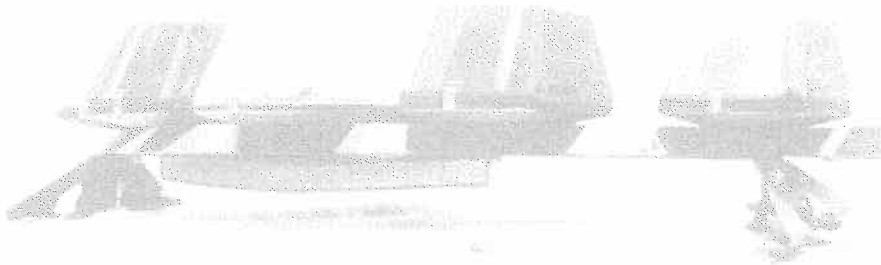
The Need

- Timely action is critical to protect the long-term integrity of the system.
- The passage of time will require that more dramatic steps be taken to achieve actuarial stability.



The Structure

- Defined benefit (DB) plans provide greater retirement security at a lower cost.
 - Institutional investment results are superior to individual investment results.
- Defined contribution (DC) plans will guarantee less retirement security.
 - The unfunded DB liability remains even after a switch to a DC plan.
- With a history of solid funding, governance, and management, the five Ohio plans are a model for other states.
 - Can be fixed with relatively minor adjustments
- Consolidation, which has been suggested as a means to save money, would have the opposite effect.
 - Costs and timeline to assimilate
 - Economies of scale are already realized by cooperation
- Each plan represents a different constituency with different needs and demographics.



Summary

- Timely, deliberate action by the General Assembly to approve the HPRS Board-approved plan will support the longstanding tradition of affordable retirement security for Ohio public employees.



**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

Submitted To: Mr. Richard Curtis, Executive Director
Ohio State Highway Patrol Retirement System

Submitted By: Brian B. Murphy, FSA, MAAA and Mita D. Drazilov, ASA, MAAA
Gabriel, Roeder, Smith & Company

Date: July 27, 2009

This report presents results of an actuarial valuation of proposed benefit changes for members of the Ohio State Highway Patrol Retirement System (HPRS). The actuaries issuing this report are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The date of the valuation was December 31, 2008. This means that the results of the supplemental valuation indicate what the December 31, 2008 valuation would have shown if the proposed changes had been in effect on that date. This supplemental valuation does not predict the result of the December 31, 2009 valuation or of any other future actuarial valuation. (Future activities can affect future valuation results in an unpredictable manner.) Rather, the supplemental valuation gives an indication of the probable effect of **only the proposed changes** on future valuations without comment on the complete end result of the future valuations.

Actuarial assumptions and methods were consistent with those used in the regular actuarial valuations as of December 31, 2008, unless otherwise indicated. In particular, the entry age normal actuarial cost method was utilized, the assumed rate of investment return was 8.0% for pension and retiree health solvency purposes and 6.5% for retiree health liability purposes, and the assumed rate of active member payroll growth was 4.0%.

This report is intended to describe the financial effect of the proposed plan changes. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

A brief summary of the active member data used in this valuation is shown below:

| <u>Number</u> | <u>Annual Payroll</u> | <u>Averages</u> | | |
|---------------|-----------------------|-----------------|------------|----------------|
| | | <u>Pay</u> | <u>Age</u> | <u>Service</u> |
| 1,544 | \$94,301,538 | \$61,076 | 38.3 yrs | 13.5 yrs |

A brief summary of the retiree and deferred data used in this valuation is shown below:

| | <u>Number</u> | <u>Annual Benefits</u> | <u>Averages</u> <u>Age</u> | <u>Benefit</u> |
|----------------------------|---------------|------------------------|-------------------------------|----------------|
| Retirees and Beneficiaries | 1,371 | \$43,537,104 | 63.6 years | \$31,756 |
| Deferreds | 5 | 134,892 | 48.6 years | 11,241 |

The results are based upon the following employer and employee contribution rates and preliminary rate allocation between pension and retiree health benefits. If the Board selects a rate allocation other than that shown, the amortization periods shown in this report would need to be re-evaluated.

| | Employer Contribution Rates Expressed As % of Active Payroll | | |
|---------------|---|--|---------------|
| | Retirement, Survivor & Disability Allowances | Post Retirement Health Care | Totals |
| Employer | 21.00% | 5.50% | 26.50% |
| Employee | 10.00% | 0.00 % | 10.00% |
| Totals | 31.00% | 5.50% | 36.50% |

Based upon the above rate allocation, the unfunded actuarial accrued liabilities of both the pension program and the retiree health program cannot be amortized as of December 31, 2008.

Ohio State Highway Patrol Retirement System Supplemental Actuarial Valuations December 31, 2008

Present Provision: Members contribute 10.0% of salary to the employees' savings fund. A member who leaves the employ of the State Highway Patrol before a benefit is payable may withdraw the accumulated contributions, without interest, in lieu of any other system provided benefit.

Proposed Provision: Members contribute 14.0% of salary to the employees' savings fund (increases occurring 1% per year over a four-year period). A member who leaves the employ of the State Highway Patrol before a benefit is payable may withdraw the accumulated contributions, without interest, in lieu of any other system provided benefit.

Actuarial Analysis: The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | Pension All Members |
|--|--------------------------------|
| <u>Increase/(Decrease) in</u> | |
| Normal Cost | (2.97)% |
| UAAL % (30-year amortization) | 0.15% |
| Total Employer Contribution - Rate | (2.82)% |
| Total Employer Contribution - \$ (CY 2010) | \$ (2,876,303) |
| <u>Increase/(Decrease) in</u> | |
| Actuarial Accrued Liabilities | |
| Actives | \$ 2,584,009 |
| Inactives (Deferreds) | 0 |
| Retirees and Beneficiaries | 0 |
| Total | \$ 2,584,009 |
| Assets | 0 |
| UAAL | \$ 2,584,009 |
| Computed Amortization Period | 72 years |

Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008

Present Provision: A member may retire with an unreduced retirement benefit at age 52 to age 60, provided he has more than 20 years of service, or at age 48 with 25 or more years of contributing service. A member who has acquired at least 20 but less than 25 years of service and is between the ages of 48 and 52 is eligible to retire with a reduced retirement benefit. Members eligible for an unreduced retirement benefit are eligible to participate in the Deferred Retirement Option Program (DROP).

Proposed Provision: Affected members (either new hires only or retirements on or after January 1, 2015) may retire with an unreduced retirement benefit at age 52 to age 60, provided they have more than 25 years of service. Affected members who have acquired at least 25 years of service and are between the ages of 48 and 52 are eligible to retire with a reduced retirement benefit. Members eligible for an unreduced retirement benefit are eligible to participate in the Deferred Retirement Option Program (DROP). Non-affected members of HPRS would be covered under the retirement eligibility conditions described in the present provisions.

Actuarial Analysis: The savings from this proposal are shown in two ways – (1) assuming the proposed provisions apply to new hires only and (2) assuming the proposed provisions apply to retirements occurring on or after January 1, 2015. The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | <u>Pension</u> | | <u>Retiree Health</u> | |
|--|---------------------|------------------------------|-----------------------|------------------------------|
| | <u>New Hires</u> | <u>Retirement After 2015</u> | <u>New Hires</u> | <u>Retirement After 2015</u> |
| <u>Increase/(Decrease) in</u> | | | | |
| Normal Cost | (1.05)% | (1.05)% | (0.39)% | (0.39)% |
| UAAL % (30-year amortization) | 0.54% | (0.52)% | 0.19% | (0.14)% |
| Total Employer Contribution - Rate | (0.51)% | (1.57)% | (0.20)% | (0.53)% |
| Total Employer Contribution - \$ (CY 2010) | \$ (520,182) | \$ (1,601,346) | \$ (203,993) | \$ (540,582) |
| <u>Increase/(Decrease) in</u> | | | | |
| Actuarial Accrued Liabilities | | | | |
| Actives | \$ 9,448,834 | \$ (8,877,214) | \$ 3,892,500 | \$ (2,940,663) |
| Inactives (Deferreds) | 0 | 0 | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 | 0 | 0 |
| Total | \$ 9,448,834 | \$ (8,877,214) | \$ 3,892,500 | \$ (2,940,663) |
| Assets | 0 | 0 | 0 | 0 |
| UAAL | \$ 9,448,834 | \$ (8,877,214) | \$ 3,892,500 | \$ (2,940,663) |
| Computed Amortization Period | Cannot be amortized | Cannot be amortized | Cannot be amortized | Cannot be amortized |

Ohio State Highway Patrol Retirement System

Supplemental Actuarial Valuations

December 31, 2008

Present Provision: A member may retire with an unreduced retirement benefit at age 52 to age 60, provided he has more than 20 years of service, or at age 48 with 25 or more years of contributing service. A member who has acquired at least 20 but less than 25 years of service and is between the ages of 48 and 52 is eligible to retire with a reduced retirement benefit. Members eligible for an unreduced retirement benefit are eligible to participate in the Deferred Retirement Option Program (DROP).

Proposed Provision: Affected members (either new hires only or retirements on or after January 1, 2015) may retire with an unreduced retirement benefit at age 54 to age 60, provided they have more than 25 years of service. Affected members who have acquired at least 25 years of service and are between the ages of 48 and 54 are eligible to retire with a reduced retirement benefit. Members eligible for an unreduced retirement benefit are eligible to participate in the Deferred Retirement Option Program (DROP). Non-affected members of HPRS would be covered under the retirement eligibility conditions described in the present provisions.

Actuarial Analysis: The savings from this proposal are shown in two ways – (1) assuming the proposed provisions apply to new hires only and (2) assuming the proposed provisions apply to retirements occurring on or after January 1, 2015. The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | <u>Pension</u> | | <u>Retiree Health</u> | |
|--|---------------------|------------------------------|-----------------------|------------------------------|
| | <u>New Hires</u> | <u>Retirement After 2015</u> | <u>New Hires</u> | <u>Retirement After 2015</u> |
| <u>Increase/(Decrease) in</u> | | | | |
| Normal Cost | (2.00)% | (2.00)% | (0.63)% | (0.63)% |
| UAAL % (30-year amortization) | 1.04% | (1.02)% | 0.31% | (0.24)% |
| Total Employer Contribution - Rate | (0.96)% | (3.02)% | (0.32)% | (0.87)% |
| Total Employer Contribution - \$ (CY 2010) | \$ (979,167) | \$ (3,080,296) | \$ (326,389) | \$ (887,370) |
| <u>Increase/(Decrease) in</u> | | | | |
| Actuarial Accrued Liabilities | | | | |
| Actives | \$ 17,997,779 | \$ (17,483,690) | \$ 6,287,885 | \$ (5,034,192) |
| Inactives (Deferreds) | 0 | 0 | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 | 0 | 0 |
| Total | \$ 17,997,779 | \$ (17,483,690) | \$ 6,287,885 | \$ (5,034,192) |
| Assets | 0 | 0 | 0 | 0 |
| UAAL | \$ 17,997,779 | \$ (17,483,690) | \$ 6,287,885 | \$ (5,034,192) |
| Computed Amortization Period | Cannot be amortized | Cannot be amortized | Cannot be amortized | Cannot be amortized |

Ohio State Highway Patrol Retirement System

Supplemental Actuarial Valuations

December 31, 2008

Present Provision: A member may retire with an unreduced retirement benefit at age 52 to age 60, provided he has more than 20 years of service, or at age 48 with 25 or more years of contributing service. A member who has acquired at least 20 but less than 25 years of service and is between the ages of 48 and 52 is eligible to retire with a reduced retirement benefit. Members eligible for an unreduced retirement benefit are eligible to participate in the Deferred Retirement Option Program (DROP).

Proposed Provision: Affected members (either new hires only or retirements on or after January 1, 2015) may retire with an unreduced retirement benefit at age 55 to age 60, provided they have more than 25 years of service. Affected members who have acquired at least 25 years of service and are between the ages of 48 and 55 are eligible to retire with a reduced retirement benefit. Members eligible for an unreduced retirement benefit are eligible to participate in the Deferred Retirement Option Program (DROP). Non-affected members of HPRS would be covered under the retirement eligibility conditions described in the present provisions.

Actuarial Analysis: The savings from this proposal are shown in two ways – (1) assuming the proposed provisions apply to new hires only and (2) assuming the proposed provisions apply to retirements occurring on or after January 1, 2015. The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | <u>Pension</u> | | <u>Retiree Health</u> | |
|--|---------------------|------------------------------|-----------------------|------------------------------|
| | <u>New Hires</u> | <u>Retirement After 2015</u> | <u>New Hires</u> | <u>Retirement After 2015</u> |
| <u>Increase/(Decrease) in</u> | | | | |
| Normal Cost | (2.58)% | (2.58)% | (0.74)% | (0.74)% |
| UAAL % (30-year amortization) | 1.34% | (1.33)% | 0.36% | (0.28)% |
| Total Employer Contribution - Rate | (1.24)% | (3.91)% | (0.38)% | (1.02)% |
| Total Employer Contribution - \$ (CY 2010) | \$ (1,264,757) | \$ (3,988,065) | \$ (387,587) | \$ (1,040,365) |
| <u>Increase/(Decrease) in</u> | | | | |
| Actuarial Accrued Liabilities | | | | |
| Actives | \$ 23,217,135 | \$ (22,861,418) | \$ 7,385,769 | \$ (5,908,710) |
| Inactives (Deferreds) | 0 | 0 | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 | - | 0 |
| Total | \$ 23,217,135 | \$ (22,861,418) | \$ 7,385,769 | \$ (5,908,710) |
| Assets | 0 | 0 | - | 0 |
| UAAL | \$ 23,217,135 | \$ (22,861,418) | \$ 7,385,769 | \$ (5,908,710) |
| Computed Amortization Period | Cannot be amortized | 58 years | Cannot be amortized | Cannot be amortized |

**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

Present Provision: A member's final average salary is the average of salaries during highest 3 years of service.

Proposed Provision: A member's final average salary is the average of salaries during highest 5 years of service.

Actuarial Analysis: The savings from this proposal are shown in two ways – (1) assuming the proposed provisions apply to new hires only and (2) assuming the proposed provisions apply to retirements occurring on or after January 1, 2015. The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | Pension | |
|--|---------------------|------------------------------|
| | New Hires | Retirement After 2015 |
| <u>Increase/(Decrease) in</u> | | |
| Normal Cost | (0.78)% | (0.78)% |
| UAAL % (30-year amortization) | 0.40% | (0.29)% |
| Total Employer Contribution - Rate | (0.38)% | (1.07)% |
| Total Employer Contribution - \$ (CY 2010) | \$ (387,587) | \$ (1,091,363) |
| <u>Increase/(Decrease) in</u> | | |
| Actuarial Accrued Liabilities | | |
| Actives | \$ 7,019,134 | \$ (5,106,649) |
| Inactives (Deferreds) | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 |
| Total | \$ 7,019,134 | \$ (5,106,649) |
| Assets | 0 | 0 |
| UAAL | \$ 7,019,134 | \$ (5,106,649) |
| Computed Amortization Period | Cannot be amortized | Cannot be amortized |

**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

Present Provision: A \$5,000 lump sum benefit is payable upon the death of the retiree.

Proposed Provision: Eliminate the lump sum death benefit.

Actuarial Analysis: The savings from this proposal are shown in two ways – (1) assuming the proposed provisions apply to all members and (2) assuming the proposed provisions apply to retirements occurring on or after January 1, 2010. The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | Pension | |
|--|---------------------|------------------------------|
| | <u>All Members</u> | <u>Retirement After 2010</u> |
| <u>Increase/(Decrease) in</u> | | |
| Normal Cost | (0.01)% | (0.01)% |
| UAAL % (30-year amortization) | (0.14)% | (0.04)% |
| Total Employer Contribution - Rate | (0.15)% | (0.05)% |
| | | |
| Total Employer Contribution - \$ (CY 2010) | \$ (152,995) | \$ (50,998) |
| <u>Increase/(Decrease) in</u> | | |
| Actuarial Accrued Liabilities | | |
| Actives | \$ (752,831) | \$ (752,831) |
| Inactives (Deferreds) | (2,929) | 0 |
| Retirees and Beneficiaries | (1,776,882) | 0 |
| Total | \$ (2,532,642) | \$ (752,831) |
| Assets | 0 | 0 |
| UAAL | \$ (2,532,642) | \$ (752,831) |
| | | |
| Computed Amortization Period | Cannot be amortized | Cannot be amortized |

**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

Present Provision: The basic benefit for all retirants is increased by 3 percent each year after age 53. The retirant must have also been receiving monthly benefits for at least twelve months. Benefit recipients receiving survivor benefits are eligible for the increase after receiving benefits for twelve months. Benefit recipients receiving disability benefits are eligible for the increase after receiving benefits for sixty months or age 53 whichever occurs first.

Proposed Provision: Eliminate the three percent cost of living allowance (COLA).

Actuarial Analysis: The savings from this proposal are shown assuming the proposed provisions apply to all members. The following illustrates (a) the computed change in the employer contribution rate that would result from the proposed change on a level cost basis as a % of active member payroll if increases in the unfunded actuarial accrued liability are amortized over a 30-year period and (b) the computed amortization period if employer contribution rates remain unchanged:

| | Pension All Members |
|--|--------------------------------|
| <u>Increase/(Decrease) in</u> | |
| Normal Cost | (3.52)% |
| UAAL % (30-year amortization) | (8.86)% |
| Total Employer Contribution - Rate | (12.38)% |
| Total Employer Contribution - \$ (CY 2010) | \$ (12,627,172) |
| <u>Increase/(Decrease) in</u> | |
| Actuarial Accrued Liabilities | |
| Actives | \$ (66,452,650) |
| Inactives (Deferreds) | (312,840) |
| Retirees and Beneficiaries | (86,285,688) |
| Total | \$ (153,051,178) |
| Assets | 0 |
| UAAL | \$ (153,051,178) |
| Computed Amortization Period | 15 years |

**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

Comments

- (1) The probabilities of unreduced retirement used in the supplemental actuarial valuations are presented below:

| Retirement Ages | Probabilities of Age & Service Retirement | | |
|-----------------|---|---------|---------|
| | 52 & 25 | 54 & 25 | 55 & 25 |
| 48 | | | |
| 49 | | | |
| 50 | | | |
| 51 | | | |
| 52 | 40% | | |
| 53 | 30% | | |
| 54 | 40% | 40% | |
| 55 | 25% | 25% | 40% |
| 56 | 25% | 25% | 25% |
| 57 | 25% | 25% | 25% |
| 58 | 30% | 30% | 30% |
| 59 | 35% | 35% | 35% |
| 60 & Over | 100% | 100% | 100% |

Probabilities of reduced retirement were unchanged from the annual actuarial valuation. They are 7% at ages 48 through 54.

- (2) Savings resulting from the delayed retirement due to the proposed retirement conditions are partially offset by the fact that more individuals may retire with a disability benefit than otherwise would be the case.
- (3) In performing the supplemental actuarial valuations where retirement eligibility provisions change in 2015, it was assumed that a member would either retire or DROP under the current eligibility conditions if he was eligible to do so prior to January 1, 2015. For the other supplemental valuations that are assumed to begin at a future date, it was assumed that a member's employment behavior would be unaffected by such changes.

**Ohio State Highway Patrol Retirement System
Supplemental Actuarial Valuations
December 31, 2008**

Comments (Concluded)

- (4) The figures in this study are based upon the Ultimate Entry Age Normal Cost Method (UEANC). The UEANC method is a common choice, although not the only choice, in financing benefit changes that apply largely or exclusively to individuals who will be hired in the future. The objective of the method is to develop a normal cost that will remain approximately level as the population mix gradually shifts away from people covered under the old provisions toward people subject to the new provisions. As such, the UEANC normal cost is defined to be the normal cost that would apply to an individual who is subject to the new provisions throughout his or her entire career, and an adjustment is applied to the accrued liability to compensate for the difference between the provisions that will actually affect the people in the valuation, and those included in the UEANC normal cost computation. For technical reasons, when this method is used for a benefit change resulting in less generous benefits, the unfunded liability increases, and the funded % drops. However, the long term contribution rate and/or the amortization period may drop, as is the case in this study. The UEANC method can be used in cases where a permanent plan change is being considered. If the plan change is reversed some years after the UEANC method is applied, a possible result is that everyone will get the same benefits they would have received if the benefit change had not occurred, but the plan may have less money than it would have had if the UEANC method had not been used – a most undesirable result.

While we think that the UEANC method will be useful to the trustees for the purpose of understanding the financial implications of these proposals, the trustees can decide the actual method to be used following the adoption of the proposals, if, indeed they are adopted. GRS will be glad to work with the trustees to aid them in understanding the pros and cons of this method.