Multiple Agency Fiscal Note Summary

Bill Number: 5352 SB	**Title:** Retirement system opt-out

Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Retirement Systems	.6	0	0	197,056	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	**0.6**	**0**	**0**	**197,056**	**0.0**	**0**	**0**	**0**	**0.0**	**0**	**0**	**0**

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Jane Sakson, OFM	**Phone:** 360-902-0549	**Date Published:** Final 2/ 8/2021

FNPID: 61764

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 5352 SB	**Title:** Retirement system opt-out	**Agency:** 124-Department of Retirement Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.1	0.0	0.6	0.0	0.0
Account					
Department of Retirement Systems Expense Account-State 600-1	197,056	0	197,056	0	0
Total $	197,056	0	197,056	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- [X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- [ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- [ ] Capital budget impact, complete Part IV.
- [X] Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/05/2021
Agency Preparation: Amy McMahan	Phone: 360-664-7307	Date: 02/06/2021
Agency Approval: Tracy Guerin	Phone: 360-664-7312	Date: 02/06/2021
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/08/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill would allow new employees the option of opting out of retirement system membership if the employee is age 60 or older when first hired, or when the employee's public employer opts into retirement plan participation. The employer will still be responsible for paying the employer contributions even if the member opts out. This bill applies to the Public Employees' Retirement System (PERS), School Employees' Retirement System (SERS) and Teachers' Retirement System (TRS).

Most of the implementation costs identified below in Part II.C are not due to the new employee's choice/option but to the requirement for employers to make contributions on what are essentially "non-members."

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ADMINISTRATIVE ASSUMPTIONS

- An employee must have no prior service in a DRS-covered system
- Time with a First Class City does not count as prior membership
- The choice to opt out is a one-time irrevocable decision for each retirement system
- If an employer submits member contributions in error, the employer would be responsible for refunding the member contributions
- If the implementation date of this legislation occurs before DRS' system changes can be made, then an employer would retroactively report contributions once the changes are complete

BENEFITS/CUSTOMER SERVICE

Retirement Specialists (RSs) will support the modifications of DRS' automated systems by participating in business requirement development and user acceptance testing (UAT) activities. RSs will participate on the implementation project team, and will assist in updates to member communications as well as internal reference manuals and training materials.

Retirement Specialist 3 – 197 hours (salaries/benefits) = $8,097

MEMBER COMMUNICATIONS

DRS' Communication Team will update the language in publications and forms, and on the DRS website to inform new employees and employers of the changes as this bill requires.

Communications Consultant 5 – 407 hours (salaries/benefits) = $22,199

AUTOMATED SYSTEMS

Modifications will be required to our Member Information System to add a new opt-out field. Changes will also need to be built into the processes and screens of the Employer Reporting Application (ERA). Business requirements will be created and UAT will be performed to support all of these changes.

Programmer (Contractor) time of 555 hours @ $105 per hour = $58,275
IT Business Analyst – Journey – 806 hours (salaries/benefits) = $49,795
Cloud Traffic Egress Charges – 33 weeks @ $100 per week = $3,300

Total Estimated Automated Systems Costs = $111,370

EMPLOYER SUPPORT SERVICES

Employer Support Services (ESS) will provide project representation and assist with developing business requirements. There will also be additional UAT that will be performed for the Employer Reporting Application (ERA). ESS will work with Communications to update publications, including the Employer Handbook, New Employer Packet and the Employer Notice. Additionally, ESS will provide employer training and assist employers with setting up member system/plan for any employees opting out of membership.

Management Analyst 3 – 377 hours (salaries/benefits) = $17,253

FISCAL SERVICES

Fiscal team members will provide project representation and assist with developing business requirements. In addition, they will participate in UAT, as well as the testing of transmittal report modifications.

Management Analyst 5 – 162 hours (salaries/benefits) = $9,234
Fiscal Analyst 5 – 62 hours (salaries/benefits) = $3,166

Total Estimated Fiscal Services Costs = $12,400

PROJECT MANAGEMENT

The agency's Project Management Office (PMO) will lead the team that implements this change. PMO will assign a part-time project manager to provide project oversight and leadership throughout the initiation, planning, execution, implementation, closeout and measure-value phases of the project.

Project Manager – 333 hours (salaries/benefits) = $25,737

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
600-1	Department of Retirement Systems Expense Account	State	197,056	0	197,056	0	0
		Total $	197,056	0	197,056	0	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.1		0.6		
A-Salaries and Wages	101,052		101,052		
B-Employee Benefits	34,429		34,429		
C-Professional Service Contracts	58,275		58,275		
E-Goods and Other Services	3,300		3,300		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	197,056	0	197,056	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Communications Consultant 5	84,396	0.2		0.1		
Fiscal Analyst 5	78,408	0.0		0.0		
IT Business Analyst - Journey	96,888	0.4		0.2		
IT Project Mgr - Manager	123,636	0.2		0.1		
Management Analyst 3	69,264	0.2		0.1		
Management Analyst 5	88,644	0.1		0.0		
Retirement Specialist 3	61,224	0.1		0.1		
Total FTEs		1.1		0.6		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New rules may be required to clarify eligibility for age-based opt out.

Individual State Agency Fiscal Note

Bill Number: 5352 SB	Title: Retirement system opt-out	Agency: AFN-Actuarial Fiscal Note - State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/05/2021
Agency Preparation: Aaron Gutierrez	Phone: 360-786-6152	Date: 02/08/2021
Agency Approval: Lisa Won	Phone: 360-786-6150	Date: 02/08/2021
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/08/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

SUMMARY OF RESULTS

BRIEF SUMMARY OF BILL: This bill allows new government employees to opt out of retirement system membership when first hired or when an employer opts into retirement plan participation, if the employee is age 60 or older.

SAVINGS SUMMARY

This bill will not have a budget or contribution rate impact for PERS, TRS, and SERS employers in the next two biennia, through at least FY 2025. Below are the expected 25-year budget savings.

Budget Impacts			
(Dollars in Millions)	**2021-2023**	**2023-2025**	**25-Year**
General Fund-State	$0.0	$0.0	($20.6)
Local Government	$0.0	$0.0	($23.9)
Total Employer	**$0.0**	**$0.0**	**($55.0)**

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- To price this bill, we relied on the special data, assumptions, methods and resulting contribution rate impacts from our prior analysis on SB 5687 of the 2019 Legislative Session.
- This bill requires employers to continue paying contribution rates on the salaries of members who opt out. Since these members are not earning benefits, the extra contributions reduce future Plan 2/3 employer and Plan 2 employee contribution rates. We expect no impact to the funding of the Plans 1 UAAL.
- When eligible new hires opt out of the retirement systems, both the liabilities and the present value of future salaries are reduced.
- June 30, 2023, is the first rate-setting actuarial valuation to include the effects of this bill. That actuarial valuation will be used as the basis for contribution rates collected in the 2025-27 Biennium. As a result, we expect no rate changes or employer budget impacts from this bill until at least FY 2026.
- We expect about 5 percent of future new hires are over the age of 60. Of those, we assume that 10 percent will opt out of retirement system membership under this bill. To set this best estimate assumption, we relied on information regarding the current plan provisions, information from SB 5687, and our own professional judgment.
- The results presented in this fiscal note can vary under a different set of assumptions. If we assumed half of all eligible new hires over the age of 60 opt out of retirement system membership, this bill is expected to have a 25 year total employer budget savings of approximately five times greater than the impact shown in the table above. If we assumed no eligible new hires over the age of 60 opt out, this bill would result in no budget savings.

See the remainder of this fiscal note for additional details on the summary and highlights presented here.

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

This bill impacts the following systems:

- ❖ Public Employees' Retirement System (PERS) Plans 2/3.
- ❖ Teachers' Retirement System (TRS) Plans 2/3.
- ❖ School Employees' Retirement System (SERS) Plans 2/3.

This bill allows government employees to opt out of retirement system membership under certain conditions. To be eligible to opt out of retirement system membership, employees must be:

- ❖ New hires, age 60 or older, and have no prior service credit in any Department of Retirement Systems (DRS)-administered retirement plan; or
- ❖ Existing employees, age 60 or older at the time their employer first opts into PERS participation.

Employees who choose to opt out of retirement system membership must make their decision before:

- ❖ The first date the employer would need to report to DRS of plan choice; or
- ❖ The first day their employer participates in PERS.

Employees who choose to opt out of retirement system membership will make no retirement contributions. Employers will still make contributions toward the Normal Cost (NC) and Unfunded Actuarial Accrued Liability (UAAL) as though the employee were participating in the retirement plan.

Effective Date: January 1, 2022.

What Is the Current Situation?

Newly hired public employees are required to participate in the state's retirement system if they meet certain requirements. Employee eligibility varies between retirement plans, but generally includes things like the number of hours worked, the employing agency, and the employee's job duties. For example, an employee of TRS 2/3 must be a certified teacher working for a school or educational service district.

Local government entities have a choice of whether or not to participate in PERS. When an entity opts in, the decision is permanent. For those entities, any employees who meet the other requirements of PERS membership will be required to join PERS.

Who Is Impacted and How?

We estimate this bill could affect approximately 3 percent, 2 percent, and 6 percent of annual new hires in PERS, TRS, and SERS, respectively. This statistic is based on the number of new hires we expect in our New Entrant Profile and recent valuation data.

This bill could potentially impact all active Plan 2 members in PERS (122,454), TRS (21,561), and SERS (28,239) through decreased contribution rates. Employers may also experience contribution rate decreases identical to those for Plan 2 employees. However, there is no direct savings for an employer when an employee opts out, since employers must continue to make NC and UAAL contributions on that employee's salary.

WHY THIS BILL HAS A SAVINGS AND WHO RECEIVES IT

Why This Bill Has a Savings

Eligible new hires who opt out reduce both the liabilities and present value of future salaries of the Plans 2/3. Generally, these individuals have higher salaries than the average new hire and are closer to retirement eligibility than the average current member. As such, we expect these members' benefits to be more expensive than current members or other new hires, and thus the total plan contribution rate is lower when they opt out.

Additionally, this bill requires employers to continue paying contribution rates on the salaries of members who opt out. Since these members are not earning benefits, the extra contributions serve to reduce future contribution rates for all employers and Plan 2 members.

Who Will Receive These Savings?

The savings that result from this bill will be divided between members and employers according to standard funding methods that vary by plan:

- Plan 2: 50 percent member and 50 percent employer.
- Plan 3: 100 percent employer.

HOW WE VALUED THESE SAVINGS

Assumptions We Made

We relied on the assumptions and average contribution rate impacts from our prior analysis in Senate Bill (SB) 5687 of the 2019 Legislative Session, to determine the savings under this bill. With the exception of the effective date, the provisions of SB 5687 and this bill do not materially differ. We believe the special data needed, assumptions selected, and methods established for our prior analysis on SB 5687 are still reasonable and would produce similar contribution rate impacts if made under the most recent actuarial valuation and projections.

For more details, please see our fiscal note for SB 5687.

Otherwise, we developed these costs using the same assets, data, and assumptions as disclosed in the *June 30, 2019, Actuarial Valuation Report* (AVR) and the Projection Disclosures available on our website, which includes our assumption for pension funding sources.

How We Applied These Assumptions

We relied on the analysis performed for SB 5687 to determine the average contribution rate impact under this bill, as outlined in the **Actuarial Results** section. To estimate the fiscal impact of this bill, we multiplied these average contribution rate changes by projected retirement system payroll for both current members and future new hires.

For more details, please see our fiscal note for SB 5687.

Otherwise, we developed these costs using the same methods as disclosed in the AVR.

ACTUARIAL RESULTS

This bill applies to new hires only and, for that reason, it does not have an impact on the liabilities, assets, or present value of future salaries for current members. However, the projected liabilities, assets, and present value of future salaries for future actuarial valuations will be impacted by members who choose to opt out of the retirement systems.

How Contribution Rates Changed

The first rate-setting actuarial valuation to include the effects of this bill would be the June 30, 2023, actuarial valuation. That actuarial valuation will be used as the basis for contribution rates collected in the 2025-27 Biennium. As a result, we expect no rate changes or budget impacts from this bill until at least Fiscal Year (FY) 2026. However, based on our analysis for SB 5687, we expect no contribution rate impact to occur until FY 2028 under this pricing. The following table shows the expected average contribution rate impacts based on the results presented on page 5 of our fiscal note for SB 5687.

Unrounded Employee/ Employer Rate Impacts*			
FY	**PERS 2/3**	**TRS 2/3**	**SERS 2/3**
2022-27	0.000%	0.000%	0.000%
2028-46	(0.009%)	(0.003%)	(0.014%)

**No change to Plan 3 employee rates.*

How This Impacts Budgets and Employers

Budget Impacts				
(Dollars in Millions)	PERS	TRS	SERS	Total
2021-2023				
General Fund	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0
Total State	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Local Government	0.0	0.0	0.0	0.0
Total Employer	**$0.0**	**$0.0**	**$0.0**	**$0.0**
2023-2025				
General Fund	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0
Total State	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Local Government	0.0	0.0	0.0	0.0
Total Employer	**$0.0**	**$0.0**	**$0.0**	**$0.0**
2021-2046				
General Fund	($7.0)	($6.5)	($7.0)	($20.6)
Non-General Fund	(10.6)	0.0	0.0	(10.6)
Total State	**($17.6)**	**($6.5)**	**($7.0)**	**($31.1)**
Local Government	(17.6)	(1.0)	(5.3)	(23.9)
Total Employer	**($35.2)**	**($7.5)**	**($12.3)**	**($55.0)**

Note: Totals may not agree due to rounding.

The analysis of this bill does not consider any other proposed changes to the systems. The combined effect of several changes to the systems could exceed the sum of each proposed change considered individually.

Comments on Risk

Due to the small number of individuals that we assume will opt out in relationship to the total active Plan 2/3 population of PERS, TRS, and SERS, we expect that any changes to our Risk Assessment from this bill will be small.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

The results shown in this fiscal note can vary under a different set of assumptions. In our analysis for SB 5687, we determined the sensitivity of the actuarial results to the best estimate assumption, by varying the percentage of eligible new hires over the age of 60 who we assumed would opt out of the retirement systems. We expect the same relationship of results in SB 5687 would apply to this bill.

As we increased the number of employees that we assumed would opt out, the greater the decrease in projected contribution rates and the larger the budget savings. Contribution rate and budget impact magnitudes grow or shrink at approximately the scale of the change to the assumed percentage of new hires that would opt out. For example, if we assumed five times more new hires opt out under this bill, the average contribution rate decrease would be approximately five times greater, and the budget savings would be approximately five times larger.

For more details, please see our fiscal note for SB 5687.

WHAT THE READER SHOULD KNOW

The Office of the State Actuary ("we") prepared this fiscal note based on our understanding of the bill as of the date shown in the footer. We intend this fiscal note to be used by the Legislature during the 2021 Legislative Session only.

We advise readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of, or reliance on, only parts of this fiscal note could result in its misuse and may mislead others.

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, assumptions, and data may also be reasonable, and might produce different results.
5. The risk analysis summarized in this fiscal note involves the interpretation of many factors and the application of professional judgment. We believe that the data, assumptions, and methods used in our risk assessment model are reasonable and appropriate for the purposes of this pricing exercise. The use of another set of data, assumptions, and methods, however, could also be reasonable and could produce different results.
6. We prepared this fiscal note for the Legislature during the 2021 Legislative Session.
7. We prepared this fiscal note and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this fiscal note.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Lisa A. Won, ASA, FCA, MAAA
Deputy State Actuary

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GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: 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 (i.e., interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. Under this method, all plan costs (for past and future service credit) are included under the normal cost. Therefore, the method does not produce an unfunded actuarial accrued liability outside the normal cost. It's most common for the normal cost to be determined for the entire group rather than on an individual basis for this method.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- ❖ Normal cost.
- ❖ Amortization of the unfunded actuarial accrued liability.

The normal cost is most commonly determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Projected Benefits: Pension benefit amounts that are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Unfunded EAN Liability: The excess, if any, of the present value of benefits calculated under the EAN cost method over the valuation assets. This is the portion of all benefits earned to date that are not covered by plan assets.