



Retirement Plan for Bargaining Units of StarTran, Inc.

Funding Valuation for 2021 Plan Year as of January 1, 2021

GASB 68 Valuation for the Fiscal Year Ending September 30, 2021

Reflecting December 31, 2020 Measurement Date

December 8, 2021

Prepared by Retirement Solutions / Capital Metropolitan Transportation Authority
Public Sector

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Summary Story

Funding Ratios		
Asset Basis	1/1/2020	1/1/2021
Actuarial Value (4 Year Smoothing)	52.06%	55.15%
Market Value (GASB 68)	54.38%	60.11%

Contributions				
(\$ Millions)	2020		2021	
Actuarially Determined	\$	4.0	\$	4.0*
Actual Made/Planned	\$	4.0	\$	4.0

Net Liability (GASB 68 Accounting)			
(\$ Millions)	12/31/2019		12/31/2020
Pension	\$	29.6	\$ 26.1

Annual GASB 68 Expense				
(\$ Millions)	2020		2021	
Pension	\$	4.0	\$	2.6

* Based on funding policy adopted December 17, 2019, the actuarially determined contribution under this policy is the Normal Cost plus the greater of 1) \$4 million minus the non-investment administrative expenses incurred during the year, and 2) closed-period 18-year amortization of the Unfunded Actuarial Accrued Liability as of January 1, 2021 with 3% annual increases.

Key Observations for 2021 Valuation

- **Market Value of Assets (MVA) and Actuarial Value of Assets (AVA)** performed better than assumed 6.75%. The MVA actual return was 14.6% compared to 10.0% on the AVA. The Actuarial Value of Assets earned a lower return because of smoothing and deferred recognition of the 2020 actuarial gains on the MVA.
- **Assumptions:**
 - EROA lowered from 6.75% to 6.50% consistent with capital market expectations;
 - Discount rates for Funding and GASB also lowered to 6.50% consistent with EROA, driving liabilities higher;
 - Mortality improvement scale changed from MP-2019 to MP-2020, which slightly decreased liabilities
- **Data:** Slight liability loss due to experience in 2020
- **Funding level:** If the plan sponsor contributes \$4 million annually per the funding policy and actual plan experience is equal to assumed, the plan would be expected to become fully funded on the actuarially determined contribution basis in 9 years.

Things to Consider for 2022

- **Review** EROA assumption
- Review asset allocation and **consider de-risking strategy**
- **Experience Review** of demographic assumptions





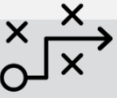

Census Data

	January 1, 2020	January 1, 2021
Active Participants		
Number	153	137
Average Age	54.7	55.4
Average Service (eligibility service for early retirement)	15.2	15.5
Account Balances	\$ 2,784,797	\$ 2,345,836
Inactives With Deferred Benefits		
Number ¹	308	292
Average Current Age	55.9	56.5
Inactives Receiving Payment		
Number ²	521	548
Average Current Age	67.8	68.5
Average Monthly Benefit	\$ 709	\$ 704
Total Participants		
Number	982	977

¹ As of January 1, 2020, this includes 23 beneficiaries with deferred benefits. As of January 1, 2021, this includes 22 beneficiaries with deferred benefits.

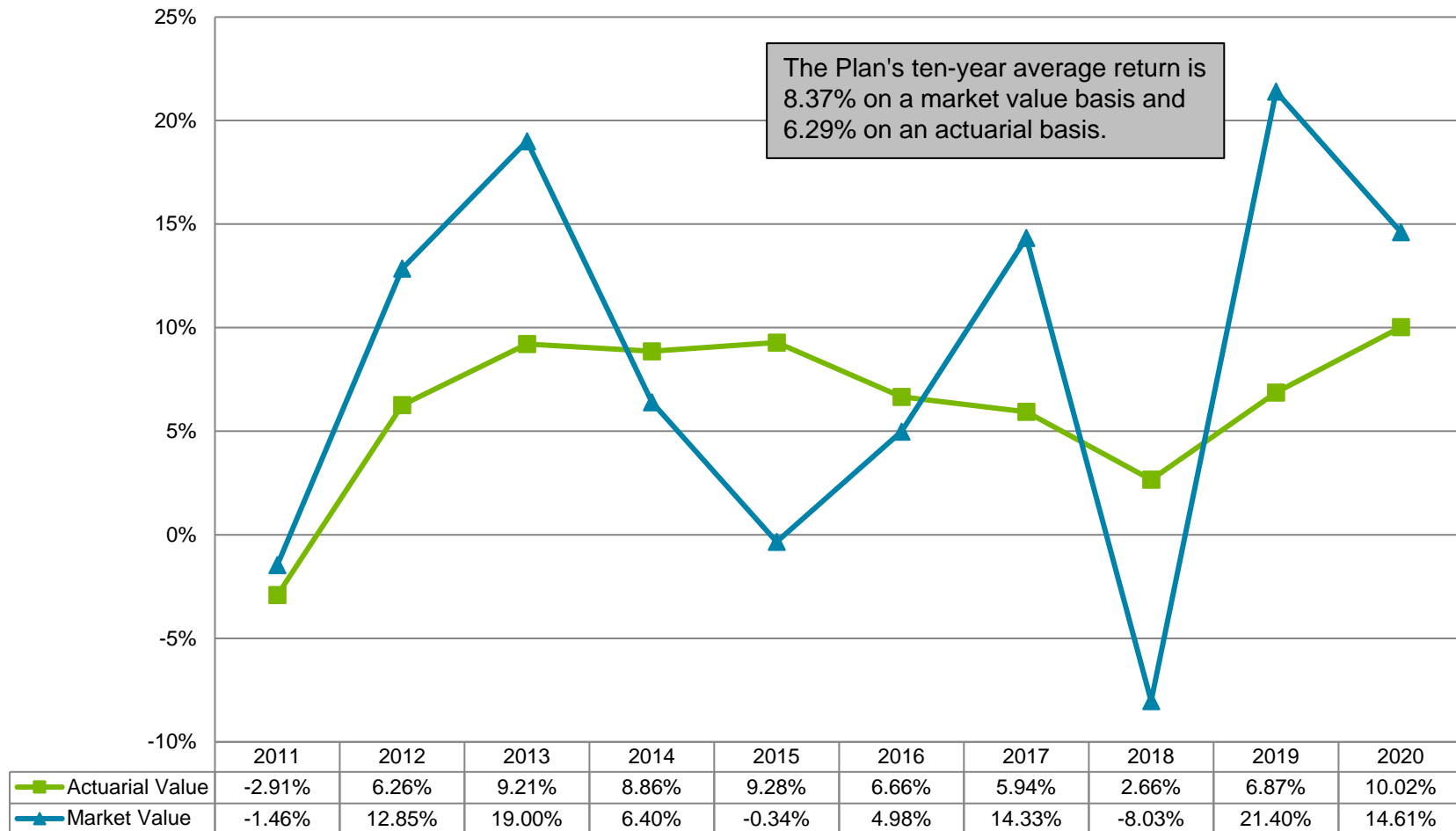
² As of January 1, 2020, this includes 38 beneficiaries receiving payments. As of January 1, 2021, this includes 50 beneficiaries receiving payments.

Market Value of Assets

Changes in Market Value of Assets (\$ Millions)				
	12/31/2019 Value	\$	35.3	
	Benefits	—	5.0	
	Expenses	—	0.2	Administrative (non-investment) expenses only
	Contributions	+	4.0	
	Return	<u>+</u>	<u>5.3</u>	15% annual return during 2020 net of investment expenses
	12/31/2020 Value	= \$	39.4	

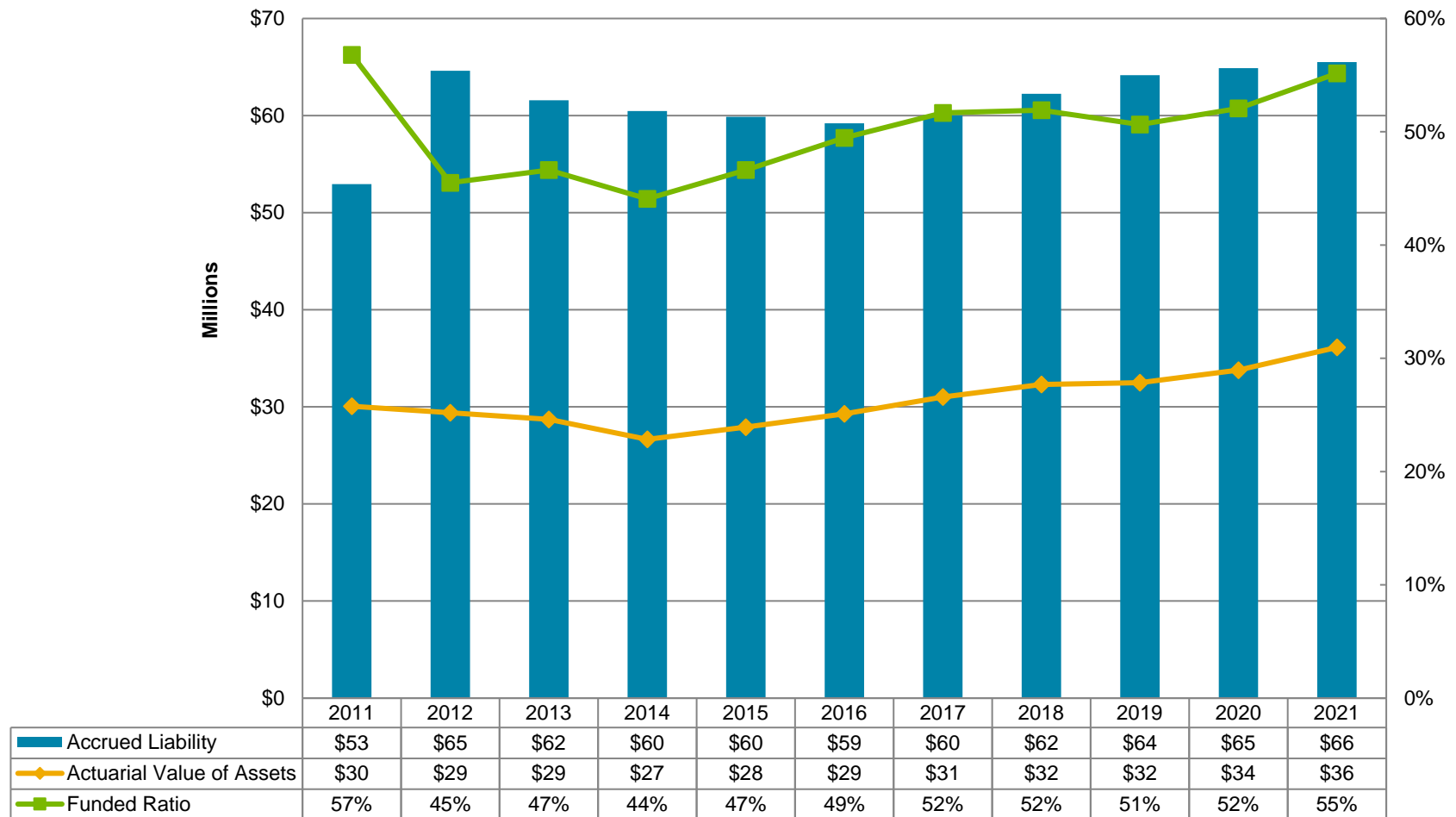
Historical Results: Actuarial vs Market Rates of Return

Asset Returns



Historical Results: Actuarial Accrued Liability vs Actuarial Value of Assets

Actuarial Value of Assets vs. Accrued Liability as of January 1 (Millions)



Qualified Pension Expense

Net Pension Liability	Fiscal Year Ending 9/30/2020	Fiscal Year Ending 9/30/2021
(1) Pension Liability		
(a) Retired Participants and Beneficiaries		
Receiving Payment	\$ 47,336,418	\$49,632,012
(b) Terminated Vested Participants	8,597,558	8,194,551
(c) Active Participants	8,949,976	7,686,162
(d) Total	<u>\$ 64,883,952</u>	<u>\$65,512,725</u>
(2) Plan Fiduciary Net Position	<u>35,284,632</u>	<u>39,382,730</u>
(3) Net Pension Liability	<u>\$ 29,599,320</u>	<u>\$26,129,995</u>
Plan Fiduciary Net Position as a Percentage of the Total		
(4) Pension Liability	54.38%	60.11%
Deferred Outflow of Resources for Contributions Made		
(5) After Measurement Date	\$ 0	\$ 0

Expense	Fiscal Year Ending 9/30/2020	Fiscal Year Ending 9/30/2021
(1) Service Cost	\$ 0	\$ 0
(2) Interest Cost	4,322,203	4,214,154
(3) Expected Investment Return	(2,054,228)	(2,341,691)
(4) Employee Contributions	0	0
(5) Administrative Expense	205,491	220,001
(6) Plan Changes	0	0
(7) Amortization of Unrecognized		
(a) Liability (Gain)/Loss	32,703	164,257
(b) Asset (Gain)/Loss	172,968	(874,373)
(c) Assumption Change (Gain)/Loss	<u>1,279,922</u>	<u>1,235,860</u>
(8) Total Expense	<u>\$ 3,959,059</u>	<u>\$ 2,618,208</u>

2022 GASB 68 Expense Estimate

	Fiscal Year Ending 9/30/2021 (DR = 6.50%)	Estimated Fiscal Year Ending 9/30/2022	
		DR = 6.50%	DR = 6.25%
1. Service Cost	\$ 0	\$ 0	\$ 0
2. Interest Cost	4,214,154	4,073,882	4,073,882
3. Expected Investment Return	(2,341,691)	(2,509,784)	(2,509,784)
4. Employee Contributions	0	0	0
5. Administrative Expense	220,001	200,000	200,000
6. Plan Changes	0	0	0
7. Amortization of Unrecognized			
a. Liability (Gain)/Loss	164,257	0	0
b. Asset (Gain)/Loss	(874,373)	(972,000)	(972,000)
c. Assumption Change (Gain)/Loss	1,235,860	0	1,467,289
8. Miscellaneous/Other Changes	0	1,000,000	1,000,000
9. Total Expense	\$ 2,618,208	\$ 1,792,098	\$ 3,259,387

Notes

- The above estimates are only intended to provide general orders of magnitude. Actual liability gains or losses in 2022 will be fully recognized in 2022 expense.
- Discount rate for Estimated FYE 2022 assumes \$4M is contributed until full funding reached.
- Assumes no future demographic or asset gains/losses.
- Other assumptions consistent with September 30, 2021 GASB 68 valuation.

Key Assumptions and Methods

Assumption	2021 Plan Year
Discount Rate	6.50%
Cost Method	Unit Credit Cost Method
Mortality	Healthy: Pub-2010 General Employees Table projected with Scale MP-2020 Disabled: Pub-2010 General Disabled Table projected with Scale MP-2020
Retirement/Termination Rates for Active Participants	Rates vary by age, sex, and service. See valuation report for more details
Form of Payment for Commencements for Active Participants	Participants are assumed to elect the maximum lump sum distribution available plus a 10 Year Certain and Life Annuity (the Normal Form)
Commencement Age and Form of Payment for Terminated Vested Participants	Earliest eligibility for retirement; payment form assumption same as for active participants.