

**State of Alaska**

**Judicial Retirement System**

**Actuarial Valuation**

**as of June 30, 1996**

**Prepared by:**

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# Highlights

This report has been prepared by William M. Mercer, Incorporated to:

1. present the results of a valuation of the State of Alaska Judicial Retirement System as of June 30, 1996;
2. review experience under the Plan for the period July 1, 1994 to June 30, 1996;
3. determine the contribution rate for the System for Fiscal Years 1999 and 2000;
4. provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 contains the results of the valuation. It includes the experience of the Plan during the 1994/95 and 1995/96 plan years, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the Plan provisions, provides information relating to the Plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principal results are as follows:

## Funding Status as of June 30:

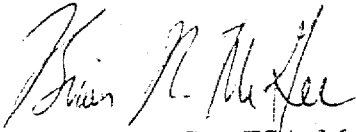
	<u>1994</u>	<u>1996</u>
a. Valuation Assets	\$ 42,054,807	\$ 51,781,933
b. Accrued Liability	52,018,485	55,007,567
c. Funding Ratio, (a) / (b)	80.8%	94.1%

## Recommended Contribution Rates:

	<u>FY97-FY98</u>	<u>FY99-FY00</u>
a. Normal Cost Rate	22.54%	20.92%
b. Past Service Cost Rate	16.28%	5.39%
c. Total Employer Cost Rate	38.82%	26.31%

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data and financial information provided to us by your office, to determine a sound value for the System's liabilities. We believe that this value and the method suggested for funding it are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code and all applicable regulations.

Respectfully submitted,



Brian R. McGee, FSA, MAAA



James W. Jacobson, ASA, MAAA

CMB/JWJ/BRM/ksr

# Analysis of Valuation

## Actuarial Method and Assumptions

The actuarial method and all assumptions except the interest rate are the same as that used in the June 30, 1994 valuation. The interest rate assumption was increased 25 basis points, from 8.00% to 8.25%. A technical revision was made to the allocation of liabilities and normal cost between withdrawal and retirement. Aggregate liabilities and normal cost were unaffected by this minor change. In addition, a technical revision was made to the calculation of normal cost for the death benefit.

## Salary Increases

Salaries for most active judges changed from June 30, 1994 to June 30, 1996. The following table presents the annual base salaries for the different court appointments:

	June 30, 1994	June 30, 1996
District Court	\$ 81,888.00	\$ 86,148.00
Superior Court	96,600.00	101,628.00
Appellate Court	98,688.00	103,824.00
Supreme Court	105,000.00	109,908.00
Administrative Director	102,468.00	102,468.00

The average annual salary increased from \$93,159 at June 30, 1994 to \$97,946 at June 30, 1996, an average annual increase of 2.54%. Since we assumed an average annual salary increase of 5% in the valuation as of June 30, 1994, an actuarial gain occurred due to salary experience which increased the funding ratio and decreased the total contribution rate.

## Investment Performance

The estimated rate of return on investments during fiscal year 1995 was 13.51% and the rate of return during fiscal year 1996 was 10.06%, net of administrative expenses. Our actuarial calculations were based upon the assumption that the System's assets would earn 8% in FY95 and FY96, net of administrative expenses. The average annual rate of return during the two-year period was 11.77% and this resulted in an actuarial gain to the System, increasing the funding ratio and decreasing the contribution rate.

## **Health Premiums**

The blended monthly premium increased from \$350.50 for FY96 to \$368.00 for FY98, an average annual increase of 2.47%.

To help avoid volatility in the funding and solvency of the System from bringing large health-related gains and losses into the System every year, we have been using the health cost trend assumption to determine actuarial liabilities for retiree medical benefits. The difference between the assumed rate and the actual rate will be tracked and reduced if the gap becomes too wide. Also, adjustments will be made, if necessary, to the assumed medical premium rate every four to five years when a formal experience analysis is performed.

Because no adjustments were made to the assumed medical premium rate, the funding ratio and total contribution rate was unaffected by medical cost experience.

## **Membership Statistics**

The average age of active participants increased by 0.78 years and the average past service increased by 0.50 years. The average age of vested terminated members increased by 1.22 years and the average age of retirees and survivors increased by 0.73 years. Average benefits increased for retirees and terminated vested participants. The changes in participant averages tended to produce an actuarial gain. The effect was to increase the funding ratio and decrease the total contribution rate of the system.

## **Summary**

The change in the investment return assumption combined with the overall experience during the two-year period resulted in an increase in the funding ratio from 80.8% to 94.1%. The total contribution rate decreased from 38.82% to 26.31%. We expect the System will continue to maintain a sound financial position.

# **Section 1**

## **Valuation Results**

This section sets forth the results of the actuarial valuation.

Section 1.1 shows the transactions of the System's fund during FY95 and FY96.

Section 1.2 shows the actuarial present values as of June 30, 1996.

Section 1.3 calculates the actuarial gain or loss for FY95 and FY96.

Section 1.4 develops the total contribution rate.

Section 1.5 provides disclosure information for GASB Statement No. 5.

## 1.1 Development of Valuation Assets

	<u>FY95</u>	<u>FY96</u>
<b>Net Assets Available for Benefits, Beginning of Year</b>	<u>\$ 42,054,807</u>	<u>\$ 47,504,050</u>
<b>Additions:</b>		
Employee Contributions	\$ 288,280	\$ 277,660
Employer Contributions	2,151,125	2,044,190
Net Realized Gains	762,779	2,455,028
Net Unrealized Gains	2,378,793	(273,528)
Investment Income	<u>2,636,950</u>	<u>2,728,646</u>
	\$ 8,217,927	\$ 7,231,996
<b>Deductions:</b>		
Retirement Benefits	\$ 2,465,729	\$ 2,561,013
Medical Benefits	193,029	236,544
Administrative Expenses	<u>109,926</u>	<u>156,556</u>
	\$ 2,768,684	\$ 2,954,113
<b>Net Assets Available for Benefits, End of Year</b>	<u>\$ 47,504,050</u>	<u>\$ 51,781,933</u>
Approximate Investment Return Rate During the Year, Net of Administrative Expenses	13.51%	10.06%



## 1.2 Breakdown of Present Value of Benefits at June 30, 1996

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<b>Active Participants</b>		
Retirement Benefits	\$ 1,018,839	\$ 10,037,285
Disability Benefits	34,820	320,672
Death Benefits	88,120	1,807,125
Deferred Benefits	207,752	2,693,502
Health Benefits	<u>68,461</u>	<u>656,397</u>
Subtotal	\$ 1,417,992	\$ 15,514,981
<b>Retirees and Survivors</b>		
Retired Members' Benefits		\$ 32,037,531
Health Benefits		<u>1,465,865</u>
Subtotal		\$ 33,503,396
<b>Vested Terminations</b>		
Deferred Retirement Benefits		\$ 5,477,661
Health Benefits		<u>511,529</u>
Subtotal		\$ 5,989,190
<b>Total</b>		\$ 55,007,567

### 1.3 Development of Actuarial Gain/(Loss) for FY95 and FY96

1.	Unfunded Liability, June 30, 1994	\$ 9,963,678
2.	Normal Cost for FY95	1,485,689
3.	Normal Cost for FY96	1,604,544
4.	Interest on (1), (2) and (3) at 8%	2,033,538
5.	Employee Contributions for FY95 and FY96	565,940
6.	Employer Contributions for FY95 and FY96	4,195,315
7.	Interest on (5) and (6) at 8%	380,900
8.	Change Due to Assumption Changes	(1,641,810)
9.	Expected Unfunded Liability, June 30, 1996, (1) + (2) + (3) + (4) - (5) - (6) - (7) + (8)	8,303,484
10.	Actual Unfunded Liability, June 30, 1996	3,225,634
11.	Actuarial Gain/(Loss) for the Period, (9) - (10)	\$ 5,077,850

## 1.4 Calculation of Total Contribution Rate

1. Total Normal Cost	\$ 1,417,992
2. Total Salaries	5,289,060
3. Total Normal Cost Rate, (1) / (2)	26.81%
4. Average Employee Contribution Rate	5.89%
5. Employer Normal Cost Rate, (3) - (4)	20.92%
6. Accrued Liability	\$ 55,007,567
7. Assets	51,781,933
8. Total Unfunded Liability, (6) - (7)	3,225,634
9. Amortization Factor	11.312888
10. Past Service Payment, (8) / (9)	285,129
11. Past Service Rate, (10) / (2)	5.39%
12. Total Employer Contribution Rate, (5) + (11)	26.31%

# 1.5 Disclosure for G.A.S.B. Statement No. 5

## State of Alaska Judicial Retirement System Disclosure for G.A.S.B. Statement No. 5

<u>Valuation Date</u>	***** Pension Benefit Obligation *****				
	Current Retirees & Terminated	***** Current Employees ***** Contribs With Int	***** Employer Financed ***** Vested Non-Vested		Total
June 30, 1991*	\$ 29,897,257	\$ 1,154,693	\$ 13,530,420	\$ 1,043,842	\$ 45,626,212
June 30, 1992	\$ 31,911,329	\$ 1,694,938	\$ 12,647,003	\$ 1,017,488	\$ 47,270,758
June 30, 1993*	\$ 32,512,316	\$ 1,995,369	\$ 15,155,145	\$ 1,219,275	\$ 50,882,105
June 30, 1994	\$ 36,357,600	\$ 2,270,333	\$ 11,977,430	\$ 1,413,122	\$ 52,018,485
June 30, 1995*	\$ 38,174,811	\$ 2,528,785	\$ 12,985,825	\$ 1,532,095	\$ 55,221,516
June 30, 1996	\$ 39,492,586	\$ 2,674,548	\$ 11,576,523	\$ 1,263,910	\$ 55,007,567

<u>Valuation Date</u>	***** Valuation Assets *****			***** Market Value Assets *****		
	Net Assets Available For Benefits	Unfunded PBO	Assets as Percent of PBO	Net Assets Available For Benefits	Unfunded PBO	Assets as Percent of PBO
June 30, 1991*	\$ 31,968,055	\$ 13,658,157	70%	\$ 31,968,055	\$ 13,658,157	70%
June 30, 1992	\$ 36,878,167	\$ 10,392,591	78%	\$ 36,878,167	\$ 10,392,591	78%
June 30, 1993*	\$ 41,906,073	\$ 8,976,032	82%	\$ 41,906,073	\$ 8,976,032	82%
June 30, 1994	\$ 42,054,807	\$ 9,963,678	81%	\$ 42,054,807	\$ 9,963,678	81%
June 30, 1995*	\$ 47,504,050	\$ 7,717,466	86%	\$ 47,504,050	\$ 7,717,466	86%
June 30, 1996	\$ 51,781,933	\$ 3,225,634	94%	\$ 51,781,933	\$ 3,225,634	94%

\* Based on an actuarial update.

## **Section 2**

### **Basis of Valuation**

In this section, the basis of the valuation is presented and described. This information -- the provisions of the System and the census of participants -- is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of the System's provisions is provided in Section 2.1 and participant census information is shown in Section 2.2 to Section 2.4.

The valuation is based upon the premise that the Plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the System in a reasonable and acceptable manner, are described in Section 2.5.

## 2.1 Summary of Plan Provisions

### 1. Effective Date

May 4, 1963, with amendments through June 30, 1996.

### 2. Administration of Plan

The Commissioner of Administration is responsible for administering the Judicial Retirement System (JRS). The Alaska State Pension Investment Board is responsible for managing and investing the fund (Ch 31, SLA 1992).

### 3. Employees Included

JRS membership is mandatory for all Supreme Court justices and Superior, District and Appellate Court judges. The administrative director of the Court System may elect to participate in either the JRS or the Public Employees' Retirement System (PERS).

### 4. Credited Service

Members receive credit for each day of JRS employment. Earlier service as a magistrate or deputy magistrate before July 1, 1967 is covered under the JRS.

### 5. Employee Contributions

Employees hired after July 1, 1978, are required to contribute 7% of their base annual salaries. Contributions are required for a maximum of 15 years. Employees hired before July 1, 1978 are not required to contribute.

Interest Credited: 4.5% compounded semiannually on June 30 and December 31.

Refund of Contributions: Nonvested employees may receive a refund of their contributions and interest earned if they terminate employment. Refunded contributions, plus 7% indebtedness interest, must be repaid within one year of JRS reemployment.

JRS contributions for terminated members may be attached to satisfy claims under Alaska Statute 09.38.065 or federal tax levies. Contributions that are attached to satisfy claims or tax levies may be reinstated at any time. The member is not required to return to JRS employment.

## 2.1 Summary of Plan Provisions (continued)

### 6. Retirement Eligibility and Benefits

Normal Retirement: Members are eligible for normal retirement at age 60 if they have at least five years of JRS service. Terminated, vested members may defer retirement and begin receiving benefits when they reach age 60.

Early Retirement: Members are eligible for early retirement at any age if they have at least 20 years of service. Terminated, vested members may defer retirement and begin receiving benefits when they reach age 55. Under early retirement, members receive reduced benefits equal to the actuarial equivalent of their normal retirement benefits. Early benefits are based on the member's service and early retirement date.

Type of Benefit: Lifetime monthly benefits are paid to the member. Upon the member's death, a survivor's benefit (below) may be payable if the member has an eligible spouse or dependent children.

Computation of Normal Retirement Benefit: 5% of authorized monthly base salary for each year of JRS service up to a maximum of 15 years. JRS benefits are recalculated when the salary for the office held changes. The maximum JRS benefit payable to a member is 75% of the authorized salary.

### 7. Survivor's Benefits

Survivor's benefits are payable to the spouse of a member if they have been married for at least one year immediately preceding the member's death and the member has at least two years of JRS service. The monthly survivor's benefit is equal to:

- (a) one-half of the monthly benefit that the member would have received if retired at the time of death; or
- (b) 30% of the authorized monthly base salary if the member was not eligible to retire, or was entitled to less than 60% of the authorized monthly base salary.

If there is no eligible surviving spouse, the member's dependent children receive, in equal shares, 50% of the benefit under (a) or (b).

When there is both an eligible surviving spouse and dependent children residing in separate households, the spouse and children share equally the benefit under (a) or (b).

If there is no surviving spouse or dependent children, the members' contribution account balance, including interest earned, will be paid to the designated beneficiary.

## **2.1 Summary of Plan Provisions (continued)**

### **8. Disability Benefits**

Members are eligible to receive monthly disability benefits at any age if they become incapacitated and they have at least two years of JRS service. Disability benefits are calculated the same as normal retirement benefits. See (6) *Retirement Benefits and Eligibility*.

### **9. Medical Benefits**

Medical benefits are provided at no cost to JRS members, their spouses and dependents while monthly retirement, disability and survivor benefits are being paid.



## 2.2 Changes in System Participation From June 30, 1994 to June 30, 1996

### Active Participants

Total, June 30, 1994	57
New Entrants	4
Returned From Non-Vested Status	0
Returned From Vested Status	0
Non-Vested Terminations	0
Vested Terminations	(2)
Retirements	(5)
Deaths	<u>0</u>
Total, June 30, 1996	54

### Vested Terminations

Total, June 30, 1994	13
New Vested Terminations	2
Retirements	(1)
Returned to Active Status	0
Deaths	<u>0</u>
Total, June 30, 1996	14

### Retirees, Survivors and QDRO's

Total, June 30, 1994	48
New Retirements	6
New Survivors	0
QDRO Adjustments	2
Deaths	<u>0</u>
Total, June 30, 1996	56

## 2.3 Miscellaneous Information as of June 30

	<u>1988</u>	<u>1990</u>	<u>1992</u>	<u>1994</u>	<u>1996</u>
<b>Active Members</b>					
1. Number	53	52	53	57	54
2. Average Age	47.99	48.64	49.27	50.06	50.84
3. Average Service	8.94	9.52	9.43	9.42	9.92
4. Average Annual Base Pay	\$ 75,404	\$ 74,880	\$ 93,685	\$ 93,159	\$ 97,946
<b>Vested Terminated Members</b>					
1. Number	9	12	17	13	14
2. Average Age	47.98	48.18	49.59	49.85	51.07
3. Average Service	6.72	8.05	8.62	7.41	7.99
4. Average Monthly Benefit	\$ 2,001	\$ 2,446	\$ 3,107	\$ 2,738	\$ 3,025
<b>Retirees, Beneficiaries and QDRO's</b>					
1. Number	34	39	43	48	56
2. Average Age	67.53	68.21	69.13	68.97	69.70
3. Average Monthly Benefit	\$ 3,154	\$ 2,964	\$ 3,888	\$ 3,993	\$ 4,213

## 2.4 Distributions of Active Participants

----- Annual Earnings By Age -----				----- Annual Earnings By Service -----			
Age	Number	Total	Average	Years	Number	Average	
Groups	of	Earnings	Earnings	of	of	Earnings	
	People			Service	People		
0-19	0	\$ 0	\$ 0	0	3	\$ 289,404	\$ 96,468
20-24	0	0	0	1	1	86,148	86,148
25-29	0	0	0	2	3	297,684	99,228
30-34	0	0	0	3	5	461,700	92,340
35-39	1	86,148	86,148	4	1	86,148	86,148
40-44	3	258,444	86,148	0-4	13	1,221,084	93,930
45-49	22	2,122,452	96,475	5-9	17	1,645,272	96,781
50-54	17	1,709,388	100,552	10-14	12	1,173,096	97,758
55-59	9	916,572	101,841	15-19	9	927,324	103,036
60-64	1	86,148	86,148	20-24	2	212,376	106,188
65-69	1	109,908	109,908	25-29	0	0	0
70-74	0	0	0	30-34	0	0	0
75-79	0	0	0	35-39	1	109,908	109,908
80+	0	0	0	40+	0	0	0
<b>Total</b>	<b>54</b>	<b>\$ 5,289,060</b>	<b>\$ 97,946</b>	<b>Total</b>	<b>54</b>	<b>\$ 5,289,060</b>	<b>\$ 97,946</b>

### Years of Service By Age

Age	----- Years of Service -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
35-39	1	0	0	0	0	0	0	0	0	1
40-44	2	1	0	0	0	0	0	0	0	3
45-49	5	11	5	1	0	0	0	0	0	22
50-54	3	5	5	4	0	0	0	0	0	17
55-59	1	0	2	4	2	0	0	0	0	9
60-64	1	0	0	0	0	0	0	0	0	1
65-69	0	0	0	0	0	0	0	1	0	1
70-74	0	0	0	0	0	0	0	0	0	0
75-79	0	0	0	0	0	0	0	0	0	0
80+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>13</b>	<b>17</b>	<b>12</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>54</b>

## 2.5 Actuarial Basis

### Valuation of Liabilities

- A. **Actuarial Method - Projected Unit Credit.** Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. The unfunded accrued benefit liability is amortized over 25 years. Actuarial funding surpluses are amortized over five years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

### B. Actuarial Assumptions -

- |                 |   |
|-----------------|---|
| 1. Interest     | 8.25% per year, compounded annually, net of expenses. |
| 2. Mortality    | 1984 Unisex Pension Mortality Table.                  |
| 3. Salary Scale | 5% per year, compounded annually.                     |

## 2.5 Actuarial Basis (continued)

- |                                  |   |
|----------------------------------|---|
| 4. Health Cost Trend             | FY97 - 7.5%   |
|                                  | FY98 - 6.5%   |
|                                  | FY99 & later - 5.5%   |
| 5. Turnover and Early Retirement | Annual turnover and early retirement at each age and service is the <u>greatest</u> of the following amounts: |
|                                  | a. 0%   |
|                                  | b. 3% if service is greater than 15 years.  |
|                                  | c. 6% if vested <u>and</u> immediately eligible for full benefits based on retirement provision.              |
|                                  | d. 10% if vested <u>and</u> age is greater than 64.   |
| 6. Disability                    | In accordance with Table 1.   |
| 7. Maximum Retirement Age        | Age 70.   |

### Valuation of Assets

Based upon asset data as furnished by the Division of Retirement and Benefits.

### Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For FY98, the pre-65 monthly premium is \$534.40 and the post-65 premium is \$203.57, based on an assumed total blended premium of \$408.81. For FY97, the actual blended premium is \$368.00. The FY98 blended premium was provided by the State of Alaska Division of Retirement and Benefits.

**Table 1**  
**State of Alaska**  
**Judicial Retirement System**

**Disability Rates**  
**Annual Rates Per 1,000 Employees**

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.17	45	.41
21	.17	46	.44
22	.18	47	.48
23	.18	48	.52
24	.18	49	.56
25	.19	50	.60
26	.19	51	.65
27	.19	52	.72
28	.20	53	.80
29	.20	54	.89
30	.21	55	1.00
31	.21	56	1.15
32	.22	57	1.34
33	.22	58	1.53
34	.23	59	1.80
35	.24	60	2.11
36	.25	61	2.44
37	.26	62	2.83
38	.27	63	3.26
39	.28	64	3.73
40	.29		
41	.30		
42	.32		
43	.34		
44	.37		

## **Section 3**

### **Actuarial Present Value of Accumulated Plan Benefits**

Section 3.1 shows the actuarial present value of accumulated plan benefits as of June 30, 1996

### 3.1 Statement of Actuarial Present Value of Accumulated Plan Benefits at June 30, 1996

Retired participants and beneficiaries of deceased participants	\$ 33,503,396
Terminated participants with deferred benefits	5,989,190
Active participants - Vested	12,481,512
Active participants - Non-vested	1,362,715
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 53,336,813

#### Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
  - a. Future salary was not considered.
  - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
  - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$2,674,548
3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values *should not be construed to be indicative of the expected ability of the plan to pay future benefits when due.* Furthermore, *that comparison is not valid for assessing a plan termination situation.* Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels *produces a significant understatement of the value of accumulated plan benefits* when applying going concern concepts. *The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.*



### 3.1 Statement of Actuarial Present Value of Accumulated Plan Benefits (continued)

4. The change in the Present Value of Accumulated Plan Benefits during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1995	\$ 54,485,235
B.	Increase (Decrease) Attributable to:	
i.	Additional Benefits Accumulated, including Actuarial Experience	(1,051,476)
ii.	Increase due to Decrease in the Discount Period	4,246,917
iii.	Benefits Paid to Participants	(2,797,557)
iv.	Material System Changes	0
v.	Change in Assumptions	<u>(1,546,306)</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1996	\$ 53,336,813

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