



Benefit Accumulation Fund Interest Rate Credit Recommendation for 2016

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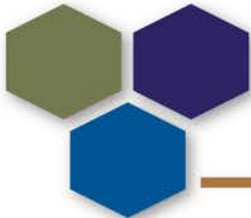
Overall Fund Return for 2016

- ◆ GRS recommends crediting the Benefit Accumulation Fund (BAF) interest equal to 6.73%
- ◆ This will be credited based on the beginning of year BAF balance for each city
- ◆ This amount was determined after all administrative and investment expenses have been paid and the statutory interest credit requirements have been fulfilled
- ◆ This will maintain the \$100 million Interest Reserve Account

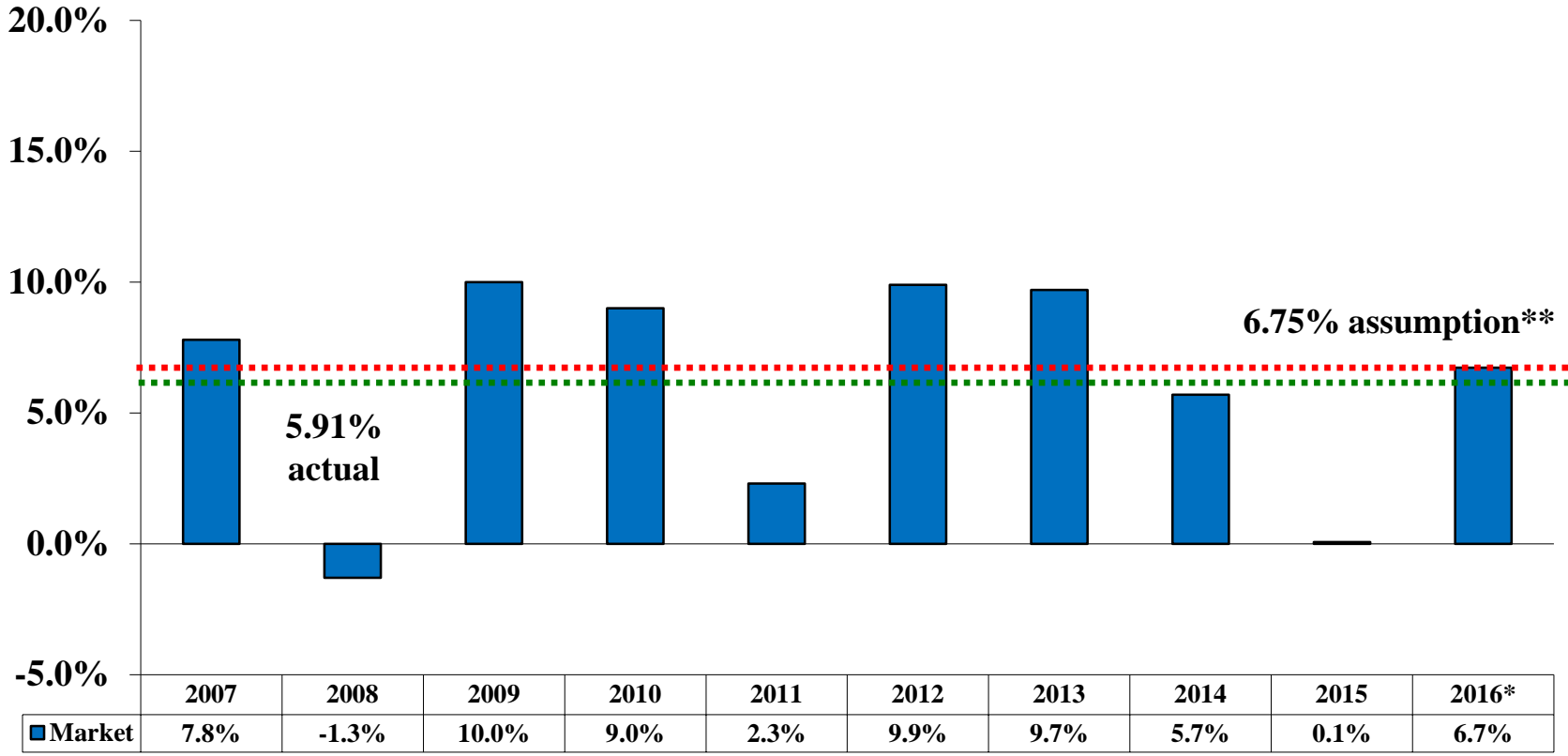


“Smoothed” 2016 Rate of Return

- ◆ The contribution rates are determined based on a 10-year smoothing process
- ◆ The smoothing calculation produces an Actuarial Rate of Return of approximately 6.44% for 2016 on the BAF
 - ▶ \$611 million in deferred losses remain as of December 31, 2016 (roughly 2.4% of Fund)
 - ▶ A credit on the BAF in 2017 of approximately 9.4% would offset these deferred losses
 - ▶ This actuarial return of 6.44% will produce an increase in contribution rates of 0.08% for 2018 from investment performance (will vary slightly by city)



Yields based on Market Value of Assets



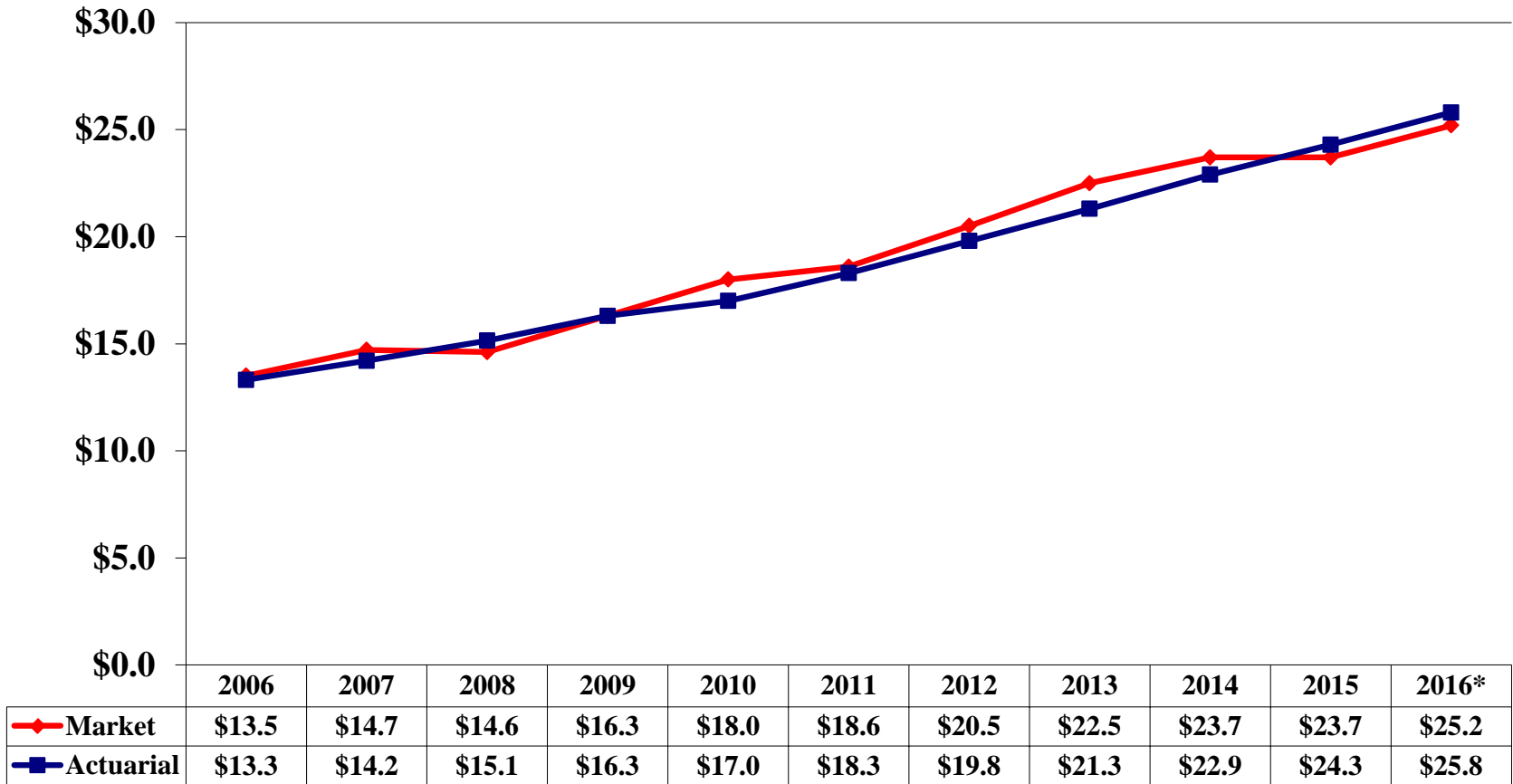
5.91% average compound return (on market value) over last 10 years

* Estimated

** Assumption was 7% from 2007 - 2015

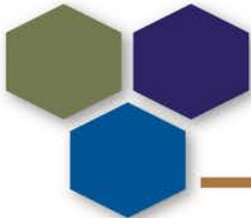
Market and Actuarial Values of Assets

\$ amounts are in Billions

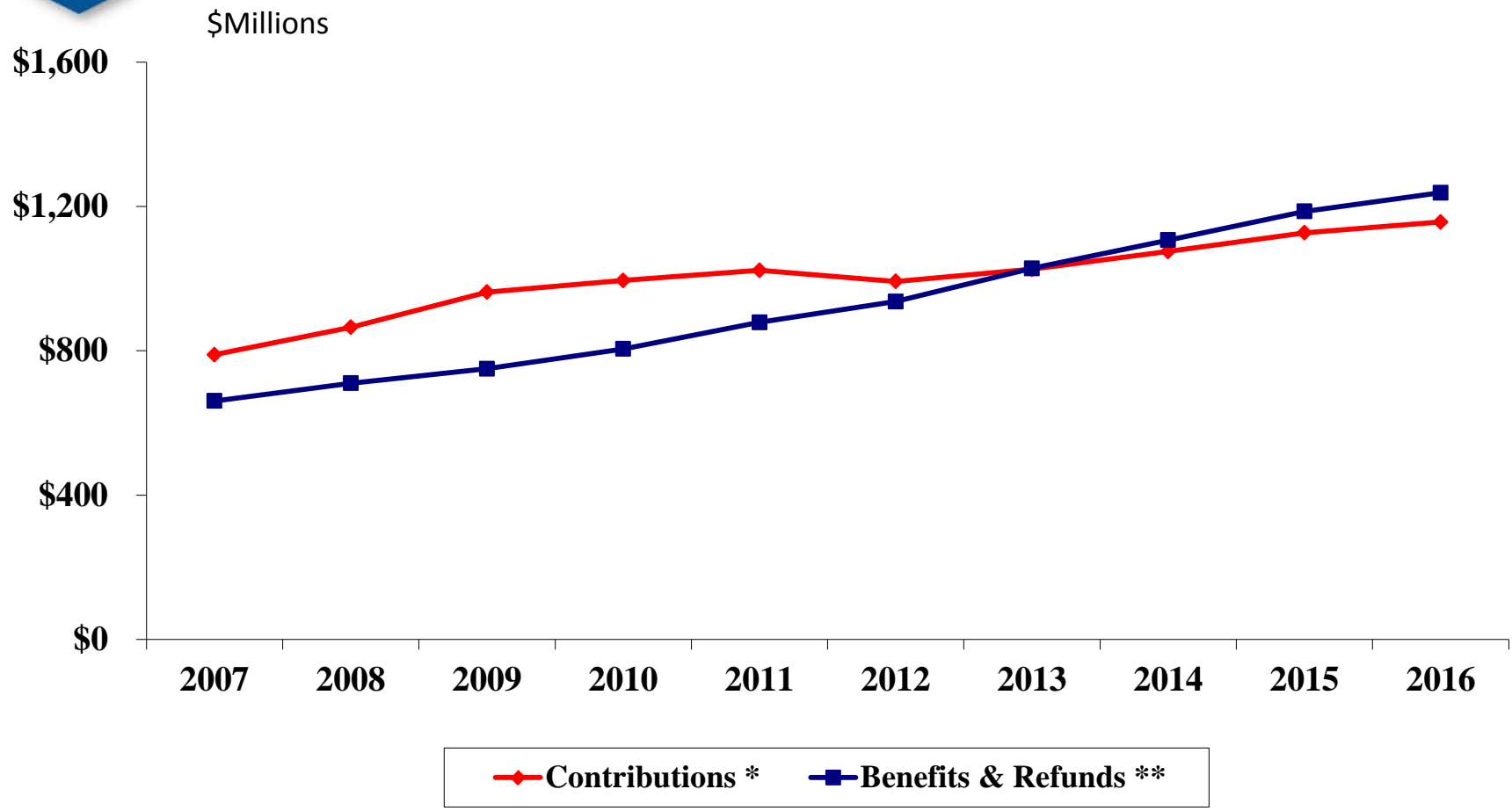


* Estimated

- AVA is currently 102.4% of MVA, was 102.5% last year
AVA was Book Value prior to 2009



Contributions vs. Benefits and Refunds



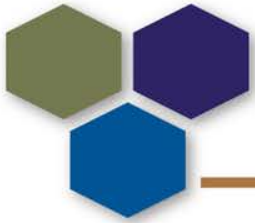
* Includes member and employer contributions

** Includes administrative and investment expenses



GRS' 2016 BAF Interest Credit Recommendation

- ◆ GRS recommends crediting the BAF with an interest credit of 6.73% which represents the investment income remaining after all administrative and investment expenses have been paid and the statutory requirements have been fulfilled, includes estimated 4th quarter private investment fund valuation adjustments and maintains the \$100 million Interest Reserve Account as of December 31, 2016 as a percentage of the beginning of year BAF fund



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