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# BI-STATE DEVELOPMENT IBEW UNION EMPLOYEES' PENSION PLAN

Actuarial Valuation as of April 1, 2023

**Prepared by**

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**April 1, 2023**

**Bi-State Development IBEW Union Employees' Pension Plan**

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## Introduction and Purpose

In this report, we present the results of the April 1, 2023 actuarial valuation for the Bi-State Development IBEW Union Employees' Pension Plan. The report has been prepared at the request of Bi-State Development's Board, for the sole use of the Board, Bi-State Development and the Pension Committee.

### PURPOSES OF THE VALUATION

The actuarial valuation of the Plan is intended to accomplish several purposes:

- The calculation of the actuarially determined contribution
- Assessment of the relative funded position of the plan on an ongoing basis, i.e., through a comparison of plan assets and projected plan liabilities
- Review the experience under the plan for the previous year

## Actuarial Certification

As requested, we have performed an actuarial valuation of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Workers Employees' Pension Plan (Plan) as of April 1, 2023. Our findings are set forth in this actuary's report. This report reflects the benefit provisions in effect on April 1, 2023.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by Bi-State Development, Milliman (administrative practice), UHY LLP and U.S. Bank. This information includes, but is not limited to, statutory provisions, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

The valuation results have been developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. The models, including all input, calculations, and output may not be appropriate for any other purpose.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are prescribed jointly by Bi-State Development and the Pension Committee. These parties are responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies methods and assumptions used in this valuation are those that have been so prescribed and are described in the Actuarial Basis of this report. Bi-State Development and the Pension Committee are solely responsible for communicating to Milliman any changes required thereto. All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated future experience affecting the Plan and are expected to have no significant bias.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or

## Milliman Actuarial Valuation

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demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Actuarial computations presented in this report are for purposes of calculating the actuarially determined contribution for the Plan. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Plan's funding requirements and goals and the plan provisions described on pages 21-22 of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the use and benefit of Bi-State Development. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The Plan may provide a copy of Milliman's work, in its entirety, to the Plan's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan.
- (b) The Plan may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

**Milliman Actuarial Valuation**

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We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,



William D. Winningham, EA, MAAA  
Consulting Actuary

WDW/RRF/crd



R. Ryan Falls, FSA, EA, MAAA  
Consulting Actuary

## Discussion of Valuation Results

### 1. Actuarially Determined Contribution

A comparison of actuarially determined contribution rates for the current and immediately preceding valuations is shown below:

	Actuarial Valuation as of	
	April 1, 2022	April 1, 2023
Actuarially Determined Weekly Contribution Rate	\$145.29 *	\$155.56

\* At the November 2, 2022 meeting, the Pension Committee voted to adopt the weekly contribution rate of \$145.29.

There was an increase in the actuarially determined contribution rate as compared to the preceding year. The primary reasons for the increase was the 4 person decrease in active headcount.

### 2. Plan Assets

The market value of plan assets decreased from \$7,479,555 at April 1, 2022 to \$6,986,078 at April 1, 2023. A balance sheet and statement of income and disbursements are presented on pages 9 and 10, respectively. The net market rate of return was -5.0% versus 1.7% for the prior year.

The actuarial value of assets increased from \$6,943,707 at April 1, 2022 to \$7,250,657 at April 1, 2023. The development of the April 1, 2023 actuarial value of assets is presented on page 11. The net actuarial rate of return for the period was 6.2% versus the assumed rate of 6.0%.

### 3. Actuarial Assumptions, Methods and Plan Provisions

All actuarial assumptions, methods and plan provisions remained the same as the prior year. Descriptions of these can be found on pages 17-21.

The funding method is the Entry Age Normal method where Normal Costs are computed as a level dollar amount. The Unfunded Actuarial Accrued Liability is amortized as a level dollar amount. The closed amortization period was reset to 30 years effective April 1, 2005. Assuming all actuarial assumptions are realized, anticipated contributions are expected to fully amortize the unfunded actuarial accrued liability in the plan year beginning 2035.

## Discussion of Valuation Results (continued)

### 4. Plan Population

The number of active participants included in the valuation decreased from 31 to 27. The number of retirees and beneficiaries increased from 27 to 31. The number of terminated vested participants decreased from 12 to 11. The number of terminated nonvested participants due a refund of employee contributions decreased from 2 to 1.

### 5. Funded Status

There are various bases for assessing the funded status of the Plan on an ongoing basis (see page 13 for detailed calculations). One basis is to divide the actuarial value of assets by the Accrued Liability. Page 13 shows this ratio to be 88.9% for the current year. An upward trend in this ratio over the years is considered a favorable indicator of the Plan's funding progress.

Another measure displayed on page 13 is the Unfunded Actuarial Accrued Liability as a percentage of covered payroll. A downward trend in this ratio over time is considered favorable.

### 6. Reconciliation of Unfunded Actuarial Accrued Liability

The Plan experienced an overall net decrease in unfunded actuarial accrued liability for the Plan Year ending March 31, 2023 of approximately \$40,000. The reconciliation of the unfunded actuarial accrued liability from April 1, 2022 to April 1, 2023 is summarized below.

Unfunded Actuarial Accrued Liability as of April 1, 2022	\$943,000
Normal Cost including Expense Load	124,000
Contributions	(290,000)
Interest	55,000
Expected Unfunded Actuarial Accrued Liability as of April 1, 2023	832,000
Decrease due to Gain on Actuarial Assets	(13,000)
Increase due to Loss on Expenses	2,000
Increase due to Loss on Liability (Including Data Corrections, Retirements and Mortality)	81,000
Unfunded Actuarial Accrued Liability as of April 1, 2023	902,000

### 7. GASB Statement Nos. 67 and 68

Results under GASB Statement Nos. 67 and 68 are provided in a separate report.



## Summary of Valuation Results

	Valuation Date <u>April 1, 2022</u>	Valuation Date <u>April 1, 2023</u>
Number of Participants:		
Active	31	27 *
Terminated Nonvested Due Refund	2	1
Terminated Vested	12	11
Receiving Payments	<u>27</u>	<u>31</u>
Total	72	70
Market Value of Assets	\$7,479,555	\$6,986,078
Actuarial Value of Assets	6,943,707	7,250,657
Present Value of Future Benefits	8,511,718	8,692,467 **
Entry Age Normal Accrued Liability	7,886,646	8,152,927 **
Unfunded Entry Age Normal Accrued Liability	942,939	902,270
Actuarially Determined Contribution	234,202	218,407
Actuarially Determined Weekly Contribution Rate	145.29	155.56

\* Includes 3 Participants who transferred from the ATU Local 788 Plan, with liability of \$63,102 that will be paid from the ATU Local 788 Plan.

\*\* Includes 5 Participants who transferred to the Salaried Plan with total liability of \$218,873 that is included in this valuation for prior IBEW service.

**Bi-State Development IBEW Union Employees' Pension Plan**

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## Statement of Assets as of April 1, 2023

<u>Assets</u>	<u>Market Value</u>
1. Cash and Cash Equivalents	88,498
2. Investments	6,901,784
3. Employer Contribution Receivable	0
4. Employee Contribution Receivable	0
5. Accrued Income	<u>250</u>
Total Assets	6,990,532
<u>Liabilities</u>	
1. Accrued Expenses	<u>4,454</u>
Total Liabilities	4,454
Net Assets	<u>6,986,078</u>

## Statement of Income and Disbursements

1.	Market Value of Assets as of April 1, 2022	7,479,555
2.	Income	
	a. Employer Contributions	224,084
	b. Employee Contributions	65,752
	c. Net Appreciation/(Depreciation) in Fair Value of Investments	(513,236)
	d. Interest and Dividends	<u>148,225</u>
	e. Total Income	(75,175)
3.	Disbursements	
	a. Benefit Payments	382,774
	b. Investment Related Expenses	9,598
	c. Administrative Expenses	<u>25,930</u>
	d. Total Disbursements	418,302
4.	Net Increase/(Decrease): (2e) - (3d)	(493,477)
5.	Market Value of Assets as of April 1, 2023: (1) + (4)	6,986,078
6.	Net Rate of Return	-5.0%

## Historical Returns on Market Value of Assets

Plan Year <u>Ended</u>	Annual <u>Return</u>	Geometric Average <u>Return</u>
03/31/2009	-23.6%	-23.6%
03/31/2010	34.4%	1.3%
03/31/2011	12.4%	4.9%
03/31/2012	4.0%	4.7%
03/31/2013	10.3%	5.8%
03/31/2014	10.7%	6.6%
03/31/2015	6.0%	6.5%
03/31/2016	-1.4%	5.5%
03/31/2017	11.1%	6.1%
03/31/2018	9.3%	6.4%
03/31/2019	5.1%	6.3%
03/31/2020	-4.1%	5.4%
03/31/2021	39.9%	7.7%
03/31/2022	1.7%	7.3%
03/31/2023	-5.0%	6.4%

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## Development of Actuarial Value of Assets

	Plan Year Ended <u>03/31/2020</u>	Plan Year Ended <u>03/31/2021</u>	Plan Year Ended <u>03/31/2022</u>	Plan Year Ended <u>03/31/2023</u>
1. Market Value at Beginning of Year	5,688,215	5,409,118	7,507,009	7,479,555
2. Contributions	242,473	257,441	210,227	289,836
3. Benefit Payments and Administrative Expenses	(288,354)	(308,015)	(364,621)	(408,704)
4. Assumed Rate of Return	7.00%	7.00%	6.00%	6.00%
5. Expected Return: (1) x (4) + [(2) + (3)] x {[1 + (4)] <sup>0.5</sup> - 1}	396,596	376,898	445,856	445,259
6. Expected Market Value at End of Year: (1) + (2) + (3) + (5)	6,038,930	5,735,442	7,798,471	7,805,946
7. Actual Market Value at End of Year	5,409,118	7,507,009	7,479,555	6,986,078
8. (Gain) / Loss on Market Value: (6) - (7)	629,812	(1,771,567)	318,916	819,868
	Plan Year Ended	<u>(Gain) / Loss</u>	<u>Factor</u>	Amount <u>Deferred</u>
	03/31/2023	819,868	0.8	655,894
	03/31/2022	318,916	0.6	191,350
	03/31/2021	(1,771,567)	0.4	(708,627)
	03/31/2020	629,812	0.2	125,962
9. Total				264,579
10. Actuarial Value of Assets: (7) + (9)				7,250,657
11. Net Rate of Return				6.2%
12. Actuarial Value as a Percentage of Market Value				103.8%

## Development of Actuarially Determined Contribution

	<u>April 1, 2023</u>
1. Present Value of Future Benefits	
a. Active Participants	3,482,538
b. Terminated Vested Participants/Nonvested Return of Contributions	643,745
c. Participants Receiving Payments	<u>4,566,184</u>
d. Total	8,692,467
2. Present Value of Future Normal Costs	539,540
3. Entry Age Normal Accrued Liability: (1d) - (2)	8,152,927
4. Actuarial Value of Assets	7,250,657
5. Unfunded Entry Age Normal Accrued Liability: (3) - (4)	902,270
6. Entry Age Normal Cost	82,379
7. Expense Load	25,160
8. Entry Age Normal Cost with Expense Load: (6) + (7)	107,539
9. Amortization of Unfunded Entry Age Normal Accrued Liability Over 30 Years from April 1, 2005	101,528
10. Actuarially Determined Contribution at Beginning of Year: (8) + (9)	209,067
11. Actuarially Determined Contribution with Interest	218,407
12. Number of Active Participants	27
13. Actuarially Determined Weekly Contribution per Active Participant	\$155.56

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### Schedule of Funding Progress \*

Date of Valuation (1)	Actuarial Value of Assets (2)	Entry Age Normal (EAN) Accrued Liability (3)	Unfunded EAN Accrued Liability (UAL) (4) = (3) - (2)	Funded Ratio (5)=(2)/(3)	Covered Payroll (6)	UAL as a Percentage of Covered Payroll (7) = (4) / (6)
04/01/1993	\$211,320	\$371,388	\$160,068	56.9%	N/A	N/A
04/01/1994	226,514	370,713	144,199	61.1%	N/A	N/A
04/01/1995	266,550	407,815	141,265	65.4%	N/A	N/A
04/01/1996	296,961	372,770	75,809	79.7%	695,542	10.9%
04/01/1997	353,415	477,288	123,873	74.0%	652,272	19.0%
04/01/1998	408,223	431,264	23,041	94.7%	691,395	3.3%
04/01/1999	477,040	606,096	129,056	78.7%	N/A	N/A
04/01/2000	666,432	835,351	168,919	79.8%	904,310	18.7%
04/01/2001	695,759	664,048	(31,711)	104.8%	911,560	-3.5%
04/01/2002	736,255	945,627	209,372	77.9%	1,343,097	15.6%
04/01/2003	749,454	1,029,808	280,354	72.8%	1,351,709	20.7%
04/01/2004	776,441	1,256,497	480,056	61.8%	1,739,606	27.6%
04/01/2005	839,041	1,634,761	795,720	51.3%	2,001,896	39.7%
04/01/2006	924,183	1,878,842	954,659	49.2%	2,081,142	45.9%
04/01/2007	1,126,783	1,787,944	661,161	63.0%	2,512,973	26.3%
04/01/2008	1,407,149	1,722,667	315,518	81.7%	2,804,130	11.3%
04/01/2009	1,521,939	2,151,016	629,077	70.8%	2,939,269	21.4%
04/01/2010	1,649,706	2,319,562	669,856	71.1%	2,887,747	23.2%
04/01/2011	1,897,438	2,656,475	759,037	71.4%	3,035,219	25.0%
04/01/2012	2,115,437	2,870,487	755,050	73.7%	3,125,678	24.2%
04/01/2013	2,400,205	3,342,338	942,133	71.8%	3,168,194	29.7%
04/01/2014	2,916,189	3,696,193	780,004	78.9%	3,362,133	23.2%
04/01/2015	3,586,753	4,145,982	559,229	86.5%	3,407,498	16.4%
04/01/2016	4,053,469	4,673,515	620,046	86.7%	3,384,826	18.3%
04/01/2017	4,524,789	5,043,067	518,278	89.7%	2,996,656	17.3%
04/01/2018	5,293,380	5,344,612	51,232	99.0%	2,974,566	1.7%
04/01/2019	5,702,703	5,822,904	120,201	97.9%	2,658,157	4.5%
04/01/2020	5,896,649	6,117,978	221,329	96.4%	2,598,003	8.5%
04/01/2021	6,485,727	7,588,479	1,102,752	85.5%	2,456,064	44.9%
04/01/2022	6,943,707	7,886,646	942,939	88.0%	2,208,835	42.7%
04/01/2023	7,250,657	8,152,927	902,270	88.9%	2,045,909	44.1%

\* GASB Accounting disclosures as of March 31, 2015 and later are included in separate reports.

**Bi-State Development IBEW Union Employees' Pension Plan**

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## Summary of Participant Data

	<u>April 1, 2022</u>	<u>April 1, 2023</u>
1. Active Participants		
a. Count	31	27 *
b. Average Age	51.8	51.3
c. Average Service	15.5	16.7
2. Terminated Nonvested Participants Due Refund		
a. Count	2	1
b. Total Refund Due	\$9,902	\$30
3. Terminated Vested Participants		
a. Count	12	11
b. Total Monthly Benefits	\$8,296	\$7,796
c. Average Monthly Benefit	\$691	\$709
4. Participants Receiving Payments		
a. Count	27	31
b. Total Monthly Benefits	\$29,845	\$34,280
c. Average Monthly Benefit	\$1,105	\$1,106

\* Includes 3 Participants who transferred from the ATU Local 788 Plan. In addition, there are 5 Participants who transferred to the Salaried Plan that have liabilities included in this valuation for prior IBEW service.

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**Distribution of Active Participants by Age and by Years of Service**  
(as of April 1, 2023)

Age	YEARS OF CREDITED SERVICE										Total	
	Under 1 No.	1 to 4 No.	5 to 9 No.	10 to 14 No.	15 to 19 No.	20 to 24 No.	25 to 29 No.	30 to 34 No.	35 to 39 No.	40 and up No.		
Under 25	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	1	1	0	0	0	0	0	0	2
40 to 44	0	0	0	1	1	3	0	0	0	0	0	5
45 to 49	0	0	2	2	2	0	0	0	0	0	0	6
50 to 54	0	0	0	2	2	0	0	0	0	0	0	4
55 to 59	0	0	0	0	2	2	0	0	0	0	0	4
60 to 64	0	0	0	0	2	3	0	0	0	0	0	5
65 to 69	0	0	0	1	0	0	0	0	0	0	0	1
70 and up	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	2	7	10	8	0	0	0	0	0	27

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Summary of Changes in Participant Data

	<u>Active Participants</u>	<u>Terminated Nonvested Due Refund</u>	<u>Terminated Vested</u>	<u>Retirees</u>	<u>Total</u>
Count as of April 1, 2022	31	2	12	27	72
Reinstated	0	0	0	0	0
Transferred to a Salaried Position	0	0	0	0	0
Retired	(4)	0	(1)	5	0
Became Disabled	0	0	0	0	0
Died with Beneficiary	0	0	0	0	0
New Beneficiaries	0	0	0	0	0
Died without Beneficiary	0	0	0	(1)	(1)
Terminated Vested	0	0	0	0	0
Terminated Vested - Received Refund	0	0	0	0	0
Terminated Nonvested - Due Refund	0	0	0	0	0
Terminated Nonvested - Received Refund	0	(1)	0	0	(1)
Net Data Corrections	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes	<u>(4)</u>	<u>(1)</u>	<u>(1)</u>	<u>4</u>	<u>(2)</u>
Count as of April 1, 2023	27	1	11	31	70

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## Actuarial Assumptions and Methods

### Interest

6.00% per annum, net of investment expenses, compounded annually (effective 4/1/2021)

### Mortality

Pub-2010 General Amount-Weighted Mortality Tables for Employees, Healthy Retirees, Disabled Retirees and Contingent Survivors, male and female rates, with generational projection from 2010 using Scale MP-2021 (improvement scale updates published annually)

### Withdrawal

Rates at selected ages are:

<u>Age</u>	<u>Percent Terminating During Year</u>
25	6.3
30	5.0
35	4.0
40	3.0
45	2.5
50	2.0
55	1.0
60	0.0

## Actuarial Assumptions and Methods (continued)

### Retirement

Rates vary by age as follows:

<u>Age</u>	<u>Percent Retiring During Year</u>
45 - 54	1%
55	5
56	5
57	5
58	5
59	5
60	5
61	10
62	15
63	10
64	10
65	65
66	25
67 & over	100

15% of Participants are assumed to retire when first eligible, but not prior to age 50.

### Disability

Rates at selected ages are:

<u>Age</u>	<u>Percent Becoming Disabled During Year</u>
25	0.251%
30	0.275
35	0.359
40	0.488
45	0.738
50	1.113
55	1.922
60	3.300
65	0.000

## Actuarial Assumptions and Methods (continued)

### Expenses

Average of the actual administrative expenses for the last 3 plan years

### Marriage

90% of members are assumed to be married at the time of withdrawal, retirement, death or disability. Males are assumed to be 3 years older than their spouses.

### Supplemental Pension

Liability associated with the Supplemental Pension is assumed equivalent to plan sponsor sick leave cash out deposits.

### Form of Payment

All members are assumed to elect the Life Annuity.

### Actuarial Cost Method

The Entry Age Normal Cost Method on a closed group basis was used. Normal costs are computed as a level dollar amount. Changes in the Entry Age Normal Unfunded Accrued Liability (UAL) are amortized as a level dollar amount over a 30 year period effective April 1, 2005. For the April 1, 2023 valuation the remaining amortization period is 12 years.

### Asset Valuation Method

The actuarial value of assets was determined using the expected return method, without phase-in, effective April 1, 2010. This method is fully defined in IRS Revenue Procedure 2000-40, Section 3.15.

Under this method, the gain or loss for a year is the difference between the expected value of assets for the year and the market value. The expected value is the market value brought forward one year at the assumed rate of return with appropriate adjustments for contributions and disbursements. The actuarial value of assets is equal to the market value of assets, with the gains and losses deferred as follows:

- i. 80% of the prior year gain/loss
- ii. 60% of the second preceding year's gain/loss
- iii. 40% of the third preceding year's gain/loss
- iv. 20% of the fourth preceding year's gain/loss

## Summary of Plan Provisions

A summary of the current primary provisions of the Plan is presented below.

### **Effective Date**

The most recent restatement was effective March 1, 2013.

### **Eligibility**

Members become eligible after their first hour of employment.

### **Employee**

Employed by Bi-State Development on a full-time basis, in the bargaining unit represented by the union and in Covered Employment. The Plan was closed to new entrants effective January 1, 2014.

### **Credited Service**

Continuous Service from date of hire until date of termination earned in terms of weeks and credited in full years.

### **Vesting**

Members become 100% vested upon completion of 10 years of Credited Service and are entitled to a monthly benefit payable at age 65. Members that terminate prior to vesting are entitled to their employee contributions with interest compounded at 3.0% per year paid to them in a lump sum.

### **Retirement Date**

First of the month coincident with or next following the earlier of age 60 with 10 or more years of Credited Service, or any age with 25 or more years of Credited Service

### **Retirement Benefit**

A monthly benefit commencing on the Participant's retirement rate in the amount of \$60 times years of Credited Service

### **Late Retirement Benefit**

Accrued Benefit calculated at Late Retirement Date

## Summary of Plan Provisions (continued)

### Disability Benefit

If Participants become disabled while in employment after completing 10 years of Credited Service, they may be entitled to a disability benefit.

The disability benefit is equal to the Accrued Benefit as of the date of disability.

### Pre-Retirement Death Benefit

If a Participant dies prior to retirement and after completing 10 years of Credited Service, the benefit payable is the amount of the retirement benefit the Participant would have been entitled to receive if the Participant had retired on the first day of the month of death and elected the payment option elected by the Participant's spouse or designated beneficiary.

Participants who die prior to becoming eligible for retirement benefits will have their employee contributions accumulated with interest at 3% per year paid to their beneficiary or beneficiaries.

### Unused Sick Leave

Participants who retire under Normal, Late or Disability Retirement and beneficiaries of Participants who die with 10 or more years of Credited Service are entitled to a Supplemental Pension based on their unused sick leave account. Sick leave may be converted to either a single lump sum or monthly payments for 3, 5, 10, 15 or 20 years based on conversion factors contained in the Plan Document.

### Normal Form of Payment

Single Life Annuity

### Optional Forms of Payment

Ten-Year Certain and Life Option  
Contingent Annuitant Options (100% or 50%)

### Transferred Participants

Participants who have transferred to another Bi-State Development Pension Plan will have their benefit based on Credited Service under this Plan calculated according to the benefit formula of the Bi-State Development Pension Plan that they are active in at the time of their termination.

### Contributions

Bi-State Development pays 70% of the weekly contribution rate to the Plan, and the Participants pay 30%. The weekly contribution rate cannot be more than 4% of the top electrician's base wage rate.

## Actuarial Standard of Practice No. 51 (ASOP 51)

The purpose of this appendix is to identify, assess, and provide illustrations of risks that are significant to the Plan, and in some cases to the Plan's participants.

The results of the actuarial valuation are based on one set of reasonable assumptions. However, it is almost certain that future experience will not exactly match the assumptions. As an example, investments may perform better or worse than assumed in any single year and over any longer time horizon. It is therefore important to consider the potential impacts of these potential differences when making decisions that may affect the future financial health of the Plan, or of the Plan's participants.

In addition, as plans mature they accumulate larger pools of assets and liabilities. This increases the potential risk to plan funding and the finances of those who are responsible for plan funding. As an example, it is more difficult for a plan sponsor to deal with the effects of a 10% investment loss on a plan with \$1 Billion in assets and liabilities than if the same plan sponsor is responsible for a 10% investment loss on a plan with \$1 Million in assets and liabilities. Since pension plans make long-term promises and rely on long-term funding, it is important to consider how mature the plan is today, and how mature it may become in the future.

Actuarial Standard of Practice No. 51 (ASOP 51) addresses these issues by providing actuaries with guidance for assessing and disclosing the risk associated with measuring pension liabilities and the determination of pension plan contributions. Specifically, it directs the actuary to:

- Identify risks that may be significant to the plan.
- Assess the risks identified as significant to the plan.
- Disclose plan maturity measures and historical information that are significant to understanding the plan's risks.

ASOP 51 states that if in the actuary's professional judgment, a more detailed assessment would be significantly beneficial in helping the individuals responsible for the plan to understand the risks identified by the actuary, then the actuary should recommend that such an assessment be performed.

This appendix uses the framework of ASOP 51 to communicate important information about: significant risks to the Plan, the Plan's maturity, and relevant historical Plan data.

### **Maturity Risk**

- **Definition:** This is the potential for total plan liabilities to become more heavily weighted toward inactive liabilities over time.
- **Identification:** The Plan is subject to maturity risk because as Plan assets and liabilities continue to grow, the impact of any gains or losses on the assets or liabilities also becomes larger.
- **Assessment:** Currently assets are equal to 24 times last year's contributions indicating a one-year asset loss of 10% would be equal to 2.4 times last year's contributions.



## Actuarial Standard of Practice No. 51 (ASOP 51) (continued)

### Retirement Risk

- Definition: This is the potential for participants to retire and receive subsidized benefits more valuable than expected.
- Identification: This plan has valuable unreduced retirement benefits. If participants retire at earlier ages than anticipated by the actuarial assumptions, it is expected that additional funding will be required.

### Investment Risk

- Definition: The potential that investment returns will be different than expected.
- Identification: To the extent that actual investment returns differ from the assumed investment return, the plan's future assets, funding contributions and funded status may differ significantly from those presented in this valuation.
- Assessment: The Plan's target allocation represents a balance of risk and return. Investing in lower-returning asset classes should reduce future investment returns and therefore increase future contributions, but the lower risk levels would result in lower year-over-year volatility in the Actuarially Determined Contribution (ADC) and might provide more benefit security for plan members. Conversely, investing in higher-returning asset classes should increase future investment returns and therefore reduce future contributions, but would also increase the volatility of those contributions and potentially reduce benefit security for plan members.

If the plan were invested in a low-default-risk portfolio (e.g., 100% in the Bond Buyer GO 20-Bond Municipal Index\*), it would impact the interest rate assumption and therefore the Actuarial Accrued Liability, Funded Ratio, and ultimately the ADC; the volatility of the ADC would also change based on the risk level of the portfolio:

	<b>Bond Buyer Index</b>	<b>Plan's Current Assumption</b>
Interest Rate	3.50%	6.00%
Actuarial Accrued Liability on April 1, 2023	\$11.2 million**	\$8.2 million
Funded Ratio on April 1, 2023	65%	89%

\* This would be considered a "low-default-risk obligation measure (LDRM)" using the language of ASOP 4.

\*\* Calculated using the same actuarial assumptions and methods that were used for this valuation, except for the interest rate.

## Actuarial Standard of Practice No. 51 (ASOP 51) (continued)

### Interest Rate Risk

- Definition: The potential that interest rates will be different than expected.
- Identification: The pension liabilities reported herein have been calculated by computing the present value of expected future benefit payments using the interest rate(s) described in the appendix. If interest rate(s) in future valuations are different from those used in this valuation, future pension liabilities, funding contributions and funded status may differ significantly from those presented in this valuation. As a general rule, using a higher interest rate to compute the present value of future benefit payments will result in a lower pension liability, and vice versa. One aspect that can be used to estimate the impact of different interest rates is the plan's duration.
- Assessment: If the interest rate changes by 1%, the estimated percentage change in pension liability is approximately 12%.

### Demographic Risks

- Definition: The potential that mortality or other demographic experience will be different than expected.
- Identification: The pension liabilities reported herein have been calculated by assuming that participants will follow patterns of demographic experience (e.g. mortality, withdrawal, disability, retirement, form of payment election, etc.) as described in the appendix. If actual demographic experience or future demographic assumptions are different from what is assumed to occur in this valuation, future pension liabilities, funding contributions and funded status may differ significantly from those presented in this valuation.