



United States Army Nonappropriated Fund Employee Retirement Plan

Actuarial Valuation Report as of October 1, 2023

Produced by Cheiron

January 2025

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LETTER OF TRANSMITTAL

January 21, 2025

Ms. Anita Jannsen Chief, NAF Personnel Services Division U.S. Army Family and MWR Command P.O. Box 340309 Fort Sam Houston, TX 78234

Dear Ms. Jannsen:

At your request, we have conducted our annual actuarial valuation of the United States Army Nonappropriated Fund Employee Retirement Plan as of October 1, 2023. The results of the valuation are contained in this report.

The purpose of this report is to present the annual actuarial valuation of the United States Army Nonappropriated Fund Employee Retirement Plan. This report is for the use of the United States Army Nonappropriated Fund Employee Retirement Plan and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This actuarial report was prepared exclusively for the United States Army Nonappropriated Fund Employee Retirement Plan for the purpose described herein. Other users of this actuarial report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,

Kevin J. Woodrich, FSA, EA, MAAA Principal Consulting Actuary

Justin Runkel, ASA, EA, MAAA Consulting Actuary

Alison Chafin, FSA, EA, MAAA Consulting Actuary

FOREWORD

Cheiron has performed the actuarial valuation of the United States Army Nonappropriated Fund Employee Retirement Plan ("Plan") as of October 1, 2023. The purpose of this report is to:

- 1) Determine the actuarial contribution rate for the fiscal year October 1, 2024 to September 30, 2025.
- 2) Measure and disclose, as of the valuation date, the financial condition of the Plan.
- 3) Indicate trends in the financial progress of the Plan.
- 4) **Provide specific information** and documentation required by P.L. 95-595.

An actuarial valuation establishes and analyzes Plan assets and liabilities on a consistent basis and traces the progress of both from one year to the next. It includes measurement of the Plan's investment performance as well as an analysis of actuarial liability gains and losses.

Section I - *Summary* presents a summary containing our findings and discloses important trends experienced by the Plan in recent years, as well as a projection of the expected financial condition of the Plan in the future.

Section II – *Disclosures Related to Risk* assesses and discloses various actuarial risk measures of the Plan.

Section III – *Statutory Valuation Exhibits* contains various exhibits used in determining the financial condition of the Plan.

Section IV – *Annual Report Prescribed by P.L. 95-595* includes the required disclosures and specific information required by P.L. 95-595.

Within Section IV – Annual Report Prescribed by P.L. 95-595 of this report is a summary of the Plan's membership at the valuation date, a summary of the major provisions of the Plan, and the actuarial methods and assumptions used in the valuation.

In preparing our report, we relied on information (some oral and some written) supplied by the Employee Benefits Office. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality.

Future valuation results may differ significantly from the current valuation due to such factors as the following: plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law.



SECTION I – SUMMARY

Comments

Despite the primary focus given each year on the most recently computed valuation results, it is important to remember that each valuation is merely a snapshot of the long-term progress of the Plan. It is more important to judge the current year's valuation results relative to historical trends and future expectations.

In this section, we first discuss the current year's results in relation to trends of the Plan over the past ten years. For the fiscal year ending September 30, 2024 (FY 2024), employers contributed to the Plan at the rate of 7.60% of payroll, and that level will remain for FY 2025. The actuarially calculated employer contribution rate for FY 2025 is 11.84% of payroll, which includes the cost of active member benefits attributable to the current year of service (Normal Cost) net of the 2.00% employee contribution, expected administrative expenses, and a 15-year level amortization of the Unfunded Actuarial Liability (UAL). This rate is higher than 8.51% in the prior year's valuation due to the increase in salaries, higher-than-expected cost of living adjustment, and the Board's expectations of continued heightened administrative expenses for the next several years due to the data system conversion.

It is worth noting that the amounts and rates in Exhibit IV-8 Tables 2A and 2B, respectively, reflect a 40-year amortization of the UAL. These results are not indicative of the Plan's funding goals but rather our understanding of the information required to be disclosed under P.L. 95-595. If this understanding is incorrect, these tables can be modified accordingly.

After looking at current and historical results, we show 10-year projections of the contribution rate and funding status. These projections make certain assumptions about future experience regarding investment returns, salary increases, inflation, contribution levels, and participant behavior. We cannot know what will transpire, but these projections aim to provide a better understanding of the Plan's dynamics. Future experience of the Plan, particularly asset performance, will greatly impact future contribution requirements.

Our long-term funding projections show that the funded ratio is expected to decline over time if current employer and employee contribution rates remain the same as current levels and all actuarial assumptions are exactly realized, including earning 7.25% on the Market Value of Assets each year.

To illustrate the significant impact that investment returns have on the financial health of the Plan, we also include projections that vary future annual investment returns.



SECTION I – SUMMARY

Recent Experience

The financial markets outperformed the assumed 7.25% rate of return for the fiscal year ending September 30, 2023. The actual return net of investment expenses on a Market Value basis was approximately 8.76%. The return on an Actuarial Value basis, which smooths recent market fluctuations, was approximately 7.01%. This return equated to a small investment loss of \$5.7 million on an actuarial basis.

On the liability side, the Plan experienced an actuarial loss of \$199.8 million (approximately 7.49% of the total Actuarial Liability), which was attributable to the following sources:

- a) salaries for actives increasing more than expected (\$106.8 million loss) as average payroll grew by about 7.75% more than the 3.75% assumption,
- b) active participants retiring, terminating, dying, and becoming disabled differently than assumed (\$18.9 million loss),
- c) the 8.7% cost of living adjustment awarded April 1, 2023, which was significantly higher than the assumed 3.25% increase (\$55.2 million loss),
- d) inactive participant experience (i.e., mortality, \$0.8 million loss),
- e) the total amount owed to participants due an account balance increasing more than anticipated (\$1.8 million loss),
- f) benefit payments being less than expected (\$0.4 million gain),
- g) administrative, or non-investment, expenses costing more than expected, due mostly to the data system conversion (\$13.0 million loss),
- h) new entrants entering the Plan (\$4.0 million loss),
- i) participants returning to work (\$4.8 million loss), and
- j) improvements in the census data provided for the actuarial valuation (\$5.1 million gain).

Although the Plan had a large liability loss due primarily to inflation-related sources (wages and COLA), it is important to recall that there were several years of liability gains in the last decade when inflation was very low.

The administrative expense assumption was reviewed with this valuation. Based on our analysis, a change in this assumption was adopted by the Board in November 2024. Further details on this assumption change are provided in Exhibit IV-10 of this report.

The loss on liability experience over the last year combined with the net recognition of past investment losses caused the Plan's funding ratio (Actuarial Value of Assets divided by Actuarial Liability) to decrease from 101.7% at October 1, 2022 to 94.1% at October 1, 2023. On a Market Value basis, the funded status decreased from 99.2% to 93.2% during this period.

Several types of liabilities are calculated and presented in this report. Note that these liabilities are not appropriate for settlement purposes, including the purchase of annuities and the payment of lump sums.



SECTION I – SUMMARY

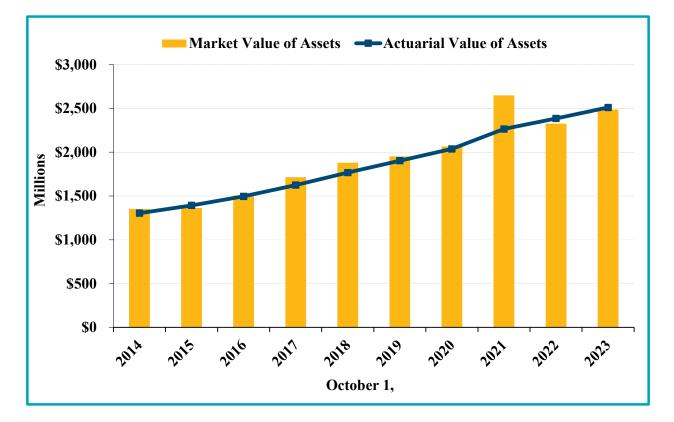
Trends

It is important to take a step back from these latest results and view them in the context of the Plan's recent history. In the following pages, we present a series of charts that display key factors of the valuations in previous years.

Growth in Assets

The following chart compares the Market Value of Assets (MVA) and the Actuarial Value of Assets (AVA). The AVA represents market values that have been "smoothed" based on actuarial methods to mitigate the effects of the volatility exhibited by the capital markets. The AVA is used to evaluate the Plan's ongoing unfunded liability (or surplus). Note how this actuarial technique has provided a smoother progression of assets over the last 10 years.

The MVA has increased annually since 2014 except for 2022 where the Plan experienced a -11.2% return. On an actuarial value basis, the AVA continued its annual increases as the investment losses of 2022 were offset by investment gains in prior years. As of September 30, 2023, the AVA of \$2,510 million is slightly greater than the MVA of \$2,488 million. This \$22 million difference represents the net deferred investment loss that will be recognized in the AVA over the next few years.





SECTION I – SUMMARY

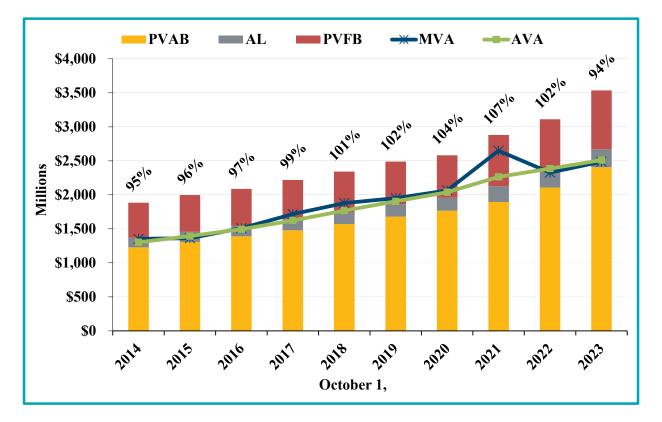
Assets and Liabilities

In the following chart, the three colored sections within each bar represent three different measures of liability discussed in this report. The amount represented by the top of the maroon bars, the Present Value of Future Benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the Plan had assets equal to the PVFB, then future employer and employee contributions would not be required from the current members if all assumptions were realized. However, since contributions will continue to be made on a participant's behalf over their working career, it is not necessary to have assets near the PVFB.

Instead, the Actuarial Liability (AL), represented by the top of the gray bar, is the liability measure used for funding purposes. This measure represents the total amount of money needed to fully pay off future obligations of the Plan attributable to participants' past service. This also depends on all actuarial assumptions being met in the future.

The top of the yellow bar represents the present value of benefits that participants have accrued as of that date. This measure of liability is often referred to as the Present Value of Accumulated Benefits (PVAB).

For funding purposes, we compare the smoothed Actuarial Value of Assets (AVA), which is represented by the green line, to the AL in developing the funding ratio. These are the percentages shown in the graph labels. Finally, the Market Value of Assets (MVA) is represented by the blue line.





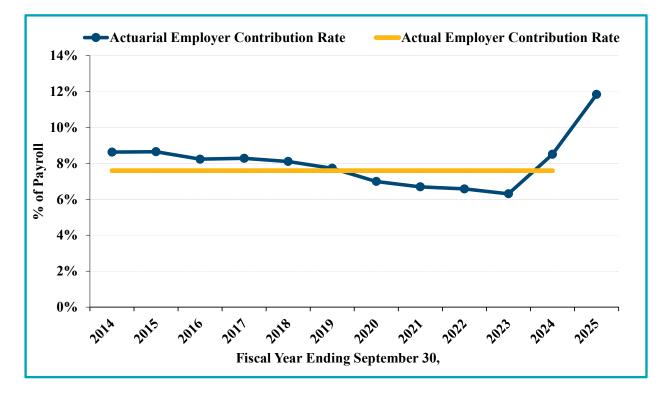
SECTION I – SUMMARY

Employer Contribution Rates

The following graph shows the actual employer contribution rate (yellow line) compared to the actuarially calculated employer contribution rate (blue line), each denominated as a percentage of payroll. The actuarially calculated employer contribution rate is comprised of the employer Normal Cost, assumed administrative expenses and a 15-year level amortization of any unfunded liability (or surplus).

The actuarially calculated employer contribution rate increased from 8.51% for FY 2024 to 11.84% for FY 2025. The change in the administrative expense assumption contributed to 0.58% of the 3.33% total increase, and most of the remaining increase is due to the investment loss on an actuarial basis and the large liability loss due to experience differing from the assumptions, especially the higher than assumed wage growth and COLA.

It is important to note that the current employer contribution policy of 7.60% of pay is less than the tread water mark, which is defined as the sum of the employer Normal Cost (net of the current employee contribution rate of 2.00% of pay), assumed administrative expenses, and interest on the unfunded liability. For FY 2025, the tread water mark is 11.19% of pay. When employer contributions fall short of the tread water metric, the unfunded liability will grow if all assumptions are realized. This is illustrated in the projections shown later in this report.





SECTION I – SUMMARY

Valuation Results

The following table provides a summary of the results from the October 1, 2023 actuarial valuation. Presented alongside the current year results are results from the prior valuation at October 1, 2022.

| Summary | Exhibit I- of Princi (\$ in million | pal Results | | | |
|--|---|---------------|--------|---------------|-----------------|
| | Octo | ber 1, 2023 | Octo | ber 1, 2022 | <u>% Change</u> |
| Participant Data | | | | | |
| (a) Retired Members and Beneficiaries* | | 9,910 | | 9,647 | 2.7% |
| (b) Vested Deferred Members | | 5,346 | | 5,448 | (1.9%) |
| (c) Non-Vested Participants Due Account Balance | | 32,897 | | 28,882 | 13.9% |
| (d) Active Members | | 17,463 | | 17,035 | 2.5% |
| (e) Total Participants | | 65,616 | | 61,012 | 7.5% |
| (f) Annual Salaries of Active Members | \$ | 865.0 | \$ | 773.6 | 11.8% |
| (g) Annual Retirement Allowances for | | | | | |
| Retired Members and Beneficiaries | \$ | 112.3 | \$ | 100.6 | 11.6% |
| Assets and Liabilities | | | | | |
| (h) Present Value of Future Benefits | \$ | 3,535.2 | \$ | 3,110.4 | 13.7% |
| (i) Actuarial Liability | \$ \$ | 2,668.8 | \$ | 2,344.6 | 13.8% |
| (j) Actuarial Value of Assets | \$ | 2,510.4 | \$ | 2,385.4 | 5.2% |
| (k) Unfunded Actuarial Liability [(i) - (j)] | \$ | 158.4 | \$ | (40.8) | |
| (1) Funding Ratio on Actuarial Basis [(j) ÷ (i)] | | 94.1% | | 101.7% | (7.6%) |
| (m) Market Value of Assets | \$ | 2,487.7 | \$ | 2,326.4 | 6.9% |
| (n) Funding Ratio on Market Basis $[(m) \div (i)]$ | | 93.2% | | 99.2% | (6.0%) |
| (o) Present Value of Accumulated Plan Benefits | \$ | 2,406.7 | \$ | 2,106.5 | 14.3% |
| | Fiscal | Year Ending | Fiscal | Year Ending | |
| Contribution Results | | nber 30, 2025 | | 1ber 30, 2024 | |
| (p) Total Annual Normal Cost with Expenses | \$ | 99.1 | \$ | 82.7 | 19.8% |
| (q) Expected Employee Contributions | Ψ | (17.3) | Ψ | (15.5) | 11.6% |
| (r) UAL Amortization | | 16.5 | | (4.2) | (492.9%) |
| (s) Interest to Middle of Year | | 4.1 | | 2.8 | 46.4% |
| (t) Actuarial Contribution | \$ | 102.4 | \$ | 65.8 | 55.6% |
| (u) As a % of Payroll $[(t) \div (f)]$ | | 11.84% | | 8.51% | 3.33% |

* Includes 9 participants receiving benefits from Ameritas Life Insurance Corporation as of 10/1/2022 and 8 as of 10/1/2023. Cost of living increases granted after 1980 for these 8 participants total \$32,657 per year with an Actuarial Liability of \$101,165 as of 10/1/2023. The Actuarial Liability for these increases is included above.



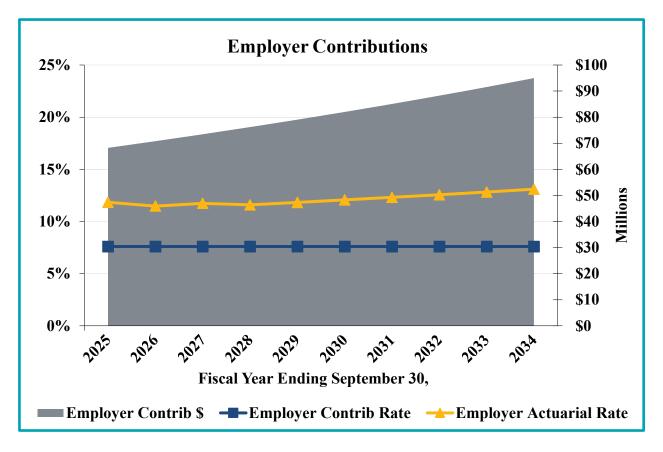
SECTION I – SUMMARY

Future Outlook

The two charts that follow show the expected progress of the Plan over the next ten years if Plan assets earn the assumed 7.25% on a market value basis and all the actuarial assumptions are met.

In the chart below, the gray shaded area represents the anticipated dollar amount (aligned with the amounts on the right axis) contributed by the employer at 7.60% of payroll. The employer contribution rate is shown by the blue line, and the actuarially calculated employer contribution rate is shown by the yellow line (aligned with the percentages on the left axis).

If all actuarial assumptions are met and current contribution rates remain unchanged, including the 2.0% employee contribution rate, the employer actuarial rate is expected increase gradually over the period from 11.84% for FY 2025 to 13.09% for FY 2034 as contributions are not sufficient to cover the actuarial rate. Furthermore, the Plan would not be projected to be fully funded in the future.

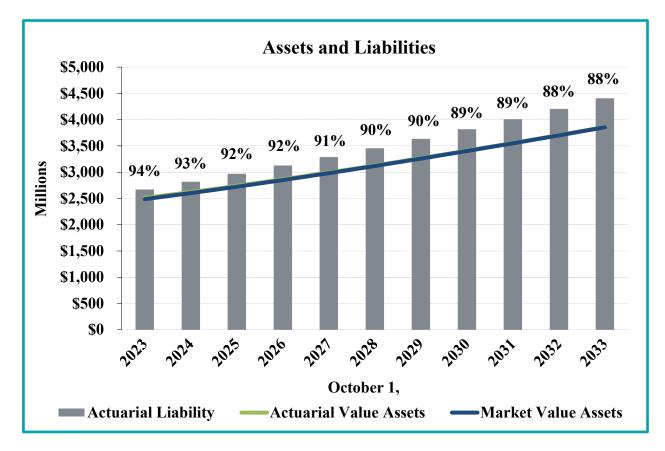


Projected contributions do not reflect any additional employer contributions from other sources such as portability and DSR income or service buybacks. These additional contributions are intended to offset the additional liabilities that would be recognized as these events occur.



SECTION I – SUMMARY

The following chart entitled Assets and Liabilities shows the projected funding status. Over the next decade, the Plan is projected to decrease from 94% funded to 88% funded on an actuarial value basis. This trend is based on continued employer and employee contributions at 7.60% and 2.00% of payroll, respectively. This chart shows the growth in the unfunded liability when contributions are not sufficient to cover the actuarial rate.



It is very important to note that these projections, while valid as baseline projections, **are not going to occur** as experience never conforms exactly to assumptions from year to year. In Section II – *Disclosures Related to Risk* we stress test the underlying investment return assumption by varying future returns to demonstrate the impact this particular assumption has on the overall health of the Plan.



SECTION II – DISCLOSURES RELATED TO RISK

Introduction

Actuarial valuations are based on a set of assumptions about future economic and demographic experience. These assumptions represent a reasonable estimate of future experience, but actual future experience will undoubtedly be different and may be significantly different. This section of the report is intended to identify the primary risks to the Plan, provide some background information about those risks, and provide an assessment of those risks.

Identification of Risks

The fundamental risk to the System is that the contributions needed to pay the benefits become unaffordable. For pension plans, the three primary valuation results that can significantly deviate from the assumptions are the assets, liabilities, and contributions. While there are several factors that could lead to these deviations, we believe the primary risks to this Plan are:

- Investment risk,
- Longevity and other demographic risks,
- Plan change risk,
- Contribution risk, and
- Assumption change risk.

Other risks that we have not identified may also turn out to be important.

Investment Risk is the potential for investment returns to deviate from what is expected. When actual investment returns are lower than the investment assumption used in the actuarial valuation (currently 7.25% per year), the unfunded liability will increase and the period of time over which the unfunded liability is expected to be paid will increase. Conversely, when actual returns exceed the assumption, the resulting unfunded liability measurements and amortization period will be lower than anticipated.

Longevity and Other Demographic Risk is the potential for mortality or other demographic experience to be different than expected. Generally, these risks emerge slowly over time as the actual experience deviates from what was expected. In addition, the extensive number of assumptions related to longevity and demographic experience often result in offsetting factors contributing to the Plan's overall liability experience.

Plan Change Risk is the potential for the provisions of the Plan to be changed such that the funding or benefits are changed materially. In addition to the actual payments to and from the Plan being changed, future valuation measurements can also be impacted, with plan changes leading to deviations between actual future measurements and those expected by the current valuation.

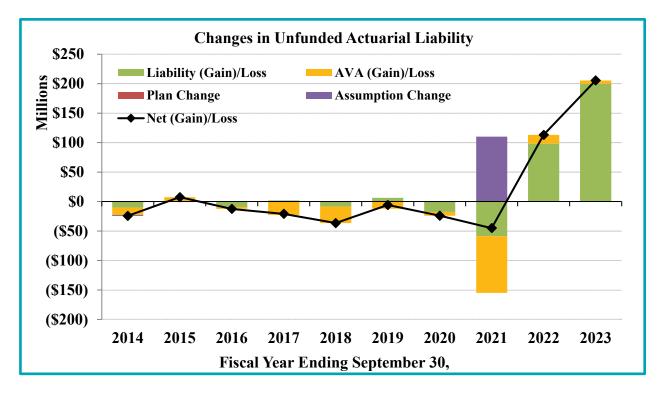


SECTION II – DISCLOSURES RELATED TO RISK

Contribution Risk is the potential for actual future contributions to deviate from those that are expected, or that the anticipated contributions will be inadequate to fund the plan benefits. There are different sources of contribution risk ranging from the sponsor choosing a contribution level that does not adequately fund the Plan to material changes in the contribution base (e.g., covered employees, covered payroll, sponsor revenue) that affect the amount of contributions the Plan can collect.

Assumption Change Risk is the potential for the environment to change such that future valuation assumptions are adjusted to be different than the current assumptions. For example, declines in interest rates over time may result in a change in the assumed rates of return used in the valuation. A healthier workforce may result in changes in employee behavior such that retirement rates are adjusted to reflect employees working longer. Assumption change risk is an extension of the risks previously identified, but rather than capturing the risk as it is experienced, it captures the cost of recognizing a change in the environment when the current assumption is no longer reasonable.

In understanding the impact of some of these risks, it is useful to look at past experience deviations. These deviations are commonly referred to as actuarial gains and losses. The following graph shows the components of changes in the Unfunded Actuarial Liability (UAL) for the last ten years, including liability (gains)/losses, investment (gains)/losses on the Actuarial Value of Assets, plan changes, and assumption changes. The net UAL change represents the sum of each of these components and is shown by the dark line.





SECTION II – DISCLOSURES RELATED TO RISK

As described previously and evident in this chart, investment (gains)/losses, actuarial liability (gains)/losses, and assumption changes have been key risks for the Plan. There have been no Plan changes during the period shown.

On a smoothed asset basis, (gains)/losses as shown by the gold bars have been an impactful source of change. The amount of these (gains)/losses can vary significantly from year to year as they are subject to volatility from the financial markets.

On the liability side (green bars), early-period gains have been offset by more recent losses, primarily driven by significantly higher-than-expected salary increases and annual cost of living adjustments, both fueled by a high inflationary environment. Over the past ten years, the Plan has experienced net actuarial liability losses, effectively increasing the UAL during this time.

Assumption changes (purple bars) consist of changes to economic and demographic assumptions. The significant assumption changes increasing the UAL in 2021 included a reduction in the discount rate from 7.50% to 7.25% while increasing the inflation assumption by 0.25% (from 3.00% to 3.25%) and the general wage increase assumption by 0.50%. These changes had a compounding impact as the real rate of return assumption (the discount rate less inflation) decreased from 4.50% to 4.00%. There were also assumption changes in 2014, but the impact was minimal because the real rate of return remained level as the discount rate, general wage increase, and general inflation assumptions were each reduced by 0.50%.



SECTION II – DISCLOSURES RELATED TO RISK

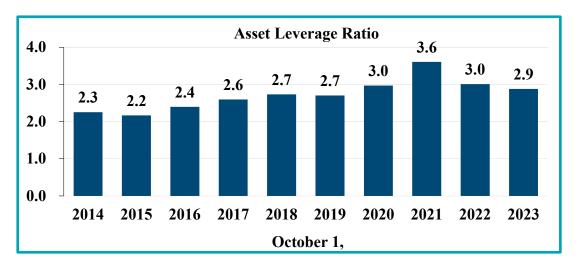
Plan Maturity Measures

As a pension plan becomes more mature, it is more sensitive to each of the risks identified above than a less mature plan. Plan maturity can be measured in a variety of ways, but all of the measures get at one basic dynamic – the larger the plan is compared to the contribution or revenue base that supports it; the more sensitive the plan will be to risk. The balance of this section examines three maturity measures that have been selected as the most important in understanding the primary risks identified for Army: the asset leverage ratio, the support ratio, and the net cash flow ratio.

Asset Leverage Ratio

The asset leverage ratio measures the size of the plan compared to its revenue base. An asset leverage ratio of 5.0, for example, means that if a system experiences a 10% loss on assets compared to the expected return, the loss would be equivalent to 50% of payroll. The same investment loss for a system with an asset leverage ratio of 10.0 would be equivalent to 100% of payroll. Plans with higher asset leverage ratios are more sensitive to variations in investment returns.

The following chart shows that the Plan's Asset Leverage ratio has increased overall since 2014, growing from a ratio of 2.3 to a ratio of 2.9. This means that the impact of a major economic downturn would be greater than the impact it was a decade ago, presenting additional challenges when trying to make up for the lost investment income through additional contributions.

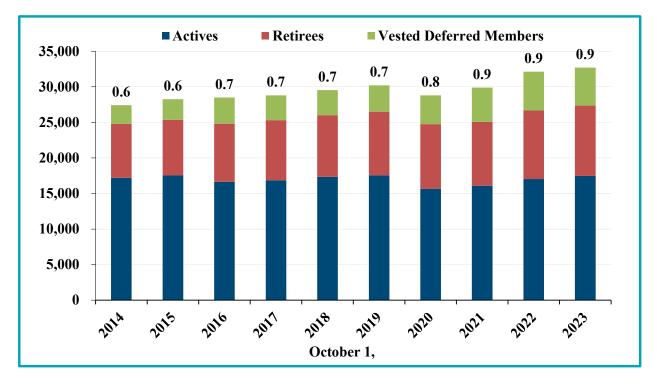




SECTION II – DISCLOSURES RELATED TO RISK

Support Ratio (Inactives per Active)

A commonly used measure of plan maturity is the Support Ratio, or the ratio of inactive members (those receiving benefits or entitled to a deferred benefit) to the number of active members (those currently accruing benefits in the Plan). The revenue base supporting the plan is usually proportional to the number of active members, so a relatively high number of inactives compared to actives indicate a larger plan relative to its revenue base as well. That is, adverse investment performance places a relatively heavier burden to recover via future contributions.



In the preceding chart, the numbers above the bars represent the support ratio for the Plan. This ratio has increased gradually over the past 10 years but has not yet reached 1.0, meaning there are still more active participants than inactive participants. Growth in this ratio over time is to be expected as the Plan matures. The drop in participants in 2020 was a direct result of the 10% decrease in the number of actives due to a hiring freeze at the onset of the COVID-19 global pandemic. Recovery from the pandemic has led to an increase in actives each year since 2020.

Boston College's Center for Retirement Research, NASRA and the Center for State and Local Government Excellence maintain the Public Plan Database that contains the majority of state plans as well as many large municipal plans. The median support ratio for the plans within this database has been just over 1.0 in recent years. Therefore, the Plan's support ratio of 0.9 suggests that this Plan is still **less mature** than most plans in the database.

In addition to the participants shown in this chart, there are 32,897 participants who are no longer working but are entitled to a refund of their employee contribution account balance.



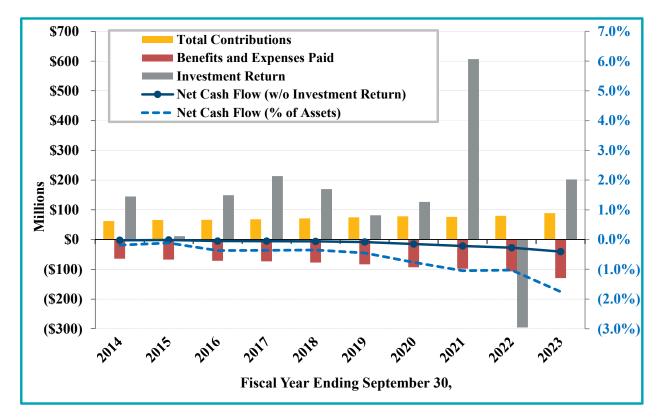
SECTION II – DISCLOSURES RELATED TO RISK

Net Cash Flow

Another and more important measure of plan maturity is the ratio of net cash flow (contributions less benefits and expenses) to the market value of plan assets. With aging Baby Boomers and retirees living longer, plans may pay out more in benefits and expenses than they receive in contributions each year, leading to negative net cash flow.

Plans with significant negative cash flows are more vulnerable to market declines. A plan that is in a negative cash flow position must rely on investment returns at least as much as the negative cash flow in order for the assets to increase. However, negative cash flows are expected with maturing plans, and a plan's asset allocation may be adjusted to minimize sensitivity to investment risk.

The following graph shows the Plan's historical cash flows – employer, member, and other contributions (gold bars) compared to the benefit payments and administrative expenses (maroon bars). The Plan has reflected a negative cash flow position since 2014, as shown by the solid blue line on a dollar basis and dashed blue line as a percentage of the Market Value of Assets. The negative cash flow of \$40.8 million for the period ending September 30, 2023 amounted to 1.8% of assets. The 8.76% investment return was above this threshold, causing the market value of assets to increase from last year. Future negative net cash flows are expected to be between 2.5% and 3.0% over the next decade.





SECTION II – DISCLOSURES RELATED TO RISK

Assessment of Future Risks

Stress Testing the Plan's Funded Status and Contribution Levels

The fundamental risk to the Plan is that contributions will not adequately fund Plan benefits. In assessing this risk, we performed stress tests on the Plan's funded status and contribution level by varying future investment returns. It is imperative to note that the baseline projections shown in Section I – *Summary*, while valid as an illustration of the Plan's sensitivity to future investment returns, will not occur as experience never conforms exactly to assumptions from year to year.

With varying annual investment earnings, the charts that follow show the volatility in the actuarially calculated contribution (top graph) and in the Plan's funded status (bottom graph). Note that these graphs reflect illustrative scenarios and are not intended to reflect future expectations.

The first two illustrative scenarios show what the coming decade would look like if the Plan's investment returns were to mirror two different periods in history – one associated with a bull market (mimicking investment performance from 1950 to 1959) and the other reflecting a bear market (mimicking 1931 to 1940). The investment returns for these two periods average 12.35% and 3.31%, respectively, which are very different from the assumed investment return of 7.25%. A third scenario shows a 10-year period averaging close to 7.25% annually but with much more volatility than the baseline scenario.

What these charts show is that whether the Plan is fully funded or poorly funded, future investment returns can quickly alter the financial position of the Plan. It is impossible to judge the financial soundness of a plan with a single-year measurement. What is more important to consider is the Plan's conservatism in funding benefits, as well as the discipline and ability for the Plan to consistently contribute an adequate amount.



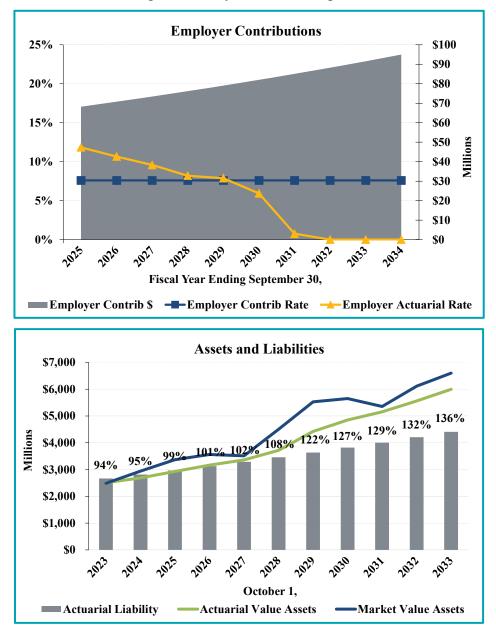
SECTION II – DISCLOSURES RELATED TO RISK

Assuming Investment Returns for Next 10 Years Follows 1950 – 1959 (Bull Market)

The projections below demonstrate how the funded status could change if investment returns were to mirror 1950 - 1959, a period of a bull market, based on a portfolio invested 60% in equities and 40% in fixed income. The returns during this period were assumed as follows:

| PYE 9/30 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | Avg for |
|----------|--------|--------|-------|-------|--------|--------|-------|--------|--------|-------|---------|
| As If | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | Period |
| Return | 21.13% | 16.86% | 7.83% | 0.71% | 30.79% | 24.74% | 3.74% | -3.50% | 16.21% | 9.82% | 12.35% |

Under this scenario, the favorable investment returns and continued employer contribution rate of 7.60% would result in the employer actuarial contribution rate going to 0% and the Plan's projected funded status increasing to 136% by the end of the period shown.





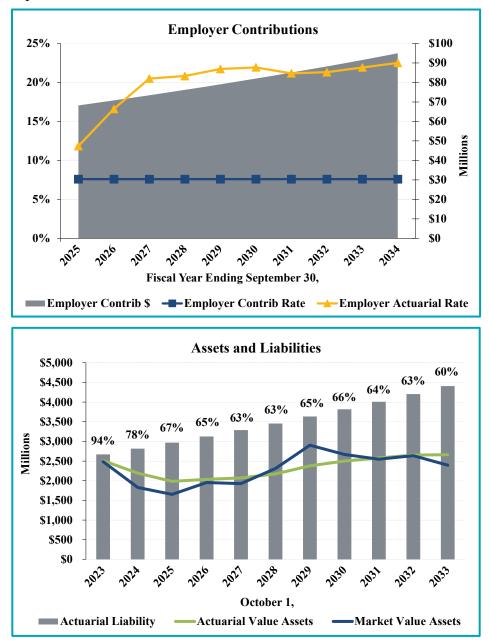
SECTION II – DISCLOSURES RELATED TO RISK

Assuming Investment Returns for Next 10 Years Follows 1931 – 1940 (Bear Market)

The projections below demonstrate how the funded status could change if investment returns were to mirror 1931 - 1940, a period of a bear market, based on a portfolio invested 60% in equities and 40% in fixed income. The returns during this period were assumed as follows:

| PYE 9/30 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | Avg for |
|----------|---------|--------|--------|-------|--------|--------|--------|--------|-------|--------|---------|
| As If | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | Period |
| Return | -24.25% | -6.20% | 22.79% | 2.35% | 24.65% | 29.50% | -5.14% | -0.98% | 7.83% | -5.18% | 3.31% |

Under this scenario, the unfavorable investment returns would significantly increase the actuarially calculated contribution rate and the Plan's projected funded status declines to 60% by the end of the period shown, as current contribution levels would not be sufficient.





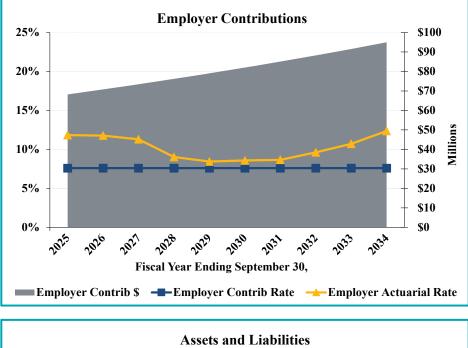
SECTION II – DISCLOSURES RELATED TO RISK

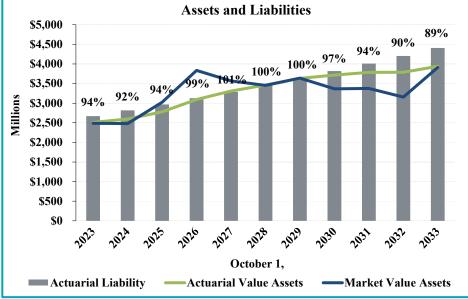
Assuming Investment Returns for Next 10 Years Averages 7.29% Annually

The projections below demonstrate how the funded status could change if investment returns were to mirror 1934 - 1943, a period where the average investment return was similar to the current assumption of 7.25%. The returns during this period were assumed as follows:

| PYE 9/30 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | Avg for |
|----------|-------|--------|--------|--------|--------|-------|--------|-------|--------|--------|---------|
| As If | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | Period |
| Return | 2.35% | 24.65% | 29.50% | -5.14% | -0.98% | 7.83% | -5.18% | 3.22% | -3.49% | 27.82% | 7.29% |

Under this scenario, the funded status and employer contributions experience much more volatility than the baseline scenario.







SECTION II – DISCLOSURES RELATED TO RISK

The Plan, by order of the Commanding General, may increase the employee contribution rate of 2.00% if the funded status is projected to fall below 90% within the following 20 years. The baseline, bear market, and 7.29% average return scenarios each project the funded status to fall below the 90% threshold. Since these projections are provided for illustrative purposes only, we have assumed that the employee and employer contribution rates remain at 2.00% and 7.60%, respectively. However, if the Commanding General were to order contribution rate increases, the funded percentage would be higher than shown in these projections.

To reiterate, the previous scenarios illustrate not only the importance of the investment returns themselves but also the timing of the returns over the period.

Assessing a Low-Default-Risk Obligation Measure (LDROM)

The Plan invests in a diversified portfolio with the objective of maximizing investment returns at a reasonable level of risk. The lowest risk portfolio for a pension plan with fixed cash flows would be composed entirely of low-default-risk fixed income securities whose cash flows match the benefit cash flows of the Plan. Such a portfolio would have a lower expected rate of return than a diversified portfolio. The Low-Default-Risk Obligation Measure (LDROM) represents what the funding liability would be if the Plan invested its assets in such a portfolio.

As of September 30, 2023, we estimate that such a portfolio would have an effective expected return of 5.65%¹ compared to the Plan's discount rate of 7.25%, and the resulting LDROM would be \$3.34 billion compared to the Actuarial Liability of \$2.67 billion. The \$0.67 billion difference between the LDROM and the Actuarial Liability represents the expected savings from bearing the risk of investing in the diversified portfolio. Alternatively, it also represents the cost of eliminating investment risk.

Because the Plan invests in a diversified portfolio and not the LDROM portfolio, the reported funded status is higher and actuarially calculated employer contributions are lower. Benefit security for members of the Plan relies on a combination of the Plan's assets, the investment returns generated on those assets, and the ability to make any needed future contributions. An LDROM portfolio would lower the expected future returns on assets and reduce the expected volatility of future returns, and also would lower the reported funded status and increase the actuarially calculated employer contributions.

¹ Based on the September 30, 2023 FTSE Pension Liability Index and all other assumptions and methods as used to calculate the Actuarial Liability.



SECTION III – STATUTORY VALUATION EXHIBITS

| Exhibit III-1 Development of Actuarial Value of Assets | | |
|---|----------|---|
| 1. Actuarial Value of Assets as of October 1, 2022 | \$ | 2,385,391,973 |
| Amount in (1) with interest of 7.25% to September 30, 2023 Contributions (Employer, Employee, and Other) for Fiscal Year Ending September 30, 2023 Interest on Contributions assuming payments made uniformly throughout the year to September 30, 2023 Disbursements from Trust except investment expenses, October 1, 2022 through September 30, 2023 Interest on disbursements made uniformly throughout the year to September 30, 2023 at 7.25% per year Expected Actuarial Value of Assets as of September 30, 2023 = (2) + (3) + (4) + (5) + (6) | \$ \$ | 2,558,332,891 88,898,592 3,166,191 (129,666,217) (4,618,161) 2,516,113,296 |
| 8. Actual Market Value of Assets at September 30, 2023 | \$ | 2,487,698,107 |
| 9. Excess of (8) over (7) | \$ | (28,415,189) |
| 10. Pro-forma Actuarial Value of Assets at September $30, 2023 = (7) + 20\%$ of (9) | \$ | 2,510,430,258 |
| 11. Maximum value = $1.20 \text{ x} (8)$ | \$ | 2,985,237,728 |
| 12. Minimum value = $0.80 \text{ x} (8)$ | \$ | 1,990,158,486 |
| 13. Actuarial Value of Assets as of September 30 , $2023 = (10)$, but not more than (11) nor less than (12) | \$ | 2,510,430,258 |



SECTION III – STATUTORY VALUATION EXHIBITS

| Exhibit III-2 Employer Actuarial Rate | |
|--|-------------------|
| 1. Normal Cost | \$ 85,595,320 |
| 2. Administrative Expenses as of Beginning of Year | 13,518,527 |
| 3. Less: Estimated Employee Contributions | (17,299,309) |
| 4. 15-Year Amortization of Unfunded Actuarial Liability | 16,473,892 |
| 5. Interest on (1), (2), (4) for One-Half Year * | 4,116,745 |
| 6. Net Employer Actuarial Contribution: $(1) + (2) + (3) + (4) + (5)$ | \$ 102,405,175 |
| 7. Active Member Payroll | \$ 864,965,444 |
| 8. Employer Actuarial Rate as a Percentage of Active Member Payroll: $(6) / (7)$ | 11.84% |

* Contributions are assumed to be made uniformly throughout the year.



| Exhibit III-3 Ten-Year Projection of Retirees | | | | | | | | | | |
|--|-----------------------------|-----------------------------------|-----------------------|--------------------------|-----------------------------|--|--|--|--|--|
| Fiscal Year Ending <u>September 30</u> | Current <u>Retirees*</u> | From Vested <u>Deferred</u> | From <u>Active</u> | Total <u>Retirees</u> | Annual <u>Benefits**</u> | | | | | |
| 2024 | 9,654 | 855 | 126 | 10,635 | \$ 133,019,216 | | | | | |
| 2025 | 9,394 | 970 | 732 | 11,096 | 142,076,387 | | | | | |
| 2026 | 9,124 | 1,090 | 1,267 | 11,481 | 151,433,165 | | | | | |
| 2027 | 8,847 | 1,227 | 1,741 | 11,815 | 161,140,567 | | | | | |
| 2028 | 8,564 | 1,357 | 2,187 | 12,108 | 171,064,649 | | | | | |
| 2029 | 8,275 | 1,477 | 2,611 | 12,363 | 176,122,518 | | | | | |
| 2030 | 7,982 | 1,597 | 2,971 | 12,550 | 187,396,655 | | | | | |
| 2031 | 7,686 | 1,718 | 3,251 | 12,655 | 198,592,832 | | | | | |
| 2032 | 7,386 | 1,858 | 3,448 | 12,692 | 209,902,658 | | | | | |
| 2033 | 7,083 | 1,981 | 3,615 | 12,679 | 221,134,126 | | | | | |

SECTION III – STATUTORY VALUATION EXHIBITS

* Includes number of participants and their cost of living benefits to be paid from Ameritas Life Insurance Corporation.

** Assumes that the \$26.1 million in account balances for the 32,897 non-vested participants due a refund of their employee contributions are paid uniformly over next five years.

The projection above is based on the October 1, 2023 census data provided and does not reflect any employees expected to be hired after that date.



SECTION III – STATUTORY VALUATION EXHIBITS

| | Exhibit III-4 Summary of Census Data as of October 1, 2 | 023 | | | | | | | |
|----------------------------------|--|---------------------------------|---|--|--|--|--|--|--|
| | A. ACTIVE PARTICIPANTS | | | | | | | | |
| 1. 2. 3. 4. 5. 6. | Number Total Annual Valuation Payroll (as reported) Average Age Average Credited Service Average Annual Pay [2. ÷ 1.] Average Accumulated Employee Contributions with Interest | \$ \$ \$ | 17,463 864,965,444 44.2 8.6 49,531 9,036 | | | | | | |
| | B. INACTIVE PARTICIPANTS | | | | | | | | |
| 7. 8. | Vested Deferred Members: a. Number b. Total Monthly Benefit c. Average Monthly Benefit [7b. ÷ 7a.] Currently Retired Participants, Disableds and Beneficiaries (non-Ame a. Number b. Total Monthly Benefit c. Average Monthly Denefit [8b. ± 8c.] | \$ \$ ritas): \$ \$ | 5,346 1,793,086 335 9,902 9,355,241 | | | | | | |
| 0 | c. Average Monthly Benefit [8b. ÷ 8a.] | | 945 | | | | | | |
| 9. | Participants receiving cost-of-living benefits from Ameritas Life Insur a. Number b. Total Monthly Benefit c. Average Monthly Benefit [9b. ÷ 9a.] | ance Co \$ \$ | prporation: 8 2,721 340 | | | | | | |
| 10. | Non-Vested Participants due an Account Balancea. Numberb. Balance | \$ | 32,897 26,074,993 | | | | | | |



SECTION III – STATUTORY VALUATION EXHIBITS

| Exhibit III-5 Data Reconciliation from the Prior to the Current Valuation* | | | | | | | | |
|---|---|---|--|--------------------------|-------------------------------|------------------------|--|--|
| October 1, 2022 | Active <u>Participants</u> 17,035 | Vested Deferred <u>Members</u> 5,448 | Disability <u>Retirements</u> 250 | <u>Retirees</u> 8,222 | <u>Beneficiaries</u> 1,175 | <u>Total</u> 32,130 | | |
| New Hires | 3,260 | 0 | 0 | 0 | 0 | 3,260 | | |
| New Beneficiaries | 0 | 0 | 0 | 0 | 110 | 110 | | |
| Terminated without a Vested Benefit | (1,931) | 0 | 0 | 0 | 0 | (1,931) | | |
| Refunded | (301) | (102) | 0 | 0 | 0 | (403) | | |
| Deceased | (4) | (10) | (10) | (220) | (39) | (283) | | |
| Vested Termination | (494) | 494 | 0 | 0 | 0 | 0 | | |
| Rehired Inactives | 230 | (227) | 0 | (3) | 0 | 0 | | |
| Disablements | (7) | (1) | 10 | (2) | 0 | 0 | | |
| Retirements | (325) | (67) | 0 | 392 | 0 | 0 | | |
| Data adjustments | 0 | (189) | 0 | 32 | (7) | (164) | | |
| October 1, 2023 | 17,463 | 5,346 | 250 | 8,421 | 1,239 | 32,719 | | |

* A reconciliation was not performed for non-vested participants due a refund of their account balance.



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

Report for Plan Year Ending September 30, 2023

Exhibit IV-1

General Information Sheet

- 1. Name of Plan: U.S. Army Nonappropriated Fund Employee Retirement Plan
- 2. Name and address of Plan Sponsor:

U.S. Army Community and Family Support Center NAF Employee Benefits Office P.O. Box 340309 Fort Sam Houston, Texas 78234

3. Name and phone number of Plan Administrator (or other responsible Plan official):

Anita Jannsen Chief, NAF Personnel Services Division (210) 466-1620

- 4. Type of plan entity: Single-employer plan
- 5. Date plan established: January 1, 1966
- 6. Information on plan participants at the beginning of plan year:

Participant data was collected as of October 1, 2023

| Active participants | 17,463 |
|---|--------|
| Separated employees entitled to deferred benefits | 5,346 |
| Retired, disabled and beneficiaries | 9,910 |
| Former non-vested participants due an account balance | 32,897 |
| Total Participants | 65,616 |

- 7. Type of plan: Defined benefit pension plan
- 8. Administrative cost: See Note 4.
- 9. During the current plan year, the Plan was not merged into nor consolidated with another plan nor were assets or liabilities transferred to another plan.
- 10. The Plan is funded through BGI U.S. Debt, Janus Midcap, Ameritas (formerly Bankers Life of Nebraska), Adams Street Partners, Inc. (formerly Brinson Partners, Inc.), Wells Capital Management Small Cap, RREEF America REIT II, UBS RESA, Artisan



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

International Value, AS CO Invest IV, Angelo Gordon Core + Realty, UBS Trumball TPG Value Fund, AS Growth EQ VII, Blackstone Hedge, Blackstone Property, SSGA S&P 500 Flagship, Harding Loevnier, Newfleet Mgmt., Baille Gifford EAFE, Lazard Asset Mgmt., U.S. Army N.A.F. Retirement Trust (SSGA STIF), Sprucegrove, Prime Property, ABS Emerging Markets, Prudential Core Plus, and Macquarie.

- 11. This valuation was performed based on active, retiree and vested deferred data as of October 1, 2023.
- 12. The Projected Unit Credit actuarial cost method was used in completing Tables 1 and 2 in this section (Exhibit IV-7 and Exhibit IV-8). A summary of the actuarial methods is attached.
- 13. Actuarial assumptions:
 - 1. Economic:
 - (1) Rate of return on plan investments: 7.25% per annum.
 - (2) Ratio of salary expected at normal retirement age (62) to salary for a new entrant at:

| | Men | Women |
|--------|------|-------|
| Age 25 | 7.25 | 7.25 |
| Age 40 | 4.15 | 4.15 |
| Age 55 | 1.98 | 1.98 |

- (3) Inflation Rate (in relation to plan provisions for post-retirement benefit adjustments): 3.25% per annum.
- 2. Decrements:
 - (1) Basis of mortality assumptions:

Amount-weighted RP-2006 Mortality Table (same as RP-2014 adjusted back to 2006 using Scale MP-2014), adjusted by 115% for males and 110% for females:

| Non-Annuitants: | Employee Tables, Total Dataset |
|---------------------------|---|
| Retirees & Beneficiaries: | Healthy Annuitant Tables, Total Dataset |
| Disabled Retirees: | Disabled Retiree Table |

The mortality rates are projected generationally from the base year using Projection Scale MP-2020.



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

- (2) (a) Normal retirement age: 62 and 5 years of service.
 - (b) Lowest age at which employee may voluntarily retire with full benefits: age 55 with 30 years of service or age 60 with 20 years of service.
- (3) Basis of withdrawal assumptions:

Table based on turnover adjusted to reflect the Plan's experience.

A summary of the assumptions and changes made since the prior report is attached.

14. A summary of the Plan provisions and changes made since the prior report is attached.

I declare that I have examined this report, including accompanying tables and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Signature of Plan Administrator:

Anita Jannsen Chief, NAF Personnel Services Division

Date:



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

Exhibit IV-2

Statement of Enrolled Actuary

This report has been prepared pursuant to P.L. 95-595 for the year ending September 30, 2023. To the best of my knowledge, the report is complete and accurate. It should be noted, however, that the asset information shown has not been audited by Cheiron, Inc. In addition, the liabilities shown in this report are from the United States Army Nonappropriated Retirement Plan Valuation Report as of October 1, 2023, as prepared by Cheiron, Inc. In my opinion, the actuarial assumptions appear to be individually reasonable related to the experience of the Plan and to reasonable expectations and represent my best estimate of anticipated experience under the Plan.

Signature:

in M Chartin

Alison Chafin, FSA, EA, MAAA Enrolled Actuary #23-08294 Cheiron, Inc. 9115 Harris Corners Parkway, Suite 380 Charlotte, NC 28269

Date: January 21, 2025



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

| Exhibit IV-3 | | | | |
|--|----|------------------|-----|-----------------|
| Statement of Net Assets Available for Benefits | | | | |
| | Se | otember 30, 2023 | Sep | tember 30, 2022 |
| Assets | | | | |
| Investments and Deposit administration contracts | ¢ | | ¢ | |
| BGI U.S. Debt | \$ | 45,820,086 | \$ | 45,491,431 |
| Janus Midcap | | 126,600,550 | | 107,264,415 |
| Ameritas (Bankers Life of Nebraska) | | 18,515 | | 47,161 |
| Adams Street Partners (formerly Brinson) | | 302,740,723 | | 312,626,896 |
| Wells Capital Management Small Cap | | 3,352 | | 70,324,158 |
| RREEF America REIT II | | 63,538,756 | | 73,905,928 |
| UBS - RESA | | 32,900,320 | | 42,176,183 |
| Artisan International Value | | 179,070,946 | | 133,691,769 |
| AS CO Invest IV | | 11,689,799 | | 11,367,784 |
| Angelo Gordon Core + Realty | | 4,150,468 | | 6,154,169 |
| UBS Trumball TPG Value Fund | | 54,117,475 | | 68,761,065 |
| AS Growth EQ VII | | 9,834,001 | | 9,062,604 |
| Blackstone Hedge | | 124,221,383 | | 117,197,889 |
| Blackstone Property | | 63,645,130 | | 71,637,880 |
| SSGA S&P 500 Flagship | | 634,588,403 | | 566,117,393 |
| Harding Loevnier | | 1,926 | | 1,892 |
| Newfleet Mgmt | | 133,003 | | 125,263 |
| Baille Gifford EAFE | | 71,859,265 | | 63,528,013 |
| Lazard Asset Mgmt | | 94,812,570 | | 77,177,977 |
| U.S. Army N.A.F. Ret. Trust (SSGA STIF) | | 8,953,137 | | 3,404,197 |
| Sprucegrove | | 102,710,591 | | 84,748,646 |
| Prime Property | | 46,490,973 | | 50,000,000 |
| ABS Emerging Markets | | 36,760,222 | | 35,000,000 |
| Prudential Core Plus | | 403,184,818 | | 392,139,181 |
| Macquarie | | 75,185,368 | | 0 |
| Total Investments | \$ | 2,493,031,780 | \$ | 2,341,951,894 |
| Receivables | | | | |
| Employer and employee contributions | \$ | 5,784,261 | \$ | 4,726,376 |
| Interest Receivable | | 76,502 | - | 14,336 |
| Accounts Receivable | | 13,098,095 | | 6,740,431 |
| Total Receivables | \$ | 18,958,858 | \$ | 11,481,143 |
| Cash on deposit with U.S. Army Banking and Investment Fund | \$ | 30,448,410 | \$ | 13,711,665 |
| Total Assets | \$ | 2,542,439,048 | \$ | 2,367,144,702 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ | 54,740,941 | \$ | 40,779,607 |
| Net Assets Available for Benefits | \$ | 2,487,698,107 | \$ | 2,326,365,095 |





| Exhibit IV-4 Statement of Changes in Net Assets Available for Benefits | | | | |
|---|--|---------------|---|---------------|
| | Fiscal Year Ending September 30, 2023 | | Fiscal Year Ending September 30, 202 | |
| 1. Net assets available for benefits at beginning of Plan year | \$ | 2,326,365,095 | \$ | 2,649,104,256 |
| 2. Investment Income | | | | |
| (a) Net appreciation (depreciation) in fair value of investments * | \$ | 150,033,315 | \$ | (365,341,809) |
| (b) Interest | • | 14,664,738 | Ŧ | 12,658,533 |
| (c) Other income | | 47,778,736 | | 67,585,686 |
| (d) Less: Investment expenses | | (10,376,152) | | (10,423,565) |
| (e) Total | \$ | 202,100,637 | \$ | (295,521,155) |
| 3. Contributions (Note 5)** | | | | |
| (a) Employer | \$ | 70,312,257 | \$ | 62,669,318 |
| (b) Employee | | 18,586,335 | <u>_</u> | 16,966,253 |
| (c) Total | \$ | 88,898,592 | \$ | 79,635,571 |
| 4. Total additions: $(2) + (3)$ | \$ | 290,999,229 | \$ | (215,885,584) |
| 5. Benefits paid directly to participants | | | | |
| (a) Refunds | \$ | 2,187,286 | \$ | 1,808,965 |
| (b) Annuities | | 106,879,637 | | 98,150,216 |
| (c) Total | \$ | 109,066,923 | \$ | 99,959,181 |
| 6. Administrative Expenses | \$ | 20,599,294 | \$ | 6,894,396 |
| 7. Total deductions: $(5) + (6)$ | \$ | 129,666,217 | \$ | 106,853,577 |
| 8. Net additions (deductions): (4) - (7) | \$ | 161,333,012 | \$ | (322,739,161) |
| 9. Net assets available for benefits at end of Plan year: $(1) + (8)$ | \$ | 2,487,698,107 | \$ | 2,326,365,095 |

SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

* Net appreciation (depreciation) in investments as provided by Army reflects adjustments made after the audit was complete and may not agree with the audited financial statements.

** Includes all other contributions for Portability and DSR Income, Service Buyback Income, Conversion Income, GPC Rebate, and Miscellaneous Income.



| Exhibit IV-5 Statement of Present Value of Accumulated Plan Benefits | | | | | |
|---|----------|------------------------|----|-----------------------|--|
| | <u>0</u> | <u>October 1, 2023</u> | | <u>ctober 1, 2022</u> | |
| Vested Benefits | | | | | |
| Participants Currently Receiving Payment* | \$ | 1,289,294,656 | \$ | 1,162,409,364 | |
| Other Participants | | 1,050,487,557 | | 886,201,857 | |
| Total Vested Benefits | \$ | 2,339,782,213 | \$ | 2,048,611,221 | |
| Non-Vested Benefits | \$ | 66,929,481 | \$ | 57,850,864 | |
| Total Present Value of Accumulated Plan Benefits | \$ | 2,406,711,694 | \$ | 2,106,462,085 | |
| Interest Rate Used | | 7.25% | | 7.25% | |

SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

* Includes remaining liability under the Plan for participants receiving benefits from Ameritas Life Insurance Corporation.



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

| | Fiscal Year Ending <u>September 30, 2023</u> | | Fiscal Year Ending <u>September 30, 2022</u> | |
|--|---|---------------|---|---------------|
| Present Value of Accumulated Plan Benefits | | | | |
| at beginning of Fiscal year | \$ | 2,106,462,085 | \$ | 1,894,458,618 |
| Increase (decrease) during the year attributable to: | | | | |
| Benefits accumulated and actuarial (gain) or loss | \$ | 260,482,532 | \$ | 178,174,520 |
| Interest due to decrease in discount period | | 148,834,000 | | 133,788,128 |
| Plan amendment(s) | | 0 | | 0 |
| Changes in actuarial assumptions | | 0 | | 0 |
| Benefit Payments | | (109,066,923) | | (99,959,181 |
| Net increase (decrease) | \$ | 300,249,609 | \$ | 212,003,467 |
| Present value of Accumulated Plan Benefits | | | | |
| at end of Fiscal year | \$ | 2,406,711,694 | \$ | 2,106,462,085 |



SECTION IV – ANNUAL REPORT PRESCRIBED BY P.L. 95-595

| | Exhibit IV-7 Table 1 | | | | |
|---|---|----------------------|--|----------------------|---|
| | Actuarial Status Inform | natio | on | | |
| 1. Prese (a) (b) (c) (d) (e) | ent Value of Future Benefits: Annuitants now on rolls * Separated employees Participants due an account balance Active participants Total | <u>c</u> \$ \$ | Detober 1, 2023 1,289,294,656 152,792,546 26,074,993 2,067,063,638 3,535,225,833 | <u>C</u> \$ \$ | Dectober 1, 2022 1,162,409,364 147,883,231 22,616,605 1,777,511,493 3,110,420,693 |
| Actual Less: | Present Value of Future Normal Cost Contributions arial Liability [(1) + (2)] Actuarial Value of Assets Inded Actuarial Liability [(3) + (4)] | \$ \$ | (866,385,168) 2,668,840,665 (2,510,430,258) 158,410,407 | \$ \$ | (765,779,092) 2,344,641,601 (2,385,391,973) (40,750,372) |
| 6. Norm (a) (b) (c) | nal cost as a percentage of covered payroll (mid-year) ** Employee Employer Total | | 2.00% <u>9.87%</u> 11.87% | | 2.00% <u>9.07%</u> 11.07% |
| | o of Assets in fund to Present Value of Future Benefits annuitants now on Rolls Line 1(a) plus accumulated employee contributions Actuarial Value of Assets divided by (a) Ratio in (b) last year Ratio in (b) two years ago | \$ | 1,447,086,631 1.73 1.82 2.05 | \$ | 1,308,610,532 1.82 2.05 1.88 |

* Includes remaining liability under the Plan for participants receiving benefits from Ameritas Life Insurance Corporation

** Includes assumed administrative expenses



| | | F | Exhibit IV-8 Table 2A | | | |
|---------|---------------------|------------------------------|---------------------------------------|--------------------------|----------------|------------|
| | Comp | oarison of Actuaria | l Funding with <i>(in dollars)</i> | Actual Contribu | itions | |
| (1) | (2) | (3) | (4) | (5) Actual | (6) | (7) |
| | Total | 40-Year Amortization of | Total | Contributions To Plan | Difference | Col. 5 |
| Plan | Normal | Unfunded | (Col. 2 plus | From All | (Col. 5 less | divided by |
| Year | Cost ^{1,2} | <u>Liability¹</u> | <u>Col. 3)</u> | Sources | <u>Col. 4)</u> | Col.4 |
| 2023-24 | \$ 102,643,862 | \$ 11,808,051 | \$114,451,913 | N/A | N/A | N/A |
| 2022-23 | 85,659,627 | (3,037,569) | 82,622,058 | \$ 88,898,592 | \$ 6,276,534 | 1.08 |
| 2021-22 | 76,106,868 | (10,433,272) | 65,673,596 | 79,635,571 | 13,961,975 | 1.21 |
| 2020-21 | 68,506,934 | (6,195,545) | 62,311,389 | 76,206,250 | 13,894,861 | 1.22 |
| 2019-20 | 67,453,186 | (3,267,673) | 64,185,513 | 78,092,646 | 13,907,133 | 1.22 |
| 2018-19 | 64,566,732 | (1,879,595) | 62,687,137 | 74,627,561 | 11,940,424 | 1.19 |
| 2017-18 | 62,150,810 | 1,520,910 | 63,671,720 | 71,206,914 | 7,535,194 | 1.12 |
| 2016-17 | 58,494,078 | 3,617,517 | 62,111,595 | 68,148,275 | 6,036,680 | 1.10 |
| 2015-16 | 57,667,269 | 4,905,747 | 62,573,016 | 66,534,445 | 3,961,429 | 1.06 |
| 2014-15 | 54,514,642 | 4,853,237 | 59,367,879 | 65,711,312 | 6,343,433 | 1.11 |
| 2013-14 | 53,673,556 | 7,215,422 | 60,888,978 | 62,325,623 | 1,436,645 | 1.02 |
| 2012-13 | 53,829,936 | 10,217,157 | 64,047,093 | 65,313,651 | 1,266,558 | 1.02 |
| 2011-12 | 54,141,214 | 10,635,437 | 64,776,651 | 59,846,992 | (4,929,659) | |
| 2010-11 | 54,736,827 | 8,457,840 | 63,194,667 | 64,449,655 | 1,254,988 | 1.02 |
| 2009-10 | 50,902,344 | 6,495,113 | 57,397,457 | 59,150,588 | 1,753,131 | 1.03 |
| 2008-09 | 45,326,221 | 1,789,591 | 47,115,812 | 53,667,209 | 6,551,397 | 1.14 |
| 2007-08 | 40,733,684 | (2,030,452) | 38,703,232 | 47,032,806 | 8,329,574 | 1.22 |
| 2006-07 | 38,457,296 | (711,664) | 37,745,632 | 41,621,364 | 3,875,732 | 1.10 |
| 2005-06 | 35,387,224 | (100,202) | 35,287,022 | 39,596,220 | 4,309,198 | 1.12 |
| 2004-05 | 31,724,981 | 1,209,066 | 32,934,047 | 35,435,693 | 2,501,646 | 1.08 |

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¹ Amounts as of mid-year.

² Total normal cost includes administrative expense assumption.



| (1) | (2) | (3) 40-Year | (4) | (5) Actual Contributions | (6) |
|---------|---------------------|-----------------------------|-----------------------|--------------------------------|----------------------------|
| Plan | Total Normal | Amortization of Unfunded | Total (Col. 2 plus | To Plan From All | Difference (Col. 5 less |
| Year | Cost ^{1,2} | Liability ¹ | <u>Col. 3)</u> | Sources | <u>Col. 4)</u> |
| 2023-24 | 11.87% | 1.37% | 13.23% | N/A | N/A |
| 2022-23 | 11.07 | (0.39) | 10.68 | 11.49% | 0.81% |
| 2021-22 | 10.36 | (1.42) | 8.94 | 10.84 | 1.90 |
| 2020-21 | 9.85 | (0.89) | 8.96 | 10.96 | 2.00 |
| 2019-20 | 9.33 | (0.45) | 8.88 | 10.80 | 1.92 |
| 2018-19 | 9.38 | (0.27) | 9.11 | 10.85 | 1.74 |
| 2017-18 | 9.40 | 0.23 | 9.63 | 10.77 | 1.14 |
| 2016-17 | 9.29 | 0.57 | 9.86 | 10.82 | 0.96 |
| 2015-16 | 9.17 | 0.78 | 9.95 | 10.58 | 0.63 |
| 2014-15 | 9.08 | 0.81 | 9.89 | 10.95 | 1.06 |
| 2013-14 | 8.97 | 1.21 | 10.18 | 10.42 | 0.24 |
| 2012-13 | 8.41 | 1.60 | 10.01 | 10.20 | 0.19 |
| 2011-12 | 8.52 | 1.67 | 10.19 | 9.41 | (0.78) |
| 2010-11 | 8.40 | 1.30 | 9.70 | 9.89 | 0.19 |
| 2009-10 | 8.42 | 1.07 | 9.49 | 9.78 | 0.29 |
| 2008-09 | 8.47 | 0.33 | 8.80 | 10.03 | 1.23 |
| 2007-08 | 8.60 | (0.43) | 8.17 | 9.93 | 1.76 |
| 2006-07 | 8.46 | (0.16) | 8.30 | 9.16 | 0.86 |
| 2005-06 | 8.52 | (0.02) | 8.50 | 9.54 | 1.04 |
| 2004-05 | 8.26 | 0.31 | 8.57 | 9.23 | 0.66 |

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¹ Amounts as of mid-year.

² Total normal cost includes administrative expense assumption.



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Exhibit IV-8 (continued)

Table 3-3a

Past and Projected Flow of Plan Assets

The Market Value of Assets and historical cash flows over the last ten years are shown in the Trends discussion of Section I – *Summary* and Section II – *Disclosures Related to Risk*.

The table on the next page projects the Plan's expected contributions (both employer and employee), benefit payments, and administrative expenses over the next ten years.

- The expected employer contributions assume that the employers will continue to contribute a fixed 7.60% of pay and do not reflect the amount based on the actuarially determined contribution rate. Expected employee contributions are assumed to remain at 2.00% of payroll.
- The projected contributions do not reflect any additional employer contributions for other sources such as portability and DSR or service buybacks, because these would be intended to offset the additional liabilities that would be recognized if any of these events actually occurred.
- Expected benefit payments are projected for the closed group valued as of October 1, 2023. Projecting any further than ten years using a closed group would not yield reliable projections due to the omission of new hires.
- Administrative expenses are assumed to be \$14.0 million for fiscal year ending September 30, 2024, \$8.0 million per year in the fiscal years ending September 30, 2025 and 2026, and \$4.0 million per year in the fiscal years ending September 30, 2027 and 2028, increasing with inflation of 3.25% per year thereafter.

The projections reflect that all the assumptions are realized, including an investment return of 7.25% per year and payroll growth of 3.75% per year. Future projections may differ significantly from what is presented in this report due to such factors as the following: plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law.



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| | Exhibit IV-9 Ten-Year Projection of Cash Flows | | | | | |
|--------------------------------------|---|--|--|-----------------------------|-----------------------------------|---------------------------------|
| Fiscal Year Ending <u>9/30</u> | Market Value <u>of Assets (BOY)</u> | Employer <u>Contributions at 7.6%</u> | Employee <u>Contributions at 2.0%</u> | Benefit <u>Payments*</u> | Administrative <u>Expenses</u> | Market Value of Assets (EOY) |
| 2024 | \$ 2,487,698,107 | \$ 65,737,374 | \$ 17,299,309 | \$ 133,019,216 | \$ 14,000,000 | \$ 2,601,794,900 |
| 2025 | 2,601,794,900 | 68,202,526 | 17,948,033 | 142,076,387 | 8,000,000 | 2,724,222,435 |
| 2026 | 2,724,222,435 | 70,760,121 | 18,621,084 | 151,433,165 | 8,000,000 | 2,849,181,648 |
| 2027 | 2,849,181,648 | 73,413,626 | 19,319,375 | 161,140,567 | 4,000,000 | 2,980,760,901 |
| 2028 | 2,980,760,901 | 76,166,637 | 20,043,852 | 171,064,649 | 4,000,000 | 3,115,203,456 |
| 2029 | 3,115,203,456 | 79,022,886 | 20,795,496 | 176,122,518 | 4,130,000 | 3,257,756,848 |
| 2030 | 3,257,756,848 | 81,986,244 | 21,575,327 | 187,396,655 | 4,264,225 | 3,402,707,187 |
| 2031 | 3,402,707,187 | 85,060,728 | 22,384,402 | 198,592,832 | 4,402,812 | 3,550,449,840 |
| 2032 | 3,550,449,840 | 88,250,505 | 23,223,817 | 209,902,658 | 4,545,903 | 3,701,215,709 |
| 2033 | 3,701,215,709 | 91,559,899 | 24,094,710 | 221,134,126 | 4,693,645 | 3,855,456,785 |

* Assumes that the \$26.1 million in account balances for the 32,897 non-vested participants due a refund of their employee contributions are paid uniformly over next five years.



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Exhibit IV-9

NOTE 1 – VALUATION OF INVESTMENTS

Investments are stated at market value. The Plan's deposits with insurance carriers are valued at contract value. Contract value represents contributions made under the contract, plus interest income, plus realized security gains net of losses, plus unrealized security gains net of losses, less transfers of funds back to the U.S. Army Central Retirement Fund (ACRF), less funds used to meet ACRF obligations, less administrative expenses.

NOTE 2 – CONTRACTS WITH INSURANCE COMPANIES AND INVESTMENT MANAGEMENT AGREEMENT

The Plan has deposit administration contracts with an insurance company as described below:

Ameritas (Formerly Bankers Life of Nebraska)

On March 1, 1983, the Plan terminated its deposit administration contract with Ameritas. Under the terms of the termination agreement, Ameritas paid the Plan \$5,179,098 on September 1, 1987.

The Plan's only future obligation with respect to Ameritas is to pay the annual cost-of-living adjustments for the retirees for whom annuity contracts were purchased in 1983 when the agreement with Ameritas was terminated. The amount held on deposit with Ameritas at September 30, 2023 was \$18,515.



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Investment Management Agreement

The Plan also has investment management agreements with various companies. The agreements provide that the companies have sole responsibility for investing the funds under their management within certain pre-described guidelines, and those earnings on the funds are based solely on the performance of the investments with a performance goal expressed as a total rate of return as defined in the agreement. The fair value of investments under management agreements at September 30, 2023 was:

| BGI U.S. Debt | \$ 45.820.086 |
|---|---------------|
| | +,, |
| Janus Midcap | 126,600,550 |
| Adams Street Partners, Inc. (formerly Brinson Partners, Inc.) | 302,740,723 |
| Wells Capital Management Small Cap | 3,352 |
| RREEF America REIT II | 63,538,756 |
| UBS - RESA | 32,900,320 |
| Artisan International Value | 179,070,946 |
| AS CO Invest IV | 11,689,799 |
| Angelo Gordon Core + Realty | 4,150,468 |
| UBS Trumball TPG Value Fund | 54,117,475 |
| AS Growth EQ VII | 9,834,001 |
| Blackstone Hedge | 124,221,383 |
| Blackstone Property | 63,645,130 |
| SSGA S&P 500 Flagship | 634,588,403 |
| Harding Loevnier | 1,926 |
| Newfleet Mgmt. | 133,003 |
| Baille Gifford EAFE | 71,859,265 |
| Lazard Asset Mgmt. | 94,812,570 |
| U.S. Army N.A.F. Ret. Trust (SSGA STIF) | 8,953,137 |
| Sprucegrove | 102,710,591 |
| Prime Property | 46,490,973 |
| ABS Emerging Markets | 36,760,222 |
| Prudential Core Plus | 403,184,818 |
| Macquarie | 75,185,368 |
| | |

NOTE 3 – CASH WITH ARMY BANKING AND INVESTMENT FUND

The Plan had \$30,448,410 invested in the United States Army Banking and Investment Fund (ABIF) at September 30, 2023. The ABIF acts as a pooling agent for all Army Nonappropriated activities and invests principally in U.S. Treasury securities, U.S. government agency securities, and certificates of deposit. The rate of interest paid to depositors is determined periodically by ABIF management.



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NOTE 4 – RELATED PARTY TRANSACTION

Appropriated funds of the United States Army provide certain general administrative support, including office space, communication, and certain supplies to the U.S. Army Command which administers the Plan. The value of some of these contributed series and supplies is not currently available and thus, is not reflected in the accompanying financial statements.

The Plan, the United States Army Medical/Life Fund (AMLF), and the 401(k) plan share common offices and administrative personnel. Common expenses are paid by the Plan and the AMLF and 401(k) plan allocated portions are reimbursed to the Plan. The balance due to the Retirement Plan as of September 30, 2023 for expenses allocated to the Army Medical/Life Fund and the 401(k) Saving Plan is \$1,648,670 and \$609,787, respectively.

The NAF Financial Services deducted employer and employee contributions from the various payroll cycles and remitted the funds to the Plan at a cost of \$1,708 in the year ended September 30, 2023. The accounting charges for the NAF Financial Services totaled \$288,774.

NOTE 5 – CONTRIBUTIONS

As a condition of participation, employees are required to contribute 2% of their salary to the Plan. Prior to January 1, 1991, employees were required to contribute 3% of their salary.

Effective January 1, 2001, new hires, rehires, and newly eligible employees may elect to stop contributing to the Plan after six months. The employee's past contribution will be refunded upon termination only if the employee elects a refund in lieu of future retirement benefits when vested.

Although it has not expressed any intention to do so, the United States Army Nonappropriated Fund has the right under the Plan to discontinue its contributions at any time and to terminate the Plan.



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Summary of Methods and Assumptions as of October 1, 2023

A. Actuarial Methods

Exhibit IV-10

1. <u>Calculation of Normal Cost and Actuarial Liability</u>: The actuarial method used to determine the Normal Cost and Actuarial Liability was the Projected Unit Credit actuarial cost method described below.

<u>Projected Unit Credit Actuarial Cost Method</u>: The objective under this method is to allocate the total pension benefit to which each participant is expected to become entitled at retirement to the participant's past and future service. The allocation is accomplished by applying the Plan's accrual formula to the projected final salary at retirement.

An <u>Actuarial Liability</u> is calculated at the valuation date as the Present Value of Benefits allocated to service prior to that date.

The <u>Unfunded Actuarial Liability</u> at the valuation date is the excess of the Actuarial Liability over the Actuarial Value of Assets of the Plan.

The <u>Normal Cost</u> is the present value of those benefits which are expected to be allocated 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 Actuarial Liability, subject to amortization.

2. <u>Calculation of Actuarial Value of Assets</u>: Market Value of Assets is the amount certified by outside auditors as available net assets. This includes funds on deposit with insurance companies, funds on deposit with the U.S. Army Banking and Investment Fund, cash, and accrued items.

As of October 1, 1997, the Actuarial Value of Assets was set equal to the Market Value of Assets. For each subsequent year, the Actuarial Value of Assets is calculated as follows:

- (a) The prior year's Actuarial Value of Assets is
 - Increased by actual contributions, interest at the assumed rate of return on prior year's actuarial value of assets for a full year and interest at an assumed rate of return on contributions for one-half year.
 - Decreased by actual benefit payments, administrative expenses and other payments and interest at the assumed rate of return on these payments for one-half year.

(b) The amount from (a) above is the expected value.



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- (c) 20% of the difference between Market Value and expected value is added to "expected" value.
- (d) The result from (c) is the Actuarial Value of Assets adjusted, if necessary, to be not less than 20% below and not more than 20% above the Market Value of Assets.
- 3. <u>Calculation of the Employer Actuarial Contribution Rate</u>: The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below. This contribution allocation procedure, combined with reasonable assumptions, produces a Reasonable Actuarially Determined Contribution as defined in Actuarial Standard of Practice No. 4. The contribution allocation procedure was selected to balance benefit security, intergenerational equity, and the stability of actuarially calculated contributions. The selection also considered the demographics of plan members, the funding goals and objectives of the Plan, and the need to accumulate assets to make benefit payments when due.

The method for determining the employer actuarial contribution rate is as follows:

- (a) The Normal Cost as described on the previous page plus assumed administrative expenses; *plus*
- (b) A level dollar amount such that the Unfunded Actuarial Liability (UAL) would be paid off in 15 years; *less*
- (c) Estimated employee contributions of 2% of payroll.

The amount calculated is adjusted with interest to the middle of the year and then divided by valuation earnings to convert to a percent of pay.

The UAL amortization method is a rolling method, which will not fully amortize the UAL. However, as the outstanding balance of the UAL is reduced by a reasonable amount each year, this amortization method is considered reasonable in accordance with Actuarial Standard of Practice (ASOP) No. 4.

- 4. <u>Valuation Software</u>: Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs, and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.
- 5. <u>Projection Model</u>: This report includes deterministic projections of future contributions, assets, and funded status for the purpose of assisting the Leadership with the management of the Plan. We have used Cheiron's *P-Scan* model to develop these projections. The model is also used to stress test the impact of volatile asset returns over the projection period.



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The *P-Scan* projection uses projected benefit payments for current members but does not include projected benefit payments for new members. This limitation is not material for the next 20 years, but longer projection periods should be viewed with caution.

The *P-Scan* projection uses standard roll-forward techniques that implicitly assume a stable active population. Changes in the demographic characteristics of the active population will lead to different results.



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Summary of Methods and Assumptions as of October 1, 2023

B. Actuarial Assumptions

Exhibit IV-10 (continued)

Rationale for Economic and Demographic Assumptions

All demographic assumptions were adopted by the Board in September 2021 on the basis of the proposals made by Cheiron as a result of an experience study covering the period October 1, 2015 through September 30, 2020. Please refer to the experience study presentation dated September 20, 2021 for the rationale to these assumptions.

The investment return, general inflation, and annual rate of general wage inflation assumptions were adopted by the Board in April 2022. Please refer to the previously mentioned September 2021 experience study presentation as well as the revisit of economic assumptions in the March 2022 presentations for rationale of these economic assumptions.

The administrative expense assumption was updated concurrently with this valuation, as adopted by the Board in November 2024, to recognize future Plan costs expected to be incurred for Army's system transition and expectations for the future.

The combined effect of the assumptions in aggregate is expected to have no significant bias.

1. Investment Return:

7.25% annually, net of investment expenses

2. General Inflation:

3.25% annually

3. General Wage Increase:

3.75% annually

4. Annual Rate of Merit/Seniority Wage Increase (in addition to the General Wage Increase, applied multiplicatively):

See Rates in Exhibit A

5. Social Security Wage Base:

Assumed to increase with general inflation



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6. Administrative Expenses:

\$14,000,000 per year for fiscal year ending September 30, 2024.

For projection purposes, \$8,000,000 per year for fiscal years ending September 30, 2025 and 2026; \$4,000,000 per year for fiscal years ending September 30, 2027 and 2028, and increasing with 3.25% annual inflation thereafter.

Administrative expenses are assumed payable as of the middle of the year.

7. Mortality:

Amount-weighted RP-2006 Mortality Table (same as RP-2014 adjusted back to 2006 using Scale MP-2014), adjusted by 115% for males and 110% for females:

| Non-Annuitants: | Employee Tables, Total Dataset |
|--------------------------|---|
| Retirees, Beneficiaries: | Healthy Annuitant Tables, Total Dataset |
| Disabled Retirees: | Disabled Retiree Table |

The mortality rates are projected generationally from the base year using Projection Scale MP-2020.

8. Termination:

Rates set forth in Exhibit A

9. Disability:

Rates set forth in Exhibit B

10. Retirement Age:

See Exhibit B

11. Form of payment and proportion of participants with eligible beneficiaries for survivor:

Participants are assumed to elect the Normal Benefit (Single Life Annuity for unmarried participants, 55% Joint and Survivor for married participants) as follows: 88% of participants are assumed to be married. 45% of participants are assumed to be married and elect the Normal Benefit (i.e., approximately 50% of those married are assumed to elect this option). Wives are assumed to be two years younger than their husbands. For current in-pay participants, actual spouse date of birth is used if available as well as an actual form of payment elected.

12. Post-retirement cost-of-living adjustments:

Assumed to increase with general inflation



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- 13. Future service accruals for active employees:
 - 1.0 year of Credited Service earned per year
- 14. Noncontributing participants:

100% of inactive participants due an account balance are assumed to still be due a refund of their account balances. Non-vested participants entitled to a refund of the employee contributions are included in the valuation and are assumed to be paid out within five years. Vested participants are assumed to remain in service but continue in a noncontributory status.

15. Maximum benefit:

The maximum benefit payable under IRC Section 415, effective at the valuation date (\$265,000 for 2023) assumed to increase with general inflation.

16. Maximum pensionable pay:

IRC Section 401(a)(17) limit effective at valuation date (\$330,000 for 2023) assumed to increase with general inflation.

17. Changes since prior year:

Administrative expenses have been updated to reflect the Board's anticipated projections for future temporary Plan costs related to the data system conversion, anticipated to be incurred through the fiscal year ending September 30, 2028.



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| | Exhibit | t A | |
|----------------|----------------------|--------|---------|
| | Merit/Seniority Wage | Termi | nation* |
| <u>Service</u> | Increase | Male | Female |
| 0 | 15.00% | 30.00% | 35.00% |
| 1 | 7.00% | 25.00% | 30.00% |
| 2 | 6.00% | 20.00% | 25.00% |
| 3 | 5.00% | 15.00% | 20.00% |
| 4 | 4.25% | 13.00% | 17.00% |
| 5 | 3.75% | 11.00% | 14.00% |
| 6 | 3.25% | 9.00% | 12.00% |
| 7 | 2.75% | 8.00% | 10.00% |
| 8 | 2.50% | 7.00% | 8.00% |
| 9 | 2.25% | 6.50% | 6.50% |
| 10 | 2.00% | 6.25% | 6.25% |
| 11 | 1.75% | 6.00% | 6.00% |
| 12 | 1.50% | 5.50% | 5.50% |
| 13 | 1.25% | 5.00% | 5.00% |
| 14 | 1.00% | 4.50% | 4.50% |
| 15 | 0.75% | 4.00% | 4.00% |
| 16 | 0.75% | 3.00% | 3.00% |
| 17 | 0.75% | 2.75% | 2.75% |
| 18 | 0.50% | 2.50% | 2.50% |
| 19 | 0.50% | 2.25% | 2.25% |
| 20 | 0.50% | 2.00% | 2.00% |
| 20 | 0.25% | 2.00% | 2.00% |
| 22 | 0.25% | 2.00% | 2.00% |
| 23 | 0.25% | 2.00% | 2.00% |
| 23 | 0.00% | 2.00% | 2.00% |
| 25+ | 0.00% | 2.00% | 2.00% |

* When members are eligible to retire, it is assumed that their termination rates are zero.



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| | | Exhibit B | | |
|-----|--|------------------|--------------------|--|
| | Retirement Rates* Number of retirements per 1,000 members | | Number of per 1,00 | ability Disablements 0 members le rates) |
| Age | Reduced | Unreduced | Age | Rate |
| 50 | 25 | N/A | <35 | 0.14 |
| 51 | 25 | N/A | 35 | 0.16 |
| 52 | 50 | N/A | 40 | 0.28 |
| 53 | 50 | N/A | 45 | 0.60 |
| 54 | 75 | N/A | 50 | 1.04 |
| 55 | 75 | 200 | 55 | 1.19 |
| 56 | 75 | 140 | 60 | 2.16 |
| 57 | 75 | 100 | 62+ | 0.00 |
| 58 | 75 | 100 | | |
| 59 | 100 | 125 | | |
| 60 | 100 | 150 | | |
| 61 | 150 | 175 | | |
| 62 | N/A | 175 | | |
| 63 | N/A | 175 | | |
| 64 | N/A | 175 | | |
| 65 | N/A | 200 | | |
| 66 | N/A | 225 | | |
| 67 | N/A | 175 | | |
| 68 | N/A | 175 | | |
| 69 | N/A | 175 | | |
| 70+ | N/A | 1,000 | | |

* 100% of terminated vested participants are assumed to retire at age 62.



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Data Assumptions and Methods

The methodology for preparing the data used for the valuation is based on upon the assumptions and methods as outlined below, which was described in the Data Memo provided to the Fund office for review and approval dated May 14, 2024 and confirmed through the data questions process.

SETTING VALUATION STATUS

Active, Vested Deferred, and Non-Vested Deferred

The raw data file "Revised Employee Valuation Report submitted 21 Dec 23.xlsx" included several different valuation statuses, including Non-Vested Deferred, Vested Deferred, and Active members. Each status was set using the following criteria:

Vested Deferred

- Reported on the "Additional Vested Term" tab, or
- Reported on the "Valuation Report with no MODs" tab, and
 - The "Deferred Flag" value is "Y", or
 - \circ "Salary Amount" is either \$0 or missing, and "SCD Months of Service" is greater than or equal to 60 months.

Money on Deposit (MOD; Non-Vested Deferred Participants due an Account Balance)

- Reported on the "MODs" tab, or
- Reported on the "Valuation Report with no MODs" tab, "Salary Amount" is either \$0 or missing, "SCD Months of Service" is less than 60 months, and "Balance" is greater than \$0.

Active

• All remaining participants will be valued as active, subject to duplicate corrections.

Consistent with prior practice, general data adjustments have been made to better reflect participation in the pension plan.

• The Fund Office has previously indicated that FERS portees are individuals who are now employed by Army NAF but continue to participate in FERS/TSP. Therefore, these participants are never eligible to participate in the Army NAF Retirement Plan and are therefore excluded from our valuation.

In-Pay

For those reported in the raw data file "Pension_Payment_Monthly_Listing_Report_FY23 submitted 15 Nov 23.xls", those who meet the following criteria were excluded from the valuation:

- Payees with a "Date of Death" prior to the valuation date.
- Payees with a "Payroll Name" containing "Suspended" are valued as in-pay.



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DATA ASSUMPTIONS AND METHODS

The following tables provide the assumptions and methods used to set key data fields used in the valuation.

| Active | Base Data Set Fields Used |
|------------------|---|
| Credited Service | • Based on the number of months reported in the "SCD Months of Service" data field. An adjusted date of hire is retroactively calculated from the valuation date based on Credited Service. |
| Valuation Salary | • If "Latest Hire Date" is after October 1, 2022 and Credited Service is less than 12 months, salary will be prorated based on elapsed time between "Latest Hire Date" and October 1, 2023. Part-time workers are assumed to work 75% of the time and will have their prorated salary adjusted accordingly. |
| | Otherwise, use value reported in "Salary Amount" |
| | • The "FAE" reported is used as a floor on the benefit valued |

| Vested Deferred | Base Data Set Fields Used |
|--------------------|---|
| Accrued Benefit | • Based on amount reported in the "Accrued Benefit" data field. |

| In-Pay | Base Data Set Fields Used |
|--|--|
| Beneficiary Date of Birth & Gender | • If beneficiary demographic information was not provided in "Copy of ARMYNAFP – 02 – 2023 Duplicates and Sample Actives Missing Pay – 20240119s.xlsx", assume same as prior year. |
| | • If prior year information is not available, assume wives are two years younger than their husbands and beneficiary gender is opposite the participant. |
| Payment Form | • If the retiree's elected benefit option was not provided or was given as "RP Regular Annuity Conversion" in either "Retirement by FY Report Final submitted 14 Nov 23.xlsx" or "Copy of ARMYNAFP – 02 – 2023 Duplicates and Sample Actives Missing Pay – 20240119s.xlsx", assume same as prior year. |
| | • If the prior year benefit option is not available, assume a 55% Joint & Survivor benefit option for retirees and a Single Life Annuity for beneficiaries. |
| | • "RP No Reduction" and "RP Early No Reduction" assumed to be single life annuities. |



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| Annual Pension Benefit | • If "Payroll Name" is equal to "Retiree Pension Quarterly Jan Apr Jul Oct Due Date", the annual pension benefit amount will be valued as "July Gross Pay" multiplied by 4. |
|---------------------------|--|
| | • If "Payroll Name" is equal to "Retiree Pension Quarterly Feb May Aug Nov Due Date", the annual pension benefit amount will be valued as "August Gross Pay" multiplied by 4. |
| | • If "Payroll Name" is equal to "Retiree Pension Quarterly Mar Jun Sep Dec Due Date", the annual pension benefit amount will be valued as "September Gross Pay" multiplied by 4. |
| | • Otherwise, the annual pension benefit amount will be valued as "September Gross Pay" multiplied by 12. |



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SUMMARY OF PLAN PROVISION AS OF OCTOBER 1, 2023

Exhibit IV-11

1. Effective Date of Plan

January 1, 1966. Most recent amendment and reinstatement as of January 1, 2014.

2. Employees Eligible for Participation

All employees of covered U.S. Army-NAF activities working at least 20 hours per week are eligible to become Participants on their date of employment. Effective January 1, 2001, new hires, rehires, and newly eligible employees are required to participate in the Plan for the first six months. Employee contributions are required for participation.

- 3. Definitions
 - (a) <u>Earnings</u>: Gross annual compensation as reported on Form W-2, plus the Participant's pre-tax contributions to the Employer's 401(k) plan or for health benefits, capped by the limit as indexed under the Code.
 - (b) <u>Final Average Earnings:</u> The average of the highest 36 consecutive months of Earnings.
 - (c) <u>Credited Service</u>: All service including unused sick leave from the date of employment to retirement, death, or termination, except that service on and after April 1, 1981, is counted only if the employee makes contributions to the Plan.
 - (d) <u>Covered Compensation:</u> The amount specified in Table 1 of Attachment 1, as amended from time to time, of Internal Revenue Service Notice 89-70 for the Plan Year in which the Participant attains his Social Security Retirement Age.
- 4. Retirement Dates
 - (a) <u>Normal Retirement Date</u>: The first day of the month following the later of Participant's 62nd birthday and completion of 5 years of Credited Service.
 - (b) <u>Early Retirement Date:</u> A Participant may retire on the first day of a month before age 62 provided:
 - (i) He has attained age 50 and has completed 20 years of Credited Service, or
 - (ii) He has attained age 52 and has completed 5 years of Credited Service, or
 - (iii) Attainment of age 50 and completion of 20 years of Credited Service on or after August 1, 1993 and prior to December 31, 1994, or on or after January 1, 1997, and is involuntarily separated from service or if the Employer shall have obtained a voluntary early retirement authority from the Assistant Secretary of the Army (Manpower and Reserve Affairs), or



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- (iv) Attainment of any age and completion of 25 years of Credited Service on or after August 1, 1993, and prior to December 31, 1994, or on or after January 1, 1997, and is involuntarily separated due to loss of position under a business-based action, per authority of the installation commander.
- (c) <u>Disability Retirement Date:</u> A Participant who becomes permanently disabled and unable to perform his duties may retire, provided that he:
 - (i) Has attained age 52 with 1 year of Credited Service or has completed 5 years of Credited Service if hired before January 1, 2009, or
 - (ii) Has completed 5 years of Credited Service if hired on or after January 1, 2009.
- (d) <u>Deferred Retirement Date:</u> A Participant may remain in employment beyond his Normal Retirement Date.
- 5. Pension Benefit at Normal Retirement
 - (a) <u>Eligibility:</u> All Participants who retire on their Normal Retirement Date.
 - (b) <u>Annual Benefit:</u> The sum of (i), (ii), and (iii).
 - (i) 1.2% of Final Average Earnings plus 0.3% of Final Average Earnings in excess of Covered Compensation times Years of Credited Service not in excess of fifteen (15) years.
 - (ii) 1.6% of Final Average Earnings plus 0.3% of Final Average Earnings in excess of Covered Compensation times Years of Credited Service in excess of fifteen (15) years up to thirty (30) years.
 - (iii) 1.6% of Final Average Earnings times Years of Credited Service in excess of thirty (30) years.

But not less than the Participant's accrued benefit as of June 30, 1990 under the prior formula.

- 6. Pension Benefit at Early Retirement
 - (a) <u>Eligibility:</u> All Participants who retire on an Early Retirement Date.
 - (b) <u>Annual Benefit:</u> Calculated as in item (5) based on Final Average Earnings and Credited Service at the time of early retirement, reduced by 4% for each year that early retirement precedes Normal Retirement Date. For retirement after attainment of age 55 and completion of 30 years of Credited Service, or after attainment of age 60 and completion of 20 years of Credited Service, no reduction in benefit is applicable.



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- (c) A Participant who retires on an Early Retirement Date shall receive an annual early retirement supplement payable until the Participant attains his Normal Retirement Date. This benefit continues to the surviving spouse if the participant elected a married form of payment and dies. The amount of the annual supplement shall be (i) \$192 or (ii) one-half percent (0.5%) of the Participant's Final Average Earnings whichever is less, times Years of Credited Service up to twenty-five (25) but shall not exceed \$4,800 per year. This annual supplement is increased by any Cost-of-Living Adjustments thereafter.
- (d) A Participant who retires on an Early Retirement Date as described in item 4(b)(iii) and (iv) above shall receive a benefit calculated as in item (5) based on Final Average Earning and Credited Service at the time of early retirement, reduced by 2% for each year that early retirement precedes age 55.
- 7. Pension Benefit at Disability Retirement
 - (a) <u>Eligibility:</u> All Participants who retire on a Disability Retirement Date.
 - (b) <u>Annual Benefit:</u> The sum of (i) and (ii)
 - (i) 1.2% of Final Average Earnings times Years of Credited Service up to fifteen (15).
 - (ii) 1.6% of Final Average Earnings time Years of Credited Service in excess of fifteen (15).

The annual benefit shall not exceed 90% of Final Average Earnings when combined with Workers' Compensation.

- 8. Pension Benefit at Deferred Retirement
 - (a) <u>Eligibility:</u> All Participants who retire on a Deferred Retirement Date.
 - (b) <u>Annual Benefit:</u> Calculated as in item (5) based on Final Average Earnings, Covered Compensation, and Credited Service at the time of actual retirement.
- 9. Vested Benefits
 - (a) <u>Eligibility:</u> All Participants who complete 5 years of Credited Service.
 - (b) <u>Annual Benefit</u>: Calculated as in item (5) based on Final Average Earnings, Covered Compensation, and Credited Service at the time of termination of employment if Participant does not elect to have his contributions with interest returned to him.



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10. Survivor Benefits

- (a) <u>Eligibility:</u> Any Participant who was retired on account of disability or who completed 5 years of Credited Service, and at the time of death, either:
 - (i) Was actively employed,
 - (ii) Was separated from active service entitled to a deferred benefit, but had not yet begun to receive retirement benefits, or
 - (iii) Retired under a disability benefit.
- (b) <u>Annual Benefit</u>: The eligible spouse survivor will receive the amount of benefit, including the early retirement supplement unreduced for early commencement that would have been paid had the Participant retired on the date of death and elected the normal form of payment for married participants.

If a Participant has retired on account of disability, his Spouse shall receive a benefit equal to the retirement benefit that would have been payable had the Participant retired at the time his disability commenced and elected the normal form of payment for married participants.

- 11. Employee Contribution
 - (a) <u>Annual Contribution:</u> 2% of Earnings, which may be increased by 0.40% for the first year, and 0.25% each succeeding year, to a maximum rate of 3.40% if the actuarial value of the Trust assets is trending below 90% of the Trust liabilities. The trend is defined as twenty years from the date of the Actuary report.
 - (b) <u>Interest Credited:</u> 3% per annum.
 - (c) <u>Benefit</u>: Employees, or their beneficiaries if they are deceased, are eligible to receive a refund of their contributions plus interest in the form of a lump sum.
- 12. Forms of Benefit Payment
 - (a) <u>Normal Form</u>: Reduced 55% joint and survivor annuity for married participants; life annuity for single participants. (For single participants, the excess of the retired Participant's contributions with interest over the sum of benefits paid is returned at his death in a lump sum payment to the retired Participant's beneficiary or estate).
 - (b) <u>Optional Forms:</u> Actuarially Equivalent 5 or 10-years Certain and Continuous, Life Annuity, or a 100% Contingent Annuitant option.



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13. Cost-of-Living Adjustments

Effective April 1, 1987, benefits paid to pensioners and beneficiaries as of April 1, 1987 were increased 0.25% for each month from the later of benefit commencement date or April 1, 1985 through December 1, 1986. Pensioners' benefits were previously increased in 1981, 1983, and 1985.

Effective April 1, 1988, and each April 1 thereafter, each participant and beneficiary receiving retirement or survivor benefits from the Plan shall be entitled to have the benefit he or she is then receiving increased by the same percentage as the increase in the average Consumer Price Index – Urban Wage Earners and Clerical Workers (CPI-W) for the third quarter of the preceding year, or by four percent (4%), whichever is the lesser figure. For those years when the Consumer Price Index exceeds 4%, the Benefits Program Manager and the Trustees, upon review of the financial conditions of the Plan, may recommend to the Commander increases of more than 4%.

14. Changes in Plan Provisions since Prior Valuation

None

