

Pennsylvania Municipal Retirement System

**Actuarial Valuation
as of January 1, 2024**

Produced by Cheiron

December 2024

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Letter of Transmittal.....	i
Foreword.....	iii
Section I Board Summary.....	1
Section II Assets.....	23
Section III Liabilities.....	28
Section IV Contributions.....	30
Section V Accounting and Financial Statement Information.....	31
<u>Appendices</u>	
Appendix A Membership Information.....	36
Appendix B Actuarial Assumptions and Methods	41

December 12, 2024

Pennsylvania Municipal Retirement Board of the
Pennsylvania Municipal Retirement System
c/o Timothy A. Reese
Chief Executive Officer
1721 North Front Street
Harrisburg, Pennsylvania 17102-2315

Re: PMRS 2024 Actuarial Valuation Report

Dear Members of the Board:

At your request, we have conducted the annual actuarial valuation of the Pennsylvania Municipal Retirement System (PMRS; the System) as of January 1, 2024. The purpose of this report is to provide the aggregate valuation results of the participating employers for the System and analyze the System-wide asset and liability performance with projections. The report provides statistics for all plans participating in the System as of the valuation date, incorporating the individual Governmental Accounting Statement Nos. 67 and 68 (GASB 67/68) results for each plan.

This report reflects the actuarial liabilities for the following pension plans:

- County plans – based on the January 1, 2024 measurement date.
- Cash balance plans – based on the member and municipal account balances as of December 31, 2023 as provided by PMRS, and rolled forward retiree liabilities which reflect the liabilities for new retirees during 2023.
- Municipal and authority employers' traditional defined benefit plans (i.e. non-county defined benefit plans) – based on the January 1, 2023 measurement date and rolled-forward to December 31, 2023.

The liabilities in this actuarial report reflect the aggregated liabilities for all of the PMRS pension plans as of January 1, 2024 as provided in the individual December 31, 2023 GASB 67/68 reports.

This report was prepared for the Board for the purposes described herein and for use by the System auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

This report analyzes system-wide asset and liability performance and projections. PMRS is an agent multiple-employer retirement system (as defined under Governmental Accounting Standards Board Statement Nos. 67 and 68) for participating municipalities and counties. Assets and liabilities are separately accounted for and reported to the Auditor General of the Commonwealth of Pennsylvania. We refer you to the Foreword and Board Summary which present the general approach used in the preparation of this report with a focus on key metrics of

the System, historical trends, and stress testing of the System. The report also includes descriptions of the sources and reliability of the data and the actuarial assumptions upon which our findings are based. The Actuarial Standard of Practice No. 4 Measuring Pension Obligations and Determining Pension Plan Costs or Contributions Revised December 2021 and Effective February 15, 2023 (ASOP 4) was recently revised to require the disclosure of a Low-Default-Risk Obligation Measure, or LDROM, and the Reasonable Actuarially Determined Contributions, or RADDC, for pension funding actuarial valuations. For this valuation report, these determinations are only required for the four county pension plans, the pension plans that had a funding actuarial valuation completed as of January 1, 2024.

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 (ASOPs) 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.

Sincerely,
Cheiron



Karen M. Zangara, FSA, MAAA, EA
Principal Consulting Actuary



Anthony Bucci, FCA, MAAA, EA
Consulting Actuary

cc: Richard Cardamone, CPA
Bonnie Rightnour, Cheiron
Jonathan Chipko, Cheiron

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

FOREWORD

Cheiron performed the actuarial valuation of the Pennsylvania Municipal Retirement System (System) as of January 1, 2024. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the System;
- 2) **Indicate trends** in the financial progress of the System;
- 3) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

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

Section I presents a summary of our findings, disclosing important trends experienced by the System in recent years, and risks for consideration.

Section II contains details on various asset measures, together with pertinent performance measurements.

Section III shows similar information on System liabilities, measured for funding, accounting, LDROM and government reporting purposes.

Section IV provides details in the determination of Plan Contributions.

Section V includes the required disclosures under GASB as well as additional information provided in the System's Annual Comprehensive Financial Report (ACFR) based on the Government Finance Officers Association (GFOA) guidance.

The appendices to this report contain a summary of the System's membership at the valuation date and the actuarial methods and assumptions used in the valuations. A separate addendum to this report will provide the LDROM and RADCR for the pension plans that had a funding valuation completed as of January 1, 2024 (i.e. the county pension plans).

As this System is an agent multiple-employer retirement system in which each of the participating municipalities are entitled to define and submit to the Board the benefit provisions for their respective employees, the actual plan provisions are not included in this report. In preparing this valuation, we relied on the plan provisions defined and submitted to the State under the 2023 Act 205 filings including any subsequent county plan changes (if applicable) and 2024 Act 293 filings as provided by the System.

The rolled forward liabilities for the non-county defined benefit plans reflect material changes at the individual plan level (such as plan and assumption changes, if applicable) including new retirees since the last valuation, if applicable. These liabilities, along with the county and cash balance plan liabilities, provide a reasonable estimate for the aggregate System's obligations as of January 1, 2024. Further information on these techniques can be found in Appendix B under "Method to Roll Forward Liabilities."

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

FOREWORD

In preparing our report, we relied on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data by plan for all the traditional defined benefit plans and in aggregate for the cash balance plans for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23 (Data Quality).

The actuarial assumptions reflect an expectation of the future experience of the System, as well as adopted formal procedures by the Board in the reviewing and setting of the interest rate assumption. The assumptions both individually and in aggregate represent the best estimate for the future experience of the System as of January 1, 2024. They reflect the experience study analysis completed in September 2020 as approved by the Board. This experience study analysis was completed in accordance with the Actuarial Standards of Practice No. 27 (Selection of Economic Assumptions for Measuring Pension Obligations) and No. 35 (Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations) in performing actuarial valuations of retirement systems. To the extent the laws of the Commonwealth of Pennsylvania and/or the administrative practices of the System differ from Actuarial Standards of Practice, we have identified such deviations within the Actuarial Assumptions and Methods Appendix of this report.

The results of this report are dependent on future experience conforming to these assumptions. Future valuation reports may differ significantly from the current results presented in this document due to such factors as: plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law.

This report and its contents have been prepared in accordance with generally 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.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

General Comments

The primary purpose of the actuarial valuation and this report is to disclose the following as of the valuation date:

- The overall financial condition of the Pennsylvania Municipal Retirement System,
- Biennial valuation of the county plans participating in the System and the full valuation of the cash balance plans for the active and vested terminated liabilities,
- Roll-forward of municipal defined benefit plans and retiree liabilities for cash balance plans,
- Past trends and expected future trends in the System’s financial condition,
- Potential risks to the System and individual plans, and
- Information required by the Governmental Accounting Standards Board (GASB) and the System’s Financial Statements.

In this Section, we present the principal valuation results. This includes the basis upon which the January 1, 2024 valuation was completed and an examination of the current financial condition of the System. In addition, we present a review of the key historical trends followed by the System’s projected financial outlook.

Throughout our report, our discussion will address changes from January 1, 2022, the last time the county plans were explicitly valued, to January 1, 2024. We also address the overall status of the System comparing results from January 1, 2023 to January 1, 2024.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

A. Valuation Basis

The January 1, 2024 valuation results are based on the actuarial assumptions originally adopted by the Board effective January 1, 2021 and a 5.25% interest rate assumption, which was initially adopted by the Board in November 2016 for the January 1, 2017 actuarial valuation and has been reviewed annually thereafter. No assumption changes were effective with the January 1, 2024 System valuation. Refer to Appendix B for a complete listing of the actuarial assumptions.

Below we identify key results of this valuation.

- *Transfer of Funds to the Retired Members' Reserve Account (Retiree Reserve):* The Retiree Reserve exceeded the Retiree Liabilities as of December 31, 2023; therefore, there was no need to increase the Retiree Reserve.
- *Excess Interest:* As of January 1, 2024, the System's Market Value of Assets exceeded the Actuarial Value of Assets by \$149 million. Consequently, the Board awarded \$50.57 million in Excess Interest to the member plans, in accordance with Board Policy 05-2, to offset unfunded liabilities or improve benefits (based on applicable law). The additional liabilities associated with the Excess Interest distribution will be incorporated into future valuations to correspond to the asset transfer.
- *Actuarial Value of Assets:* The Actuarial Value of Assets of \$3.137 billion equals the sum of the reserve information provided in the System's December 31, 2023 ACFR plus expenses in excess of the \$20 per plan member administrative charge as outlined in Board Policy 05-2. The AVA in this valuation does not reflect the \$50.57 million Excess Interest distribution (unless otherwise mentioned) to maintain consistency in the development of the assets and liabilities. The term "Preliminary Actuarial Value of Assets" is the defined term in Board Policy 05-2, though throughout this report we will simply refer to this asset value as the Actuarial Value of Assets (AVA). The prior year AVA was \$3.031 billion. The Regular Interest Rate determined by PMRS for the year was 5.25%, representing the annual return on the reserves throughout the year.
- *Market Value of Assets:* The Market Value of Assets (MVA) is \$3.286 billion as of December 31, 2023. The money-weighted rate of return net of investment expense for the past year was 10.98% as published in the ACFR. The investment return for the year is the primary reason the results associated with the MVA improved over the prior year's results. Comparatively, the prior year MVA was \$3.019 billion.
- *Actuarial Liabilities:* The January 1, 2024 Actuarial Liabilities (AL) increased nearly \$100 million, from \$3.075 billion as of January 1, 2023 to \$3.174 billion primarily due to additional accruals during the year with interest and then offset in part by benefit payments. There was an actuarial gain of about \$1.3 million, primarily due to higher terminations for the county plans and cash balance forfeitures. Plan changes, transfers, and net actuarial gains/losses make up the difference.
- *Unfunded Actuarial Liability (UAL)/Surplus Assets (SA):* The System is made up of many different retirement plans. Some plans have UAL (AL exceeds the AVA), other plans have SA (AVA exceeds the AL). In aggregate, as of January 1, 2023, the System had a UAL of \$44.2 million. As of January 1, 2024, the System's UAL decreased to \$36.8 million.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

- *Funded Ratio using Actuarial Value of Assets (AVA):* This is the ratio of the System's AVA to AL. The AVA funded ratio as of January 1, 2023 was 98.6% and as of January 1, 2024 is 98.8%.
- *Funded Ratio using Market Value of Assets (MVA):* This is the ratio of the System's MVA to AL. The MVA funded ratio as of January 1, 2023 was 98.2% and as of January 1, 2024 is 103.5% primarily due to investment returns during the year.

**The numerical values provided above may not add up due to rounding. Please refer to the detailed sections in this report for more information.*

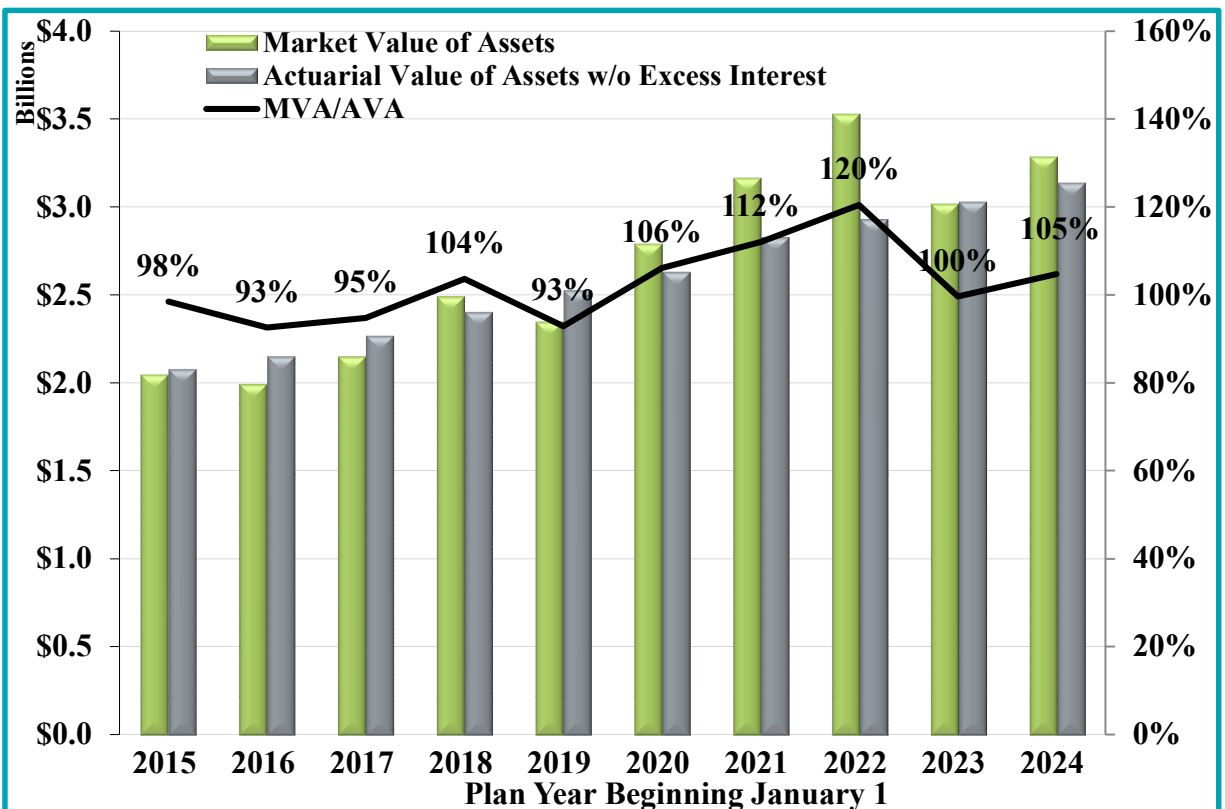
**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

An important relationship to review is the Actuarial Value of Assets and Market Value of Assets. The Actuarial Value of Assets is substantially equal to the reserves being held for all benefits of the participating employers and reflects the crediting of the Regular Interest Rate and actual cash flows without regard to the actual investment return of the System.

The Market Value of Assets is the actual amount of money the System reported on the ACFR. The money-weighted returns net of investment expenses for the plan years ended 2022 and 2023 were -12.8% and 11.0%, respectively. Comparing the MVA to the AVA provides a representation of the actual System assets to the System reserve accounts, which are used to determine the AVA. As of January 1, 2023, the AVA was \$11 million greater than the MVA, and as of January 1, 2024, the MVA exceeded the AVA by \$149 million.

The following table shows the historical relationship between the MVA (green bars) and the AVA (grey bars) along with the ratio of the MVA to the AVA (the ratios provided for the black line and oriented with the right vertical axis) demonstrating the underlying risk of the System as addressed later in this report. The MVA has exceeded the AVA in five of the ten Plan Years shown below.



When the ratio of the MVA to the AVA is less than 100%, any shortfall between the AVA and MVA must come from future investment earnings in excess of the Regular Interest Rate. When the MVA exceeds the AVA, there is a potential for excess interest distributions to be awarded by the Board.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

B. Current Financial Condition

On the following pages, we summarize the key results of the January 1, 2024 valuation and how they compare to the results from the January 1, 2023 valuation. For the county plans, the data summaries provided below reflect that information used to determine the liabilities as of January 1, 2024. For the non-county plans, the data summaries reflect the information provided by PMRS, but this data was not used to determine the liabilities for these plans, and therefore should be considered illustrative.

Table I-1 shows that the total System membership increased by 4.8% from 2023 to 2024. We complete an in-depth review of the data for plans that are having their explicit biennial valuation completed for the year. We complete a high-level review of the demographic data in “off” years for the plans that are not having an explicit actuarial valuation completed for the year. Based on this review, the active participant counts reported for the Traditional Defined Benefit Plans increased by 3.7% while the active cash balance plan participation increased by 6.4%.

Table I-1 Membership Total			
	January 1, 2024	January 1, 2023	% Change
Traditional Defined Benefit Actives	8,185	7,895	3.7%
Cash Balance Benefit Actives	1,835	1,725	6.4%
Terminated Vesteds	1,504	1,491	0.9%
Participants Receiving Benefit Payments	6,719	6,461	4.0%
Inactive Nonvested Participants with accounts	996	755	31.9%
Beneficiaries	777	777	0.0%
Total System Members	20,016	19,104	4.8%
Annual Salaries*	\$632,405,982	\$596,681,589	6.0%
Average Salary per Active Member	\$63,114	\$62,025	1.8%

* Annualized salary paid during the prior plan year for Traditional Defined Benefit plan participants and actual salary for active cash balance participants. 2023 Cash Balance pay was updated to better reflect actual prior year pay.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

Table I-2 summarizes the demographic make-up of the traditional defined benefit and cash balance plans in the System.

Table I-2 Demographic Make-up of the System				
Category	Valuation as of			Percent
	January 1, 2024	January 1, 2023		Change
Number of plans:				
Traditional Defined Benefit Plans	722	723		-0.14%
Cash Balance Plans	336	329		2.13%
Total	1,058	1,052		0.57%
Active Employees in Traditional Defined Benefit Plans:				
Count	8,185	7,895		3.67%
Average Age	46.8	47.0		-0.52%
Average Service	10.5	11.0		-4.44%
Total Payroll*	\$ 536,974,651	\$ 508,976,064		5.50%
Average Pay	\$ 65,605	\$ 64,468		1.76%
Active Employees in Cash Balance Plans:				
Count	1,835	1,725		6.38%
Average Age	47.8	48.1		-0.53%
Average Service	8.8	9.4		-5.88%
Total Payroll*	\$ 95,431,331	\$ 87,705,525		8.81%
Average Pay*	\$ 52,006	\$ 50,844		2.29%
Total Active PMRS Participants	10,020	9,620		4.16%
Inactive Nonvested Participants with account balances:	996	755		31.92%
Deferred Vested Participants:				
Traditional Defined Benefit Plans	1,094	1,092		0.18%
Cash Balance Plans	410	399		2.76%
Pensioners:				
Count	6,719	6,461		3.99%
Average Age	71.2	70.9		0.46%
Average Monthly Benefit	\$ 1,564	\$ 1,548		1.01%
Number of New Awards	415	437		-5.03%
Average New Monthly Benefit	\$ 1,624	\$ 1,891		-14.12%
Number Who Received Legislated COLA in Prior Year	247	261		-5.36%
Survivor Beneficiaries:				
Count	777	777		0.00%
Average Age	74.2	74.2		-0.03%
Average Monthly Benefit	\$ 1,174	\$ 1,142		2.77%
Total Inactive Participants Count	9,996	9,484		5.40%

* Annualized salary paid during the prior plan year for Traditional Defined Benefit plan participants and actual salary for active cash balance participants. 2023 Cash Balance pay was updated to better reflect actual prior year pay.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

Table I-3 presents a comparison between the January 1, 2023 and January 1, 2024 System assets, liabilities, and Unfunded Actuarial Liability for the non-county defined benefit plans, county defined benefit plans, and the cash balance plans.

Table I-3 Total Plan Assets and Liabilities (\$ thousands)			
	January 1, 2024	January 1, 2023	Percent Change
Traditional Defined Benefit (Non-county) Plans:			
Actives	\$ 1,225,608	\$ 1,200,255	2.1%
Terminated Vesteds	138,306	135,445	2.1%
In Pay Status	1,436,014	1,382,960	3.8%
Total Actuarial Liability	\$ 2,799,928	\$ 2,718,660	3.0%
Actuarial Value of Assets	2,744,167	2,654,208	3.4%
Unfunded/(Surplus) of Actuarial Liability	\$ 55,761	\$ 64,452	
Traditional Defined Benefit (County) Plans:			
Actives	\$ 80,412	\$ 78,046	3.0%
Terminated Vesteds	18,855	17,173	9.8%
In Pay Status	66,561	65,000	2.4%
Total Actuarial Liability	\$ 165,828	\$ 160,219	3.5%
Actuarial Value of Assets	167,358	161,720	3.5%
Unfunded/(Surplus) of Actuarial Liability	\$ (1,530)	\$ (1,501)	
Cash Balance Plans:			
Actives	\$ 112,850	\$ 113,486	-0.6%
Terminated Vesteds	29,366	22,694	29.4%
In Pay Status	66,299	59,609	11.2%
Total Actuarial Liability	\$ 208,515	\$ 195,789	6.5%
Actuarial Value of Assets	211,700	198,196	6.8%
Unfunded/(Surplus) of Actuarial Liability	\$ (3,185)	\$ (2,407)	32.3%
Total of All Plans:			
Actives	\$ 1,418,870	\$ 1,391,787	1.9%
Terminated Vesteds	186,527	175,312	6.4%
In Pay Status	1,568,874	1,507,569	4.1%
Total Actuarial Liability	\$ 3,174,271	\$ 3,074,668	3.2%
Market Value of Assets	\$ 3,286,422	\$ 3,019,421	8.8%
Aggregate Actuarial Value of Assets (summation of above)	\$ 3,123,225	\$ 3,014,124	3.6%
Expenses in Excess of \$20 per Plan Member Fee	8,768	8,224	6.6%
Actuarial Value of Asset Adjustment ¹	5,469	8,163	-33.0%
Actuarial Value of Assets ²	3,137,462	3,030,511	
Excess Interest Distribution	50,572	0	
Actuarial Value of Assets Reflecting Excess Interest ³	\$ 3,188,034	\$ 3,030,511	5.2%
Unfunded/(Surplus) using Actuarial Value of Assets	\$ 36,809	\$ 44,157	-16.6%
Funded Ratio on Actuarial Value of Assets	98.8%	98.6%	0.3%
Unfunded/(Surplus) using Market Value of Assets	\$ (112,151)	\$ 55,247	-303.0%
Funded Ratio on Market Value of Assets	103.5%	98.2%	5.3%

¹ The Actuarial Value of Asset Adjustment reflects the net difference between the retiree reserve and the retiree liabilities as well as differences from plans entering and exiting the System as of plan year end and the disability reserve, which is not included in the AVA at the plan level.

² The Actuarial Value of Assets is based on member, municipal, retiree, disability & DROP reserve accounts as approved by the Board.

³ The "Actuarial Value of Assets Reflecting Excess Interest" includes the Board's Excess Interest award, but because the resulting new liabilities are not determined yet, this value will not be incorporated into the 2024 results.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

Table I-4 summarizes the January 1, 2024 plans in a surplus or underfunded position compared to the last full valuation for these plans.

Table I-4		
Funded Status of County Plans		
	January 1, 2024	January 1, 2022
A. Municipal Plans in a surplus position		
Number of plans with a surplus	2	2
1. Actuarial Value of Assets in plans with a surplus	\$149,504,224	\$137,628,989
2. Actuarial Liability in plans with a surplus	<u>145,989,557</u>	<u>134,160,132</u>
3. Amount of surplus (1. - 2.)	\$3,514,667	\$3,468,857
B. Municipal Plans in an underfunded position		
Number of underfunded plans	2	2
1. Actuarial Value of Assets in underfunded plans	\$17,853,767	\$17,267,841
2. Actuarial Liability in underfunded plans	<u>19,838,591</u>	<u>18,960,846</u>
3. Amount of (unfunded) liability (1. - 2.)	(\$1,984,824)	(\$1,693,005)

PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

SECTION I – BOARD SUMMARY

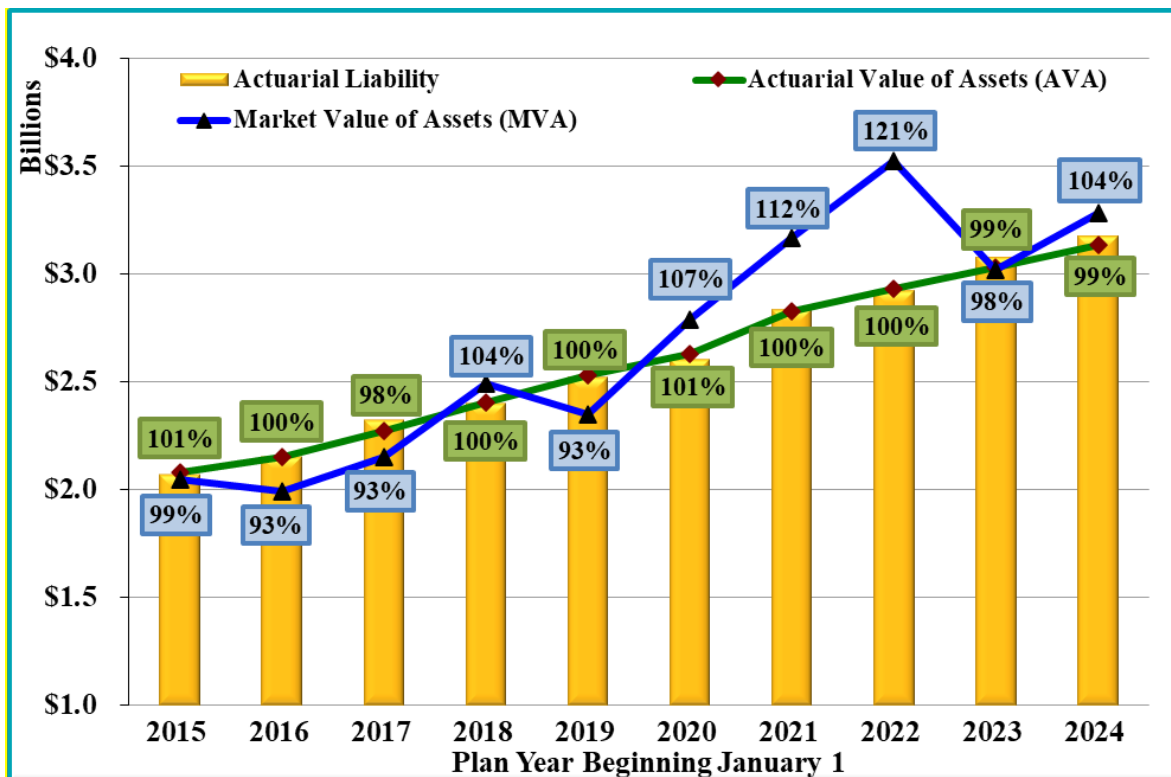
C. Historical Trends

Even though the attention given to the valuation reflects the most recently computed actuarial liability and funded ratio, it is important to remember that each valuation is merely a snapshot of the long-term progress of the System. It is equally important to judge a current year's valuation results relative to historical trends as well as trends expected into the future.

In the chart below, we present the historical trends for the total System's MVA and AVA (blue and green lines) compared to the total System actuarial liabilities (yellow bars). We have included the AVA funded ratio (AVA divided by AL) across the top of each bar in green boxes to show the recent progress of the System. For 2024, this funded ratio is 99%. The Actuarial Value of Assets is based on the reserve accounts for the System. Due to the growth of the reserves as outlined with the Pennsylvania Municipal Retirement Law, the Actuarial Value of Assets is expected to grow more linearly. When undistributed earnings are transferred to the Retiree Reserve to fully fund the retiree liabilities or excess interest is distributed to member plans, there are additional increases in the AVA. Overall, there is little variability in the historical AVA funded ratio.

The funded ratio on a Market Value of Assets basis illustrates the underlying System's risks addressed later in this report. The market value funded ratios (MVA divided by the AL) are provided in blue boxes. The 2024 Market Value of Assets is greater than the Actuarial Liability with a funded ratio of 104%. Due to the volatility of the Market Value of Assets, this ratio ranges from 93% up to 121% compared to the funded ratio based on the Actuarial Value of Assets, which ranges from 98% to 101%.

Pennsylvania Municipal Retirement System Assets and Liabilities

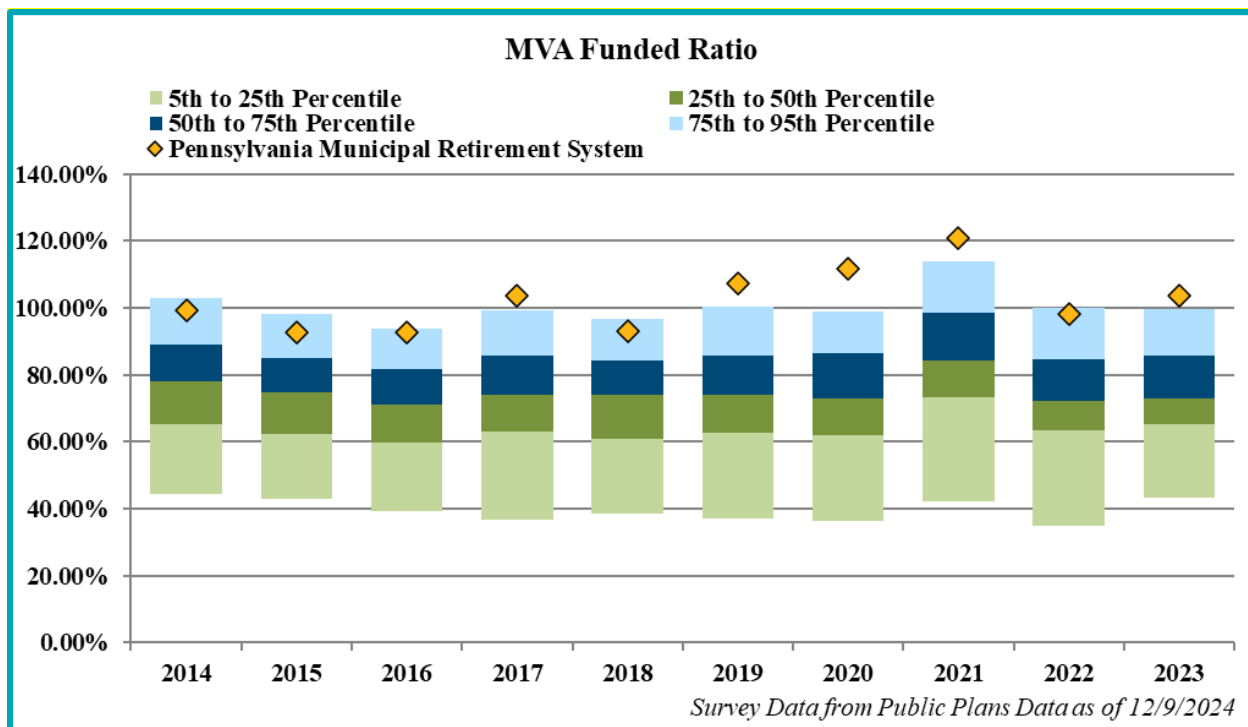


PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

SECTION I – BOARD SUMMARY

The following chart compares PMRS to the distribution of plans from the Public Plans Database, which is maintained by the Boston College's Center for Retirement Research, the Center for State and Local Government Excellence, and the National Association of State Retirement Administrators. The number of plans in any given year ranges from 200 to 225.

The years in these types of charts represent plans with fiscal years ending during the year. Therefore, the results of PMRS as of this valuation are aligned to 2023 (December 31, 2023). The gold diamonds represent PMRS' funded ratio as shown in the blue boxes on the previous chart. The bars represent the 5th to 95th percentile of the plans in the database. Relative to this universe of plans in the Public Plan Database, PMRS has always been in the top quartile.



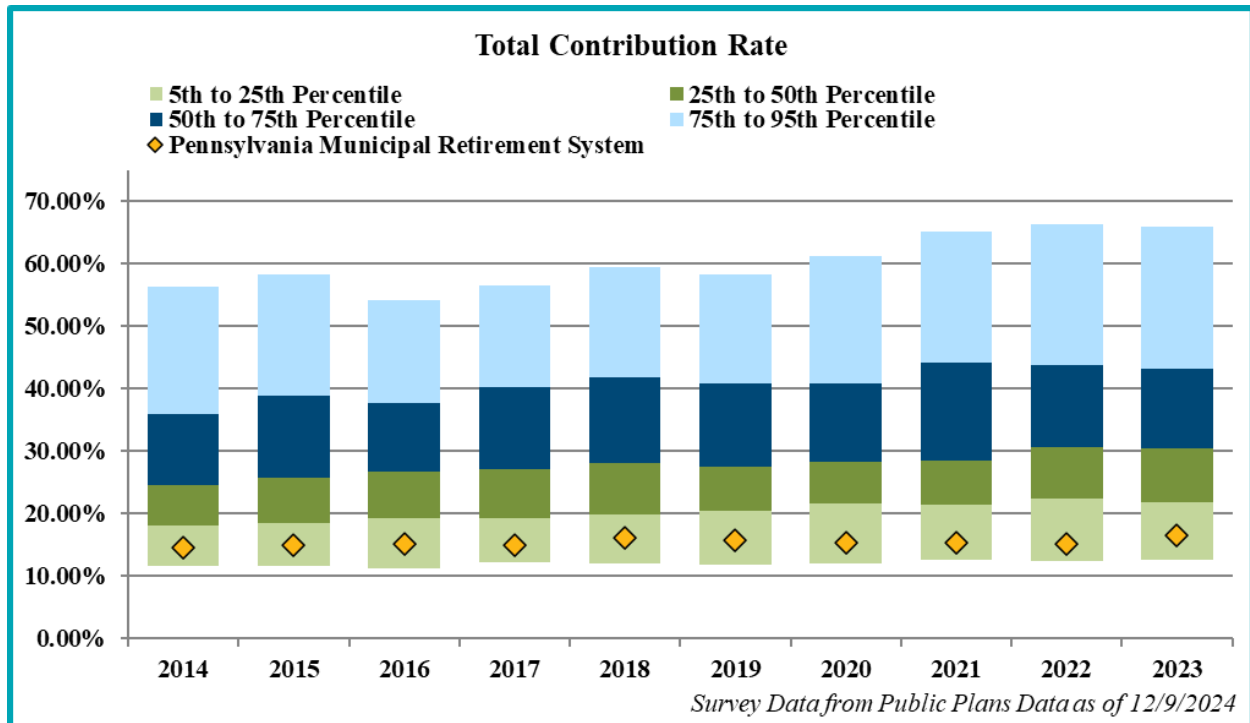
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

SECTION I – BOARD SUMMARY

The Total Contribution Rate of pension plans is generally the sum of the following divided by the active payroll:

1. **Normal cost**, the value of benefits accrued during the year for active participants
2. An **Amortization Payment** of the unfunded liability based on the funding method
3. **Annual Expenses** equal to \$20 per participant to assist in maintenance of the plan

The Total Contribution Rate for PMRS, shown by the gold diamonds below, is substantially driven by the normal cost. While the majority of PMRS member plans are fully funded with no required Amortization Payment, many PMRS member plans are not fully funded and an Amortization Payment is required. The aggregate System's contribute rate remains in the lower quartile when compared to the distribution of contribution rates for the plans in the Public Plan Database.

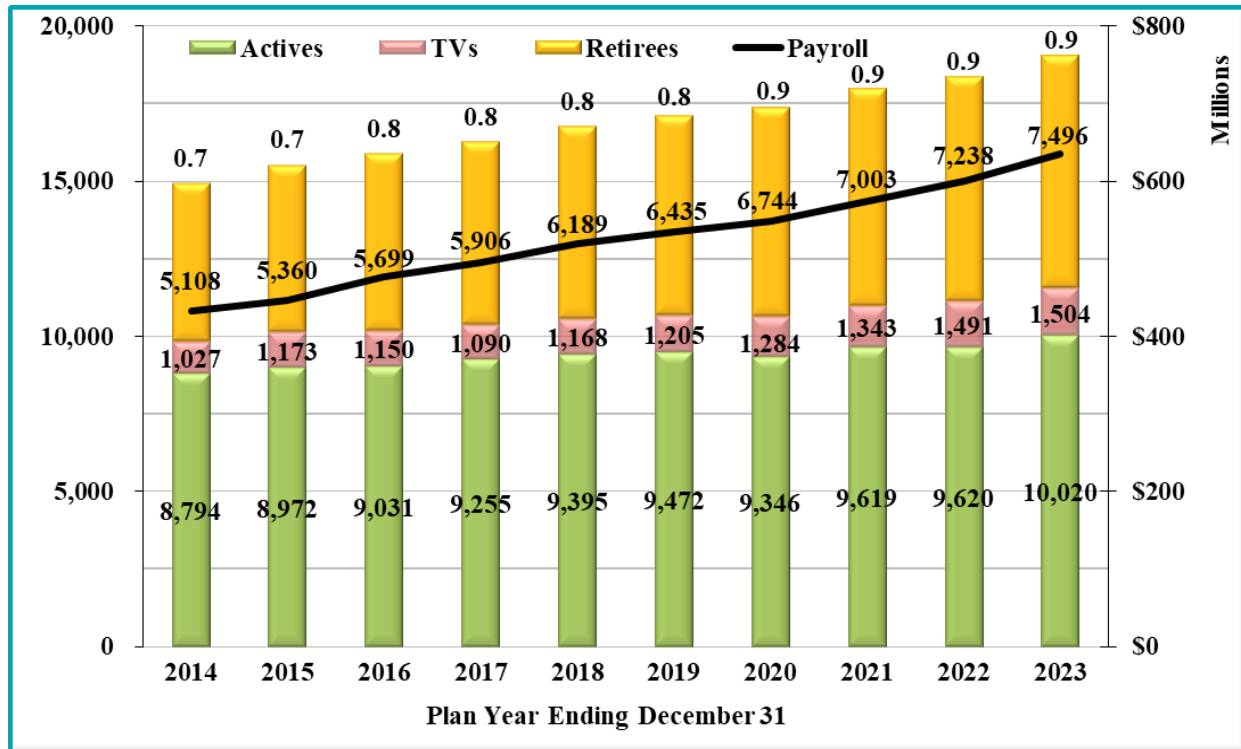


**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

Pennsylvania Municipal Retirement System Participant Counts – end of year

This chart shows a comparison of the demographic makeup of the System over the last 10 years. The black line represents the active payroll and is oriented to the right-hand axis. The numbers above the bars represent the support ratio of retirees and terminated vested participants to active participants at each date, which has been under 1 in all years.



A retirement system has a life cycle and starts to become mature when there are more covered inactive participants (retirees and terminated vested participants) than those who are actively employed. When this occurs, the support ratio of inactive to active participants is above 1.0. The System is slowly maturing as indicated by the steadily increasing ratio of inactive to active participants, currently at 0.9. A mature system is more sensitive to risk factors such as investment risk, such that investment recovery takes more time and can be difficult to achieve without additional actions such as increased contributions. Prolonged investment recovery is impacted by the net negative cash flows occurring when benefit payments and expenses exceed contributions. This measure is correlated with the support ratio. This is discussed in more detail in the risk section of this report.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

D. Projected Financial Trends

Our analysis of the Pennsylvania Municipal Retirement System’s projected financial trends is an important part of this valuation. In this section, we present our assessment of the implications of the January 1, 2024 valuation results on the future outlook in terms of benefit security (assets sufficient to cover liabilities) and the System’s expected funding progression. For purposes of this model, we have assumed that the contributions for individual plans are fixed at the amounts determined as of this valuation date.

In the charts that follow, we project the Retirement System’s resources and obligations. We assume that the contributions required under Act 205 are made each year. The projections in this section only consider what was known as of January 1, 2024 based on the assumptions listed in Appendix B of this report. The projections are provided under three different investment return assumption scenarios:

- 1) Projection 1: Assuming 5.25% investment returns each and every year,
- 2) Projection 2: Assuming a 7.00% (net of investment fees) for each and every year. Based on the current asset allocation for the System, the investment consultant has indicated that the long-term return on assets is expected to exceed 5.25%,
- 3) Projection 3: Assuming 20 years of varied returns equal to an overall average 7.00% investment return based on the returns provided in Table I-5.

In the graphs that follow, the grey bars represent the Actuarial Liability or AL. When the bar is light grey, no excess interest was projected to be awarded, whereas darker grey bars represent the years when excess interest is available from the prior year and assumed to be paid to the municipalities and members. The AL takes into account the value of all benefits earned through the valuation date. This is an open group projection which means when an active participant is expected to change status, they are assumed to be replaced.

To meet these obligations, the System has resources which include the Market Value of Assets (MVA, olive line). The Actuarial Value of Assets (AVA, teal line) reflects the System-wide reserves. At a plan level, if the AL is less than the AVA, then future contributions are increased.

The percentages at the top of the graph are the MVA divided by the AVA (which is different from the funded ratios provided in prior graphs). This shows any asset deficit (i.e., MVA below AVA). For the System, given that the investment Regular Interest Rate is currently 5.25%, the key resource to cover any asset deficit or to create an asset surplus (i.e., MVA in excess of AVA) is through investment returns at a System level that exceed the 5.25% rate. In addition, the Board can change the Regular Interest Rate at future valuation dates. If the Board increases this rate future contributions would decline due to decreased liabilities.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

When available, excess interest may be distributed to pay down unfunded liabilities for plans less than 95% funded or provide benefit improvements for plans that are at least 95% funded. About 52% of the AL is associated with defined benefit plans that are at least 95% funded. We assumed 52% of excess interest distributions provide benefit improvements. This percentage is increased linearly to 100% over a 10-year period. The projections reflect the \$50.6 million excess interest distribution as of December 31, 2023. In any year that excess interest is projected to be distributed according to Board Policy Statement 05-2, the AL and AVA are increased in the graphs the following year (e.g. the current excess interest award is expected to be paid in 2025).

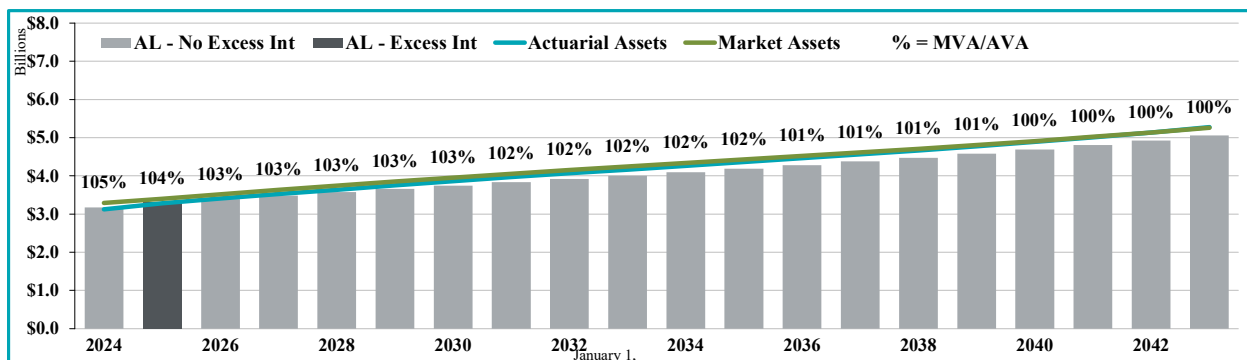
Over time, the Actuarial Value of Assets increases due to contributions (which reflect the PMRS assessment expense) and interest based on the Regular Interest Rate. These assets decrease due to benefit payments and the PMRS assessment expenses.

Likewise, the Market Value of Assets increases due to contributions (which reflect the PMRS assessment expense). However, these assets decrease due to benefit payments and the total expenses for the System. Furthermore, the Market Value of Assets may increase or decrease in a given year based on the return on assets for that year.

Projection 1:

In this scenario, no additional excess interest after 2023 is assumed to be distributed since AVA slightly exceeds the MVA in the current year. The MVA is assumed to increase at the same rate of return as the Regular Interest Rate (5.25%) every year. Because the MVA is reduced by the total administrative expenses while the AVA is only reduced by the PMRS assessment expense, the AVA will increase more than the MVA over the projection period. The total administrative expenses in excess of the PMRS assessment expense is about 25 basis points of the MVA.

Over time, the System becomes overfunded on an AVA basis. Currently, some individual plans have AVA surpluses while others have AVA deficits. In aggregate, this results in contributions eventually eliminating the AVA deficits and improving the AVA funded status.

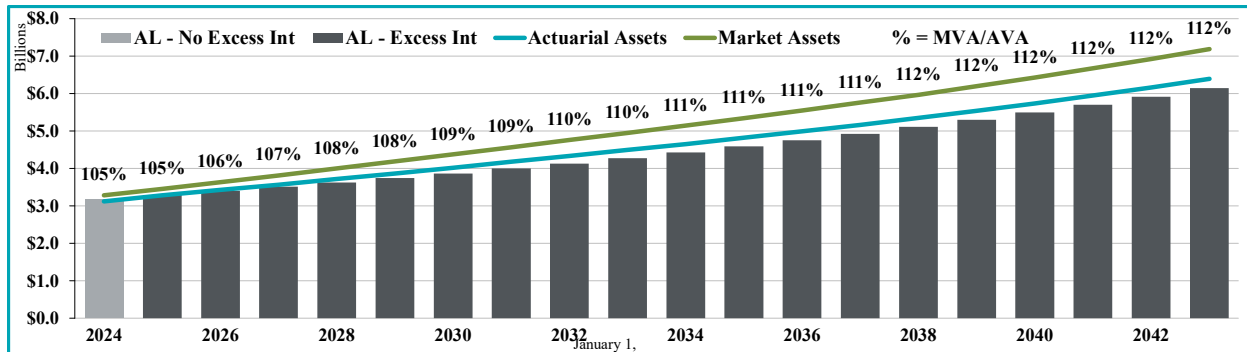


**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

Projection 2:

This scenario shows the projection if the assets grow at a rate of 7.00% throughout the projection period.

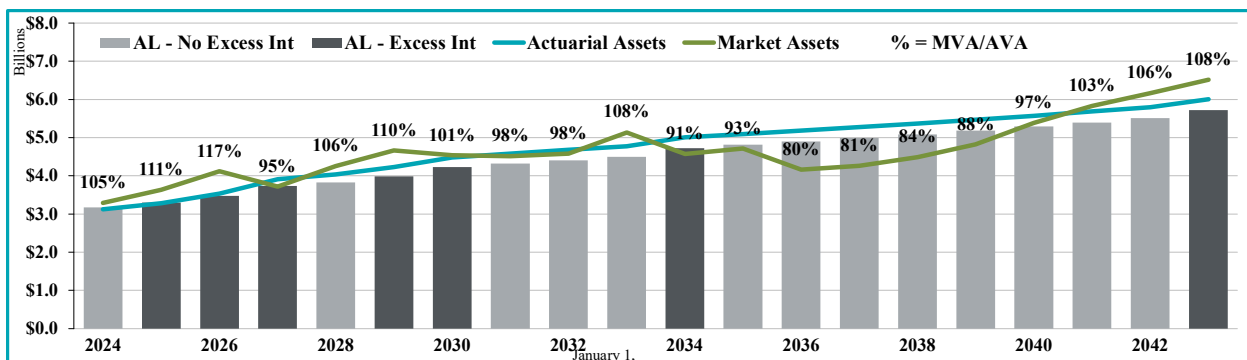


This scenario creates an asset surplus as the MVA outpaces the AVA over the 20-year projection because of the assumption that the annual investment return will be 175 basis points higher than the Regular Interest Rate (7.0% compared to 5.25%). This excess return more than covers the additional administrative fees reflected in the MVA. In addition, the projected AL and AVA increase more under this scenario because excess interest is assumed to be awarded annually (as shown by the darker grey bars), which increases the benefits offered for many individual pension plans.

Projection 3:

In this scenario, the System's investment returns are assumed to vary over time to reflect asset volatility. Based on the random future return rates in Table I-5, which yield an average 7.00% rate of return over the projection period, the projected MVA funded status will fluctuate based on the Market Value of Assets.

Table I-5 Projected Returns Equal to 7.00%										
Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Return	12.50%	15.00%	-8.00%	17.00%	12.00%	0.00%	2.50%	5.00%	16.00%	-8.00%
Fiscal Year	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Return	7.25%	-8.00%	7.00%	10.00%	12.00%	16.00%	12.00%	9.00%	9.00%	7.50%



**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

Even with an average investment return that exceeds the Regular Interest Rate by 175 basis points, asset deficits (i.e., MVA below AVA) can occur due to the volatility of the assets.

The System's AVA continues to grow based on the Regular Interest Rate and with excess interest distributions. Therefore, the AVA remains above the liabilities. In general, this means that plan-level contributions do not increase, and the asset deficits are primarily eliminated through investment returns in excess of the Regular Interest Rate.

An exception may occur in some years when the AVA exceeds the System's MVA by more than 20%. At the municipal plan level under Act 205, the AVA must remain within a 20% corridor of each plan's MVA. In those instances, additional contributions may be required for certain individual plans.

SECTION I – BOARD SUMMARY

E. Actuary's Assessment of Risk

Actuarial valuations are based on a set of assumptions regarding future economic and demographic experience. These assumptions represent a reasonable estimate of long-term future experience, but actual future experience will undoubtedly be different. The purpose of this section of the actuarial report is to identify, in the actuaries' professional judgment, the primary risks to the System, provide some background information about those risks, and provide an assessment of those risks in accordance with ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions. According to the ASOP, the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

The identification of risks for PMRS can be viewed in aggregate at a System level or at the individual plan level (Plan Risk). The individual plan level risks can vary greatly from plan to plan as we discuss in this Section. The fundamental risk to the System and therefore to the participating plans, is that the market value of assets could become insufficient to meet the benefit obligations of the individual plans. This may require increasing contributions placing pressure on municipal budgets. This section will attempt to address this fundamental risk by reviewing the Plan and System level risks for the following:

- 1) Investment Risk
- 2) Longevity and Other Demographic Risks
- 3) Withdrawal Risk

1) **Investment Risk** represents the risk associated with asset volatility (particularly losses) and exists for nearly all pension plans. Because the Pennsylvania Municipal Retirement Law defines the Regular Interest used in the funding valuation, the risk associated with the investment return for PMRS is unique, as outlined below.

Plan Level:

Participating plans within PMRS are not exposed to the same investment risk as typical pension plans. PMRS credits the municipal and member accounts at the Regular Interest Rate each year, regardless of the actual investment return on the market value of assets. Thus, the aggregation of the plans' reserve accounts represents the AVA and is used to determine the required plan contributions also known as the Minimum Municipal Obligation (MMO). If the System's MVA exceeds the combined plans' AVAs, then individual plans may receive a distribution of the surplus called Excess Interest. Therefore, plans participating in PMRS are not generally subject to the down-side risk of asset volatility, but they do have the opportunity to share in the up-side potential.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

System Level:

When the actual investment returns are less than the Regular Interest Rate (currently 5.25%), the MVA may drop below the System-wide reserve accounts. The System's asset allocation is selected such that the long-term return on assets is expected to exceed the Regular Interest Rate, which helps to mitigate this inherent System risk. This gap would be expected to be closed by the accumulation of returns in excess of the Regular Interest Rate in the future. For the January 1, 2024 valuation, the MVA exceeded the AVA because the long-term excess asset returns were greater than the Regular Interest Rate.

If the actual investment returns are greater than the Regular Interest Rate and the system-wide reserve accounts are less than the Market Value of Assets, then there is a surplus as defined in PMRS Policy Statement 05-2. This surplus allows for a portion of the undistributed earnings to transfer to the Retired Member Reserve Account to ensure that the System level retiree liabilities are fully funded. This transfer occurred previously on January 1, 2021. Since then, the retiree liabilities were fully funded by the Retired Member Reserve Account, so no transfer is necessary.

The current funded status for the System results in the MVA exceeding the AVA by \$149 million. Per Board Policy 05-2, the Board decided to distribute the maximum Excess Interest allowed of \$50,572,168.

Because the long-term expected return is larger than the Regular Interest Rate, Excess Interest distributions are anticipated in positive investment markets. The Board is not required to distribute Excess Interest even in cases when the MVA exceeds the AVA. They can determine if there are factors which would put the System at increased risk if the full distribution is made and adjust the distribution accordingly.

As a System, sensitivity to investment risk can be explored in more detail by reviewing the Net Cash Flow and the Maturity Level.

Net Cash Flow: Net cash flow (NCF) during a year equals the contributions into the System (inflows) minus the benefit payments and expenses (outflows) coming out of the System. If the level of outflows exceeds the inflows, the System has negative NCF. Mature plans generally have a negative NCF as the number of retirees increase. Additional cash from investment returns and existing assets may be needed to pay the pension benefits if a system has negative NCF and the System is not fully funded.

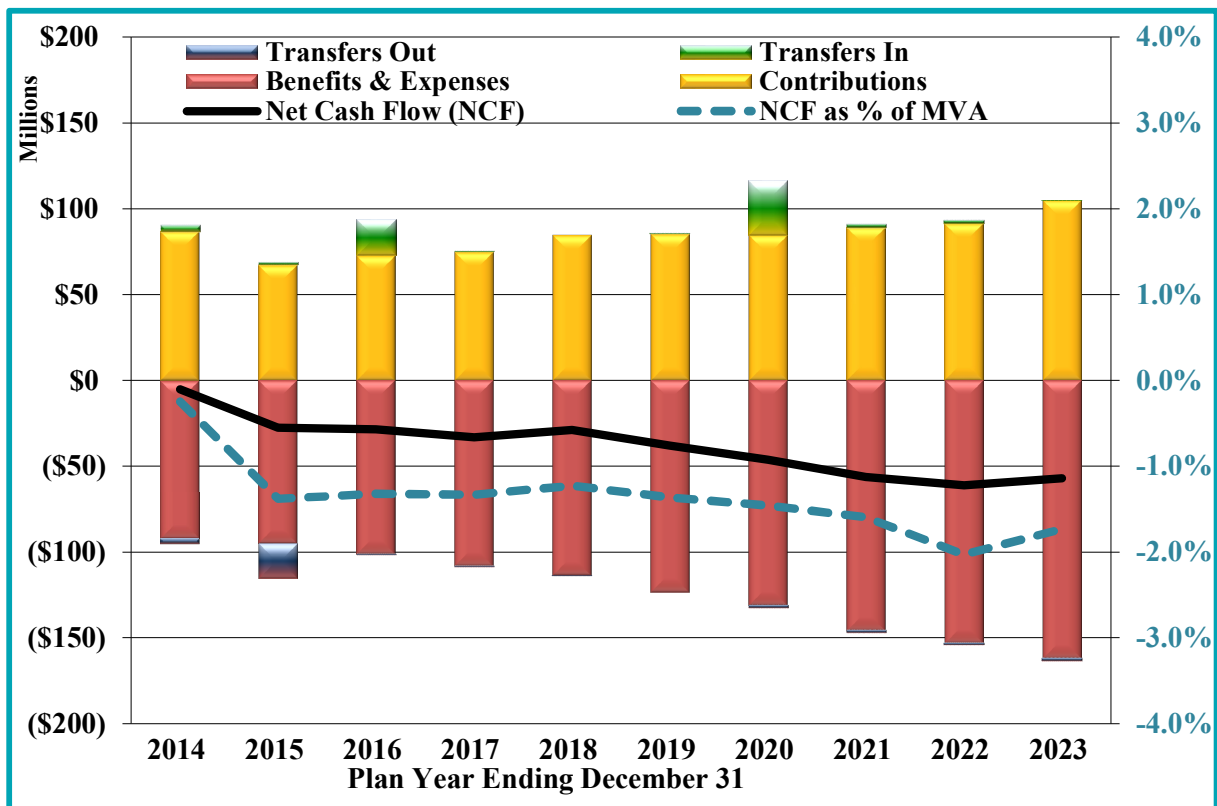
**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION I – BOARD SUMMARY

The System's NCF over the recent 10-year span is displayed in the next graph. The NCF is represented by the black line. The dashed teal line (which is oriented to the right-hand axis) provides the NCF as a percentage of the end of year MVA. As of December 31, 2023, the System had a \$57 million negative NCF, excluding transfers into and out of the System. This represents -1.7% of the end of year MVA. The negative NCF ranges between -0.3% to -2.0% of total assets over the last 10 years. This implies that in addition to contributions, current plan assets must be used to pay benefits. In other words, the total value of assets grows when the investment return exceeds the negative NCF. Negative NCF can fluctuate with changes in contributions, which are based on the actuarial valuations.

The volatility of the NCF is largely a function of contributions and benefit payments, though transfers of funds into and out of the System from new participating municipalities and exiting municipalities can have a substantial impact. The incorporation of transfers into and out of the System are illustrated by the green and dark blue bars below and are not used to produce the NCF. The transfers for the past year can be found in Table II-2 . During 2020, a \$32 million transfer into PMRS for York Area Regional Police represents the largest transfer in recent history.

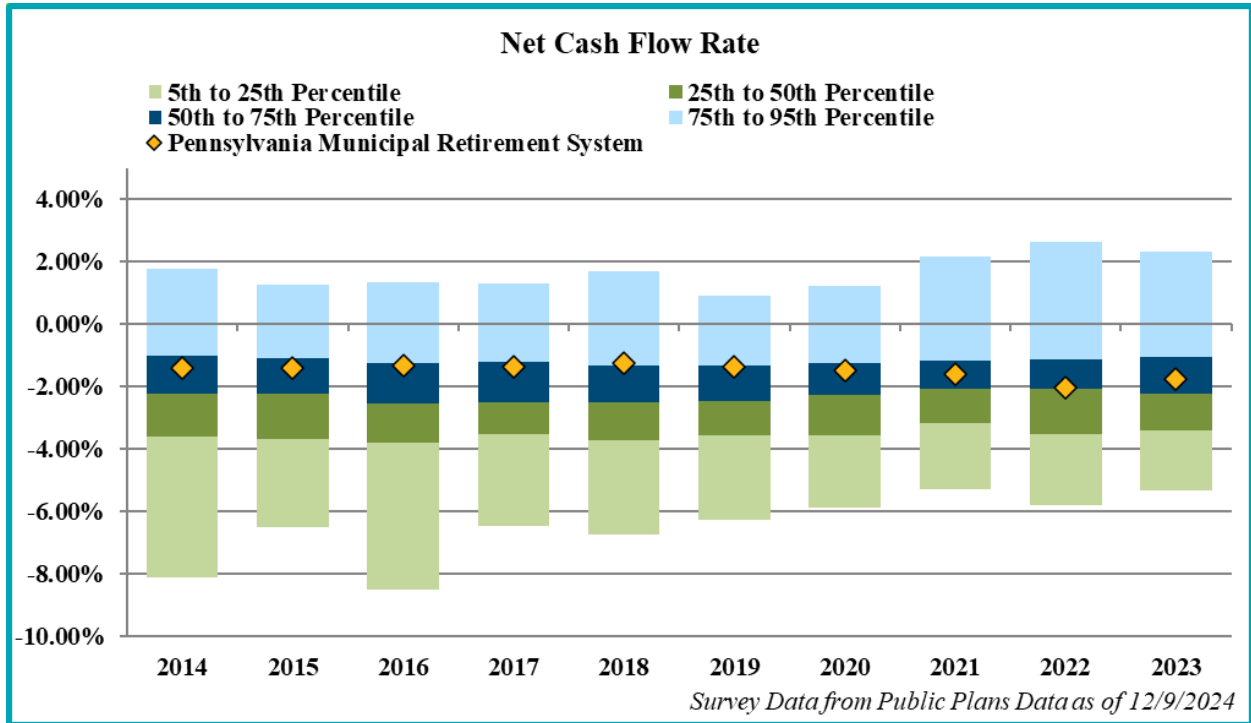
Pennsylvania Municipal Retirement System Cash Flows



PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

SECTION I – BOARD SUMMARY

The following chart shows the distribution from the 5th to 95th percentile of the NCF as a percent of MVA for the plans in the Public Plans Database. Similar to the prior charts related to the Public Plans Database and shown in this report, data is grouped by the year containing the fiscal year end. The gold diamonds represent the NCF for PMRS. PMRS has been gradually decreasing relative to the universe of plans in the Public Plans Database. This reflects that the System is slowly maturing due to benefit payments increasing at a faster rate than contributions.

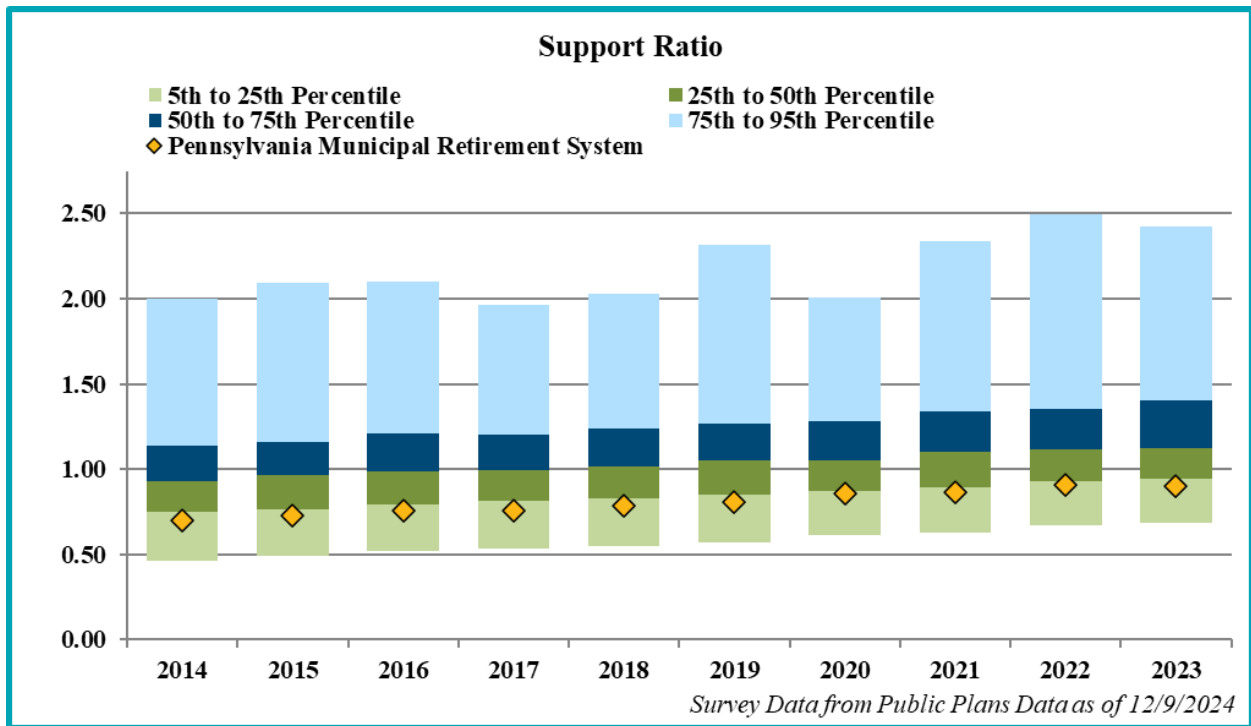


Maturity Level: Mature pension plans usually have more inactive participants than active participants. These plans tend to have negative NCF and are more sensitive to investment risks. Plan maturity can be measured in a variety of ways, but one simple measure of plan maturity is the ratio of the number of inactive participants (those receiving benefits or entitled to a deferred benefit) to the number of active participants. We refer to this as the support ratio. The revenue base supporting the plan is usually proportional to the number of active participants. A relatively high number of inactive participants compared to active participants may indicate a larger plan relative to its revenue base.

PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

SECTION I – BOARD SUMMARY

The chart below shows the distribution from the 5th to 95th percentile of support ratios for the plans in the Public Plans Database. The lower the support ratio, the lower the maturity and the lower the sensitivity of the plan to risk. This shows that while the System is maturing, it is doing so at a very similar rate to the universe of plans and remains in the lowest quartile. The support ratios for this year include terminated vested participants which differs from prior iterations of this chart.



For additional review of the risk of the System associated with the investment returns, please refer to the prior section to review the deterministic projections.

- 2) **Longevity and Other Demographic Risk** is the potential for retirees to live longer than expected or other demographic experience to differ from the assumptions. This has the potential to result in more benefits being paid than anticipated from the assets. This creates a financial risk that the plan will cost more than originally anticipated.

Plan Level:

PMRS is designed to transfer the longevity risk from individual plans to the System when participants retire. This is managed via a transfer of the present value of expected benefit payments from the member and municipal accounts to the Retiree Reserve. Once this transfer occurs, the individual plan no longer has risk associated with the retiree outliving their reserve as long as the plan remains in the System.

SECTION I – BOARD SUMMARY

Plans in PMRS range in number of participants from 1 to nearly 1,000. Actual demographic experience will vary from the assumptions. This reality is magnified in plans with fewer participants, where the Plan experience in one year can deviate materially from the assumptions. This deviation can cause volatility in the liabilities and the associated MMO. The demographic experience of the System is reviewed every 5 years to ensure that assumptions reflect the experience of the member plans of the System in aggregate.

System Level:

All retirees are paid from the Retiree Reserve Account which is funded through transfers of member and municipal reserve accounts from the individual plans. In this way, mortality risk is pooled among all individual plans, reducing an individual plan's overall risk associated with mortality. Provided plans do not withdraw from PMRS, this retiree longevity risk stays within the System. Assumption changes that occur after the transfer to the Retiree Reserve Account that increase the retiree liabilities (such as mortality assumption changes or reductions in the discount rate) can create a gap between the Retiree Reserve Account and the System's retiree liabilities. If retirees live longer than originally expected, more benefit payments will be paid out of the Retiree Reserve Account than expected, further increasing this gap. If the retiree liabilities are not fully funded by the Retiree Reserve Account and there are surplus assets available under PMRS Policy Statement 05-2, then according to general counsel's interpretation of PMRL (Pennsylvania Municipal Retirement Law), there will be a transfer of undistributed excess earnings to the Retiree Reserve Account to ensure these liabilities are fully funded.

- 3) **Withdrawal Risk** is the risk that plans withdraw from the System.

Plan Level:

If an individual plan withdraws from the System, all future risks associated with longevity and market fluctuations will be passed onto the withdrawing plan. The assets that are distributed to the plan on withdrawal are based on the System's Market Value of Assets at the time of the withdrawal application up to the Plan's Actuarial Value of Assets.

System Level:

If a significant number of plans or plans representing a large percentage of assets withdraw from the System, this could increase the risk to the System due to smaller pools within which risks are diversified. Further, the depletion of assets may greatly change the System's exposure to investment risk, longevity risk, and expense management.

There have been relatively few plans that have withdrawn from PMRS in the past 10 years. In fact, there has been a net transfer into the System with \$32 million in municipal plan assets (or 1% of the overall assets). When plans withdraw from PMRS, the Pennsylvania Municipal Retirement Law states that the assets distributed to the withdrawing plan cannot exceed the Plan's pro rata portion of the Market Value of Assets "as of the date of receipt of the application for permission to withdraw to prevent plans from leaving with higher reserve accounts." This protects the System and other participating plans from anti-selection risk when a participating employer requests a withdrawal.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION II – ASSETS

The System’s assets play a key role in the financial operation and in Board decisions. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets can impact funded status, municipal and county contributions, and the ultimate security of participants’ benefits.

In this section, we present detailed information on total System assets including:

- **Disclosure** of System assets at December 31, 2023 and December 31, 2022;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**; and
- Allocation of **excess interest**.

Disclosure

The Market Value of Assets represents a “snapshot” or “cash-out” value, which provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace.

The actuarial values are a reflection of the market values and the aggregate reserves being credited to each participating employer. They are used for evaluating the System’s ongoing liability to meet its obligations to pay benefits when due.

Table II-1 summarizes the Market Value of Assets by asset class for the current and prior year as provided in the December 31, 2023 PMRS ACFR.

Table II-1		
Statement of Assets at Market Value December 31 (\$ Thousands)		
	2023	2022
Assets		
Equity Investments	\$ 2,494,815	\$ 2,179,779
Accounts Receivable	8,497	8,908
Fixed Income Investments	273,148	278,241
Real Estate Investments	523,410	570,203
Fixed Assets	160	133
Accounts Payable	(4,876)	(6,027)
Net Pension Liability	(8,266)	(4,471)
Net OPEB Obligation Liability	(3,786)	(4,920)
Investment Purchases Payable	(544)	(3,634)
Net Deferred Outflow of Resources	3,864	1,209
Total Market Value of Assets	\$ 3,286,422	\$ 3,019,421

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION II – ASSETS

Table II-2 summarizes the transaction of the assets during the year leading up to our valuation.

Table II-2 Changes in Market Value (\$ Thousands)		
Market Value of Assets – January 1, 2023	\$	3,019,421
<u>Additions</u>		
Contributions:		
Municipal Employers	\$ 74,322	
Plan Members	29,956	
Transfers from other plan administrators	12	
Assessments	276	
Total Contributions	\$	104,566
Investment Income:		
Net appreciation (depreciation) in fair value of investments	\$ 290,037	
Interest	10,808	
Dividends	17,893	
Real Assets Income	17,203	
Less Investment Expenses	(10,051)	
Total Investment Income	\$	325,890
Miscellaneous Income:	\$	5
Total Additions	\$	430,461
<u>Deductions</u>		
Annuity Benefits	\$ (152,361)	
Transfers to other plan administrators	(1,929)	
Administrative Expenses	(9,170)	
Total Deductions	\$	(163,460)
Market Value of Assets – January 1, 2024	\$	3,286,422

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION II – ASSETS

Funding of Retiree Reserve Account

All retirees are paid from the Retiree Reserve Account which is funded through transfers of Members' and Municipal Reserve Accounts from the individual plans as participants retire. If the preliminary retiree liabilities are not fully funded by the Retiree Reserve Account and there are surplus assets available under PMRS Policy Statement 05-2, then according to general counsel's interpretation of PMRL, there will be a transfer of undistributed excess earnings to the Retiree Reserve Account to ensure these liabilities are fully funded. The following table compares the retiree liabilities to the Retiree Reserve Account as published in the December 31, 2023 ACFR and determines the amount of money, if any, that needs to be transferred from the Undistributed Earnings to the Retiree Reserve. If a transfer to the Retiree Reserve occurs, then the updated resulting Retiree Reserve (line item 6 below) is reflected retroactively in the following year's ACFR.

Table II-3	
Retired Member Reserve Account as of January 1, 2024 (\$ Thousand)	
1. Retiree Liabilities January 1, 2024	\$ 1,568,874
2. December 31, 2023 Total In-Pay Reserve Accounts	
a. Retired Members' Reserve Account ¹	\$ 1,573,643
b. DROP Participant Reserve Account ¹	2,904
c. Total (a. + b.)	\$ 1,576,547
3. Unfunded Preliminary Retiree Actuarial Liabilities [(1. - 2c.), not less than \$0]	0
4. Undistributed Earnings as of December 31, 2023 [Not less than zero]	157,728
5. If 4. is greater than 3., then the transfer amount to the Retiree Reserves is 3., else 4.	0
6. Retired Members' Reserve Account after transfer	\$ 1,573,643
7. Undistributed Earnings after transfer [4. - 5.]	157,728

¹ Reserve Account Balances and Undistributed Earnings Published in the December 31, 2023 ACFR.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION II – ASSETS

Preliminary Actuarial Value of Assets

The Preliminary Actuarial Value of Assets is based on the individual municipal account balances maintained by PMRS, also referred to as reserves.

Table II-4	
Preliminary Actuarial Value of Assets January 1, 2024 (\$ Thousand)	
1. Members' Reserve Account	\$ 540,577
2. Municipal Accounts	1,010,623
3. Disability Reserve Account	947
4. DROP Participant Reserve Account	2,904
5. Retired Members' Reserve Account	<u>1,573,643</u>
6. Total of System's Accounts	\$ 3,128,694
7. Total Expenses	\$ 9,170
8. Municipal Expenses of \$20 per Plan Member	<u>402</u>
9. Expenses not covered by Municipalities: (7. – 8.)	\$ 8,768
10. Preliminary Actuarial Value of Assets: (6. + 9.)	\$ 3,137,462

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION II – ASSETS

Available Excess Interest

Each year, the System’s funded status is evaluated in accordance with Board Policy 05-2 to determine if cumulative investment monies earned above the regular interest rate are available for the Board to consider awarding to plans. This “excess interest” award is derived as a portion of “new surplus” created during the year. “Surplus” refers to the excess of Market Value of Assets over the Actuarial Value of Assets. Once the Preliminary Actuarial Value of Assets has been determined, a formula is used to determine the new surplus. Depending on the relative size of surplus to market value “margin,” between 10% and 90% of new surplus will be designated as “excess interest”, which the Board may decide to distribute. For the year ended December 31, 2023, the maximum excess interest award available for distribution was \$50,572,168. At a special meeting in October 2024, the Board approved the full distribution of \$50,572,168.

This amount is not reflected in the Actuarial Value of Assets as a large portion of this award increases benefits. The liabilities and assets determined in accordance with the January 1, 2025 valuation will include the increase to both amounts.

Table II-5	
Determination of Available Excess Interest (\$ Thousands)	
1. Assets as of January 1, 2024	
a. Market Value	\$ 3,286,422
b. Preliminary Actuarial Value	<u>3,137,462</u>
c. Available Surplus (1a. - 1b.)	\$ 148,960
d. Ratio of Available Surplus to MVA (1c. / 1a.)	4.53%
2. Assets as of January 1, 2023	
a. Market value	\$ 3,019,421
b. Actuarial Value	3,030,511
c. Available Surplus (2a. - 2b.)	\$ (11,090)
3. New surplus {Lesser of (1c. - 2c.) and 1c.}	\$ 148,960
4. Ratio of New Surplus to MVA (3. / 1a.)	4.53%
5. Percentage of New Surplus Available to be Credited as Excess Interest: (10% + 800% x 1d.) / (100% + 800% x 4.)	33.950%
6. Maximum Excess Interest Award Available {(3. x 5.), not less than zero}	\$ 50,572

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION III – LIABILITIES

Changes in Liabilities

The Actuarial Liabilities shown in the following table change with each valuation. As liabilities for the plans are valued every other year, gains/losses shown below reflect a two-year period. The liability may change for any of several reasons, including:

- New hires since the last full valuation
- Benefits accrued (normal cost) since the last valuation
- Plan amendments (benefit changes) including excess interest benefit improvements
- Interest on Actuarial Liability
- Benefits paid (benefit payments) to retirees and beneficiaries
- Participants leaving employment and dying at rates different than expected (gains/losses), and other sources of gains and losses
- Participants transferring to other Plans within the System
- Plans transferring into and out of the System
- Changes in actuarial assumptions
- Changes in actuarial methods

The following table shows the sources of the Actuarial Liability changes since the last valuation based on the GASB results determined for the individual plans and updated liabilities for the cash balance plans. The total benefit payments below represent the sum of those reported in the individual plans' GASB reports.

Table III-1	
Actuarial Liability Reconciliation	
Actuarial Liability as of 1/1/2023	\$ 3,074,667,986
Actuarial Liability as of 1/1/2024	3,174,270,675
Liability Increase/(Decrease)	99,602,689
Changes due to	
Normal Cost	\$ 86,163,103
Interest	161,610,222
Benefit Changes	2,469,034
Assumption Changes	0
(Gains)/Losses	(1,287,187)
Benefit Payments	(152,361,378)
Net Transfers In/(Out)	3,008,895
Total	\$ 99,602,689

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION III – LIABILITIES

Low-Default-Risk Obligation Measure

The Actuarial Standard of Practice No. 4 (ASOP 4) was recently revised to require the disclosure of a Low-Default-Risk Obligation Measure, or LDROM. This measure requires the selection of discount rates derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with expected benefit payments. For purposes of this 2024 valuation, we have calculated the LDROM liability based on the FTSE Pension Liability Index as of December 31, 2023 of 4.83%. This index is based on high quality corporate bond yields.

For the four county plans with funding valuation dates of January 1, 2024, the LDROM is \$172.0 million compared to the Actuarial Liability of \$165.8 million. The difference can be viewed as the expected savings from taking on the investment risk associated with the PMRS interest crediting rate. Alternatively, it can be viewed as the potential cost of eliminating the investment risk using a low default portfolio.

PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

SECTION IV – CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine the contributions needed based upon the funding policy established for the plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For each of the plans covered by the System, the funding cost method as stipulated by law to be applied in the determination of the liability is the **Entry Age Normal Actuarial Cost Method**. This method is also relevant for accounting standards, as it is the cost method required under GASB 67/68. Incorporating this cost method results in four components used to determine the total contribution: the **normal cost**, the amortization of **initial unfunded actuarial liability**, any subsequent amortizations of **increases/decreases in the unfunded actuarial liability/or adjustment for surplus**, and **expenses** applied at the rate of \$20 per participant.

The statutory funding method requires that increases/decreases resulting from experience gains or losses by each plan are amortized over the lesser of 20 years or the future working life of the active participants in the plan. Increases/decreases from assumption changes by the System are amortized over the lesser of 15 years or the future working life of the active participants. Changes in liabilities as a result of changes in benefits by plan are amortized over 20 years if state mandated, otherwise over 10 years for active employees and 1 year for inactive employees. There are exceptions to some of these rules for plans in differing levels of “distress” as defined by Act 205.

In years where there are benefit improvements related to excess interest distributions, the impacted plans receive funds through their excess interest distribution to fully fund the excess interest benefit improvement. Therefore, there is no impact on the unfunded liabilities as a result of the excess interest benefit improvements.

For plans with a surplus, the contribution rate is the normal cost offset by 10% of the surplus. This report provides an analysis of the aggregate assets and liabilities but not the aggregation of the Minimum Municipal Obligations (MMO) required for each participating municipality covered by the 2023 Act 205 forms for 2025 and 2026 MMO contributions and the 2024 Act 293 forms for 2026 and 2027 employer contributions. The combination of underfunded and surplus plans would not necessarily be informative in reviewing the overall funded status of the System.

The normal cost rate (i.e., normal cost as a percentage of payroll) is determined in the following steps. For a typical new entrant, an individual normal cost rate is determined by taking the present value of future normal costs as of entry age into the Plan divided by that member’s present value of expected future salary during their working lifetime. The total normal cost rate is reduced by the member contribution rate to produce the net employer normal cost rate. If a plan provides for a Separate Member Annuity through required member contributions, this contribution rate is then added to the total normal cost rate to determine the final total normal cost rate.

Per recent ASOP 4 updates, the Reasonable Actuarially Determined Contributions, or RADC, for pension funding actuarial valuations are provided in the addendum to this report.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION V – ACCOUNTING AND FINANCIAL STATEMENT INFORMATION

GASB Statement Nos. 67 (GASB 67) and No. 68 (GASB 68) established standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information. The System is defined as an agent multiple-employer plan system under GASB 67. The assets of an agent multiple-employer plan system are pooled for investment purposes but separate accounts are maintained for each individual participating employer. As a result, each participating employer's share of the pooled assets is legally available to pay the pensions of only its retirees.

The Actuarial Liability is determined assuming that the System is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 5.25% per annum.

Tables V-1 through V-7 provide the exhibits to be used with the System's ACFR based upon review of GASB 67 and input from PMRS:

- Table V-1 is the Note to Required Supplementary Information;
- Table V-2 is the Solvency Test which shows the portion of Actuarial Liability covered by Assets;
- Table V-3 is the Funded Status of Actuarial Liabilities;
- Table V-4 is the Count of Plans in the System;
- Table V-5 is the Schedule of Retirees and Beneficiaries;
- Table V-6 is the Schedule of Total Membership by Status; and
- Table V-7 is the Schedule of Total Membership and Salary.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION V – ACCOUNTING AND FINANCIAL STATEMENT INFORMATION

**Table V-1
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2024 – County Plans and Cash Balance Plans (active and vested terminated accounts) January 1, 2023 – Plans that are neither County nor Cash Balance Plans and retiree liabilities
Measurement date	January 1, 2024
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar for Plan Bases and an average for Aggregate Gain/Loss, 10% of surplus is credited against aggregate cost where applicable
Actuarial assumptions:	
Investment rate of return*	5.25%
Projected salary increases*	2.2%-6.22% based on age and service
*Includes inflation of 2.2%	
Cost-of-Living Adjustments (COLA)	2.2% per year up to plan maximum

The actuarial assumptions used have been adopted by the System's Board based on the most recent review of the System's experience for the period January 1, 2014 through December 31, 2018 and completed in 2020.

The rate of employer contributions to the System is comprised of the normal cost, amortization of the Unfunded Actuarial Liability, and an allowance for administrative expenses. The normal cost is a level percentage of payroll which, along with member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or future member contributions. The difference between this liability and the Actuarial Value of Asset as of the same date is the Unfunded Actuarial Liability (or surplus if funds exceed the liabilities). The allowance for administrative expenses is based on the System's actual administrative expenses.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION V – ACCOUNTING AND FINANCIAL STATEMENT INFORMATION

Table V-2 SOLVENCY TEST Aggregate Accrued Liabilities for							
Valuation Date	Active Member Contributions	Retirees, Beneficiaries & Vested Terminated	Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Accrued Covered by Reported		
January 1,	(1)*	(2)	(3)		(1)	(2)	(3)
2024	\$540,576,312	\$1,755,400,709	\$878,293,654	\$3,137,461,781	100%	100%	96%
2023	523,080,932	1,682,880,929	868,706,126	3,030,510,553	100%	100%	95%
2022	508,436,602	1,575,137,867	839,241,639	2,929,944,455	100%	100%	101%
2021	494,275,157	1,495,048,974	841,964,053	2,827,402,985	100%	100%	100%
2020	485,374,472	1,315,859,327	800,247,415	2,631,849,434	100%	100%	104%
2019	474,930,885	1,258,545,895	786,667,534	2,528,939,742	100%	100%	101%

**Includes the sum of the active member employee contribution balances, the member separate annuity account balances, the municipal for member separate annuity account balances, and the excess interest allocations*

Table V-3 Funded Status of Actuarial Liabilities					
Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL) Entry Age	Unfunded AL (Surplus)	Funded Ratio	Discount Rate
January 1,	(A)	(B)	(B-A)	(A/B)	
2024	\$3,137,461,781	\$3,174,270,675	\$36,808,894	98.8%	5.25%
2023	3,030,510,553	3,074,667,986	44,157,433	98.6%	5.25%
2022	2,929,944,455	2,922,816,108	(7,128,347)	100.2%	5.25%
2021	2,827,402,985	2,831,288,184	3,885,199	99.9%	5.25%
2020	2,631,849,434	2,601,481,214	(30,368,220)	101.2%	5.25%
2019	2,528,939,742	2,520,144,314	(8,795,428)	100.4%	5.25%

The actuarial assumptions as of January 1, 2024 are shown in the assumptions and methods section which are used, along with the participant data and plan provisions provided by PMRS, to determine the liabilities above. The following table shows the number of pension plans valued each year, and the number of plans that have liabilities rolled-forward from the prior year. The counts from this table may not match the counts of the pension plans on Table I-2 which is based on the number of plans listed on the asset statement from PMRS.

Table V-4 Valuation of Defined Benefit Liabilities			
Valuation Date	Complete Valuation	Roll-Forward	Cash Balance Plans
January 1, 2024	4	718	336
January 1, 2023	719	4	329
January 1, 2022	4	718	322
January 1, 2021	720	4	328
January 1, 2020	4	724	328
January 1, 2019	719	4	323

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION V – ACCOUNTING AND FINANCIAL STATEMENT INFORMATION

The table below is a schedule of the changes to the retiree and beneficiary rolls over the last six years.

Table V-5										
Schedule of Retirees and Beneficiaries - Added to and Removed from Rolls in Last Six Years										
Valuation		Average	Average		Average					Percent
Date	Added	Annual	Annual	Deleted	Annual	Number	Annual	Percentage	Average	Increase
January 1,	to roll	Annuities	Benefit	from roll	Annuities	on roll	Annuities	Increase	Annual	in Average
		Added	Increase		Removed			in Annuities	Annuities	Annuities
2024	415	\$ 19,476	\$ 1,033	157	\$ 12,638	7,496	\$ 137,056,342	4.9%	\$ 18,284	1.3%
2023	437	22,692	1,796	202	11,829	7,238	130,702,823	6.5%	18,058	3.1%
2022	409	21,174	1,603	150	14,441	7,003	122,707,214	6.1%	17,522	2.1%
2021	434	21,588	375	125	10,350	6,744	115,697,265	7.6%	17,156	2.7%
2020	381	19,656	528	135	11,392	6,435	107,504,808	6.0%	16,706	2.0%
2019	429	19,572	419	146	8,147	6,189	101,399,088	7.8%	16,384	2.9%

The table below is a summary of the total membership over the last six years.

Table V-6 Schedule of Total Membership by Status Six Year Trend							
Valuation Date	Active Defined Benefit	Active Cash Balance	Retirees	Beneficiaries	Deferred Pensions	Inactive Members*	Total
January 1,							
2024	8,185	1,835	6,719	777	1,504	996	20,016
2023	7,895	1,725	6,461	777	1,491	755	19,104
2022	7,969	1,650	6,295	708	1,343	40	18,005
2021	7,860	1,486	6,050	694	1,284	47	17,421
2020	7,970	1,502	5,781	654	1,205	47	17,159
2019	7,949	1,446	5,550	639	1,168	40	16,792

* Inactive members represent inactive non-vested participants with employee contribution account balances. Improved reporting from the System began in 2023, resulting in increased values.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

SECTION V – ACCOUNTING AND FINANCIAL STATEMENT INFORMATION

The table below is a schedule of the total membership over the last four years.

Table V-7 Schedule of Total Membership and Salary				
	2024	As of January 1 ¹		2021
		2023	2022	
a. Retirees currently receiving benefits	6,719	6,461	6,295	6,050
b. Beneficiaries currently receiving benefits	777	777	708	694
c. Terminated vested employees entitled to future benefits from Defined Benefit Plans	1,094	1,092	957	933
d. Terminated non-vested employees entitled to contribution refunds from Defined Benefit Plans ²	996	755	40	47
e. Active employees in defined benefit plans	8,185	7,895	7,969	7,860
i. Aggregate Salary ³	\$536,974,651	\$508,976,064	\$497,193,829	\$476,970,336
ii. Vested ⁴	4,007	4,017	4,224	4,281
iii. Non-vested	4,178	3,878	3,745	3,579
f. Non-Retired Participants in cash balance plans	2,245	2,124	2,036	1,837
i. Aggregate Salary ⁵	\$95,431,331	\$87,705,525	\$79,029,741	\$71,553,094
ii. Active	1,835	1,725	1,650	1,486
iii. Inactive	410	399	386	351

¹ Represents entire System

² Increase beginning 2023 is due to improved reporting of inactive participants with account balances from PMRS

³ Annualized salary paid during the prior plan year for Traditional Defined Benefit plan participants and actual salary for active cash balance participants

⁴ Count of vested participants estimated based on service as of the valuation date

⁵ Updated 2023 Cash Balance Pay to better reflect prior year actual pay

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX A – MEMBERSHIP INFORMATION

This appendix provides various member information including age-service distribution tables for active members by count and salary, benefit distribution information for participants in pay status, including a break-down by pension type.

**Distribution of Active Defined Benefit Members
by Age and Service as of January 1, 2024**

Counts By Age/Service

Age	Service										Total
	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	
Under 20	17	4	1	0	0	0	0	0	0	0	22
20 to 24	130	78	41	19	2	0	0	0	0	0	270
25 to 29	168	127	77	131	113	1	0	0	0	0	617
30 to 34	155	130	105	149	238	61	5	0	0	0	843
35 to 39	135	124	72	125	269	133	65	3	0	0	926
40 to 44	123	88	62	105	236	149	130	54	1	0	948
45 to 49	119	88	53	94	180	107	115	148	25	4	933
50 to 54	85	69	78	85	197	106	146	152	101	55	1,074
55 to 59	85	65	52	82	207	124	150	156	123	143	1,187
60 to 64	38	22	24	46	167	104	132	112	74	187	906
65 & up	14	15	13	35	90	47	57	57	43	88	459
Total	1,069	810	578	871	1,699	832	800	682	367	477	8,185

**Distribution of Active Defined Benefit Members
by Age and Service as of January 1, 2024**

Average Salary By Age/Service

Age	Service										Total
	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	
Under 20	\$40,790	\$34,850	\$40,116	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$39,679
20 to 24	\$40,521	\$51,115	\$50,984	\$55,316	\$43,324	\$0	\$0	\$0	\$0	\$0	\$46,232
25 to 29	\$44,618	\$56,479	\$55,709	\$63,252	\$66,876	\$84,487	\$0	\$0	\$0	\$0	\$56,541
30 to 34	\$47,615	\$54,024	\$60,983	\$66,479	\$69,822	\$75,519	\$80,976	\$0	\$0	\$0	\$62,089
35 to 39	\$48,510	\$62,208	\$57,189	\$65,319	\$72,578	\$74,306	\$79,257	\$70,387	\$0	\$0	\$66,214
40 to 44	\$49,868	\$60,411	\$55,611	\$58,123	\$70,071	\$75,775	\$82,253	\$83,468	\$90,617	\$0	\$67,636
45 to 49	\$49,709	\$51,561	\$61,030	\$63,154	\$66,490	\$69,311	\$79,383	\$86,745	\$79,265	\$62,362	\$67,746
50 to 54	\$51,385	\$50,630	\$54,725	\$61,736	\$68,110	\$67,578	\$75,800	\$83,159	\$80,894	\$80,858	\$69,164
55 to 59	\$51,444	\$56,159	\$58,887	\$56,993	\$61,536	\$67,846	\$67,247	\$73,618	\$77,411	\$85,004	\$67,530
60 to 64	\$47,961	\$48,817	\$62,249	\$58,695	\$67,785	\$64,817	\$67,898	\$72,160	\$71,523	\$80,866	\$69,107
65 & up	\$49,091	\$64,378	\$72,523	\$44,654	\$61,850	\$71,730	\$59,154	\$75,362	\$73,782	\$76,871	\$66,887
Total	\$47,414	\$55,646	\$57,770	\$61,574	\$67,882	\$70,876	\$73,584	\$79,265	\$76,919	\$81,214	\$65,605

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX A – MEMBERSHIP INFORMATION

**Distribution of Active Cash Balance Members
by Age and Service as of January 1, 2024**

Counts By Age/Service

Age	Service										Total
	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	
Under 20	2	1	0	0	0	0	0	0	0	0	3
20 to 24	27	16	8	4	1	0	0	0	0	0	56
25 to 29	40	31	21	32	31	0	0	0	0	0	155
30 to 34	34	39	22	36	36	9	0	0	0	0	176
35 to 39	45	28	20	28	43	14	11	1	0	0	190
40 to 44	31	28	13	25	43	13	11	8	0	0	172
45 to 49	20	30	17	20	34	19	13	17	1	0	171
50 to 54	33	27	20	25	67	31	17	28	16	8	272
55 to 59	34	24	24	28	53	33	27	26	15	18	282
60 to 64	5	17	4	17	42	28	30	22	25	32	222
65 & up	3	7	4	10	28	22	10	11	14	27	136
Total	274	248	153	225	378	169	119	113	71	85	1,835

**Distribution of Active Cash Balance Members
by Age and Service as of January 1, 2024**

Average Salary By Age/Service*

Age	Service										Total
	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	
Under 20	\$23,961	\$34,006	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,309
20 to 24	\$27,152	\$45,632	\$43,719	\$53,988	\$38,044	\$0	\$0	\$0	\$0	\$0	\$36,910
25 to 29	\$27,390	\$47,260	\$54,002	\$53,223	\$59,024	\$0	\$0	\$0	\$0	\$0	\$46,630
30 to 34	\$21,737	\$52,119	\$49,239	\$58,407	\$62,303	\$60,839	\$0	\$0	\$0	\$0	\$49,705
35 to 39	\$25,128	\$51,584	\$45,388	\$53,687	\$59,684	\$56,108	\$71,493	\$69,357	\$0	\$0	\$48,389
40 to 44	\$33,565	\$49,020	\$53,004	\$52,937	\$60,254	\$50,851	\$58,914	\$54,094	\$0	\$0	\$50,921
45 to 49	\$24,476	\$51,718	\$54,996	\$52,743	\$56,078	\$70,107	\$56,905	\$78,132	\$59,678	\$0	\$54,955
50 to 54	\$22,771	\$53,045	\$58,015	\$64,088	\$57,110	\$61,684	\$67,460	\$60,299	\$79,053	\$72,415	\$56,486
55 to 59	\$25,081	\$50,187	\$51,254	\$53,795	\$53,748	\$52,490	\$60,375	\$52,647	\$72,602	\$70,361	\$52,230
60 to 64	\$21,845	\$51,291	\$48,794	\$63,684	\$61,789	\$57,629	\$54,749	\$61,133	\$68,391	\$63,941	\$59,509
65 & up	\$17,737	\$53,926	\$32,934	\$40,428	\$52,884	\$51,938	\$50,026	\$58,332	\$41,361	\$49,716	\$48,922
Total	\$25,705	\$50,469	\$51,085	\$55,550	\$58,004	\$57,555	\$59,613	\$60,833	\$66,231	\$61,580	\$52,006

**Actual pay earned in year for active cash balance participants*

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX A – MEMBERSHIP INFORMATION

**Distribution of All Active Members
by Age and Service as of January 1, 2024
Average Salary By Age/Service**

Age	Service										Total
	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	
Under 20	\$39,019	\$34,681	\$40,116	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,195
20 to 24	\$38,222	\$50,182	\$49,798	\$55,085	\$41,564	\$0	\$0	\$0	\$0	\$0	\$44,631
25 to 29	\$41,305	\$54,670	\$55,343	\$61,283	\$65,186	\$84,487	\$0	\$0	\$0	\$0	\$54,551
30 to 34	\$42,960	\$53,585	\$58,949	\$64,908	\$68,834	\$73,632	\$80,976	\$0	\$0	\$0	\$59,950
35 to 39	\$42,664	\$60,251	\$54,624	\$63,191	\$70,801	\$72,573	\$78,133	\$70,130	\$0	\$0	\$63,179
40 to 44	\$46,587	\$57,662	\$55,159	\$57,126	\$68,558	\$73,775	\$80,432	\$79,677	\$90,617	\$0	\$65,069
45 to 49	\$46,078	\$51,601	\$59,564	\$61,327	\$64,836	\$69,431	\$77,100	\$85,858	\$78,512	\$62,362	\$65,764
50 to 54	\$43,382	\$51,309	\$55,397	\$62,270	\$65,318	\$66,244	\$74,930	\$79,603	\$80,642	\$79,786	\$66,602
55 to 59	\$43,912	\$54,549	\$56,476	\$56,179	\$59,949	\$64,618	\$66,199	\$70,622	\$76,888	\$83,367	\$64,593
60 to 64	\$44,924	\$49,895	\$60,327	\$60,041	\$66,580	\$63,292	\$65,463	\$70,350	\$70,732	\$78,393	\$67,218
65 & up	\$43,558	\$61,052	\$63,208	\$43,715	\$59,722	\$65,420	\$57,792	\$72,607	\$65,819	\$70,496	\$62,781
Total	\$42,985	\$54,432	\$56,371	\$60,337	\$66,084	\$68,627	\$71,775	\$76,645	\$75,187	\$78,244	\$63,114

**Inactive Benefit Payment Distribution
as of January 1, 2024**

Counts By Benefit/Age: Receiving Payments

Age	Monthly Benefit	Count
x < 30	\$6,618	3
30 <= x < 35	\$2,919	4
35 <= x < 40	\$11,100	9
40 <= x < 45	\$12,731	14
45 <= x < 50	\$24,372	31
50 <= x < 55	\$302,685	137
55 <= x < 60	\$667,097	337
60 <= x < 65	\$1,768,995	944
65 <= x < 70	\$3,171,032	1,939
70 <= x < 75	\$2,725,852	1,698
75 <= x < 80	\$1,556,803	1,198
80 <= x < 85	\$701,310	659
85 <= x	\$469,850	523
<Total>	\$11,421,362	7,496

Counts By Benefit/Age: Deferred Payments¹

Age	Monthly Benefit	Count
x < 30	\$4,283	10
30 <= x < 35	\$14,226	31
35 <= x < 40	\$43,526	69
40 <= x < 45	\$154,697	134
45 <= x < 50	\$245,196	176
50 <= x < 55	\$285,191	232
55 <= x < 60	\$277,578	243
60 <= x < 65	\$180,938	150
65 <= x < 70	\$32,029	34
70 <= x < 75	\$7,701	10
75 <= x < 80	\$20,978	5
80 <= x < 85	\$0	0
85 <= x	\$0	0
<Total>	\$1,266,343	1,094

¹ Deferred payments listed above are attributable to the non-cash balance defined benefit plans only. Deferred payments to the 410 cash balance participants will be determined upon their retirement.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX A – MEMBERSHIP INFORMATION

Pensions in Payment on January 1, 2024 by Type and Amount						
Monthly Amount	Pension Type					
	Total	Normal	Involuntary early	Voluntary early	Service disability	Non-service disability
Total	7,496	6,477	233	675	51	60
Under \$100	301	258	21	20	1	1
\$100 - \$199	380	319	29	31	1	0
200 - 299	351	292	28	31	0	0
300 - 399	354	289	24	36	3	2
400 - 499	363	305	25	30	1	2
500 - 599	331	285	8	32	1	5
600 - 699	292	237	15	38	2	0
700 - 799	322	268	15	36	1	2
800 - 899	318	266	11	32	1	8
900 - 999	278	229	7	31	5	6
1,000 - 1,199	574	474	16	67	5	12
1,200 - 1,399	446	366	10	60	7	3
1,400 - 1,599	423	361	8	43	7	4
1,600 - 1,799	351	307	6	33	2	3
1,800 - 1,999	331	288	2	35	3	3
2,000 - 2,199	286	260	2	17	4	3
2,200 - 2,399	255	228	4	21	2	0
2,400 - 2,599	219	198	1	18	1	1
2,600 - 2,799	179	163	0	12	2	2
2,800 - 2,999	139	131	0	7	0	1
3,000 - 3,499	333	313	1	17	1	1
3,500 - 3,999	244	230	0	13	1	0
\$4,000 and over	426	410	0	15	0	1

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX A – MEMBERSHIP INFORMATION

Pensions Awarded in Prior Ten Years, by Type and Monthly Amount										
Year Ended December 31:	Total		Normal		Involuntary Early		Voluntary Early		Disability	
	Number	Average Monthly Amount	Number	Average Monthly Amount	Number	Average Monthly Amount	Number	Average Monthly Amount	Number*	Average Monthly Amount
2014	392	1,492	341	1,524	14	825	29	1,575	8 (2)	1,022
2015	339	1,574	309	1,593	4	562	22	1,569	4 (2)	1,113
2016	447	1,562	397	1,600	11	627	28	1,428	11 (3)	1,485
2017	383	1,576	342	1,616	8	822	29	1,350	4 (1)	1,311
2018	429	1,631	382	1,651	9	963	33	1,475	5 (4)	2,277
2019	381	1,638	341	1,644	8	781	27	1,887	5 (5)	1,247
2020	434	1,799	406	1,797	1	2,312	22	1,790	5 (3)	1,931
2021	409	1,764	371	1,762	6	493	21	1,589	11 (5)	2,869
2022	437	1,891	406	1,888	5	1,491	23	2,080	3 (2)	1,529
2023	415	1,623	389	1,643	5	828	18	1,399	3 (2)	1,589

*Number of service-related disability pensions are shown in parentheses.

Individual Membership		
	2024	2023
Defined Benefit Actives		
Municipal	7,070	6,848
Police	973	908
Firefighters	142	139
Total	8,185	7,895
Cash Balance Actives		
Municipal	1,757	1,657
Police	34	30
Firefighters	44	38
Total	1,835	1,725
Total Active Members	10,020	9,620
Retirees and Beneficiaries		
Retirees	6,719	6,461
Beneficiaries	777	777
Total Retirees and Beneficiaries	7,496	7,238
Inactive Participants		
Defined Benefit	1,094	1,092
Cash Balance	410	399
Total Vested	1,504	1,491
Defined Benefit	873	619
Cash Balance	123	136
Total Non-Vested	996	755
Total Individual Membership	20,016	19,104

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions:

The PMRS demographic actuarial assumptions were most recently adopted by the Board effective January 1, 2021, while the Regular Interest Rate (investment return assumption) was most recently adopted by the Board effective January 1, 2017:

A. Mortality:

1) Healthy Life Mortality Base Tables:

Pre-Retirement

Males: PUB-2010 General Employees male table

Females: PUB-2010 General Employees female table

Type of Death:

(a) 20% of pre-retirement deaths are assumed to be service related for municipal plans, and

(b) 70% of pre-retirement deaths are assumed to be service related for uniform plans.

Post-Retirement

Males: RP-2006 annuitant male table

Females: RP-2006 annuitant female table

2) Disabled Life Mortality Base Tables:

Males: RP-2006 disabled annuitant male table

Females: RP-2006 disabled annuitant female table

3) Mortality Improvement:

All base mortality tables described above are projected from the applicable table's base year to 2023 using Mortality Improvement Scale MP-2018

The mortality assumption, inclusive of the projected mortality improvements described above to the mid-year point of the next experience study, was selected as a reasonable representation of the ultimate projected payout of benefits from the plan using nationally available mortality tables as well as data provided by PMRS.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

B. Termination Rates Before Retirement:

Municipal Participants Number of Active Members in Plan		
Service	<25	25+
<1	11.0%	12.0%
1	11.0%	12.0%
2	10.0%	11.0%
3	9.0%	10.0%
4	8.0%	9.0%
5	7.0%	7.5%
6	8.0%	7.5%
7	6.0%	7.0%
8	5.0%	6.0%
9	4.0%	5.0%
10+	3.0%	3.5%

Participants in Uniformed Plans	
Service	Termination Rates
<4	10.0%
5	5.0%
6	4.0%
7	4.0%
8	4.0%
9	3.0%
10+	3.0%

C. Disability Incidence Rates:

50% of the 2017 CalPERS Public Miscellaneous Group disability rates for males. Sample rates are:

Age	Rate
25	0.0085%
35	0.0245%
45	0.0955%
55	0.1105%
65	0.1050%

Type of Disability:

- (a) 20% of disablements are assumed to be service related for non-uniformed plans, and
- (b) 70% of disablements are assumed to be service related for uniform plans.

D. Workers Compensation: Service-related disability benefits payable from municipal plans are offset by 25% of final average salary.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

E. Salary Scale:

Inflation rate of 2.2% plus merit-based increases, as shown below for select ages:

Age	Total Rate ¹ (including inflation)
25	6.22%
30	5.16%
35	4.49%
40	4.14%
45	3.82%
50	3.55%
55	3.28%
60	3.11%
65	2.79%

¹Add 3% for each of the first 2 years of service, 2% for years 3 and 4, and 1% for years 5 and 6

For 2021 and 2022, merit-based increases are assumed to be 0%.

F. Rates of Retirement and Retirement Age:

Retirement Age: The age at which unreduced benefits are available. Specific assumptions regarding retirement age are:

(a) Municipal Members:

Members are assumed to retire over a range of ages as shown below.

Age	Rate ¹	Age	Rate ¹
<55	33%	63	18%
55	30%	64	15%
56 – 57	12%	65 – 67	25%
58 – 59	14%	68 – 70	20%
60	18%	71 – 73	22%
61	10%	74	20%
62	20%	75	100%

¹Rates indicated are adjusted by adding 10% for ages 61-63 and 5% for ages 64-70 for the year in which the member is first eligible for normal retirement.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

(b) Uniform Members:

Members are assumed to retire over a range of ages as shown below.

Age	Rate	Age	Rate
<49	0%	62	28%
50	25%	63	22%
51 – 53	10%	64	25%
54 – 55	15%	65	35%
56 – 58	17%	66	30%
59 – 60	15%	67+	100%
61	20%		

For any members participating in a Deferred Retirement Option Program (DROP), the participant's date of entry into the DROP is considered the retirement date.

Reduced early retirement benefits are actuarially equivalent to the accrued benefit payable at normal retirement, so no early retirement is assumed.

G. DROP (Deferred Retirement Option Plans) or In-Service Distribution Plan:

For plans with these options, at Participant's Normal Retirement Age, retirement rate multiplied by the following factors:

- (a) Uniform: 130%
- (b) Non-uniform: 115%

H. Marital Status and Spouse's Age (if applicable):

For plans with the 50% J&S form of payment, 85%/65% of active male/female members are assumed to be married. Male spouses are assumed to be three years older than female spouses.

I. Social Security Projections (if applicable):

- a) The Social Security Taxable Wage Base will increase by 2.7% compounded annually;
- b) The Consumer Price Index will increase 2.2% compounded annually; and,
- c) The Average Total Wages of All Workers will increase by 2.7% compounded annually.

J. Post-Retirement Cost of Living Increases (if applicable)/Inflation:

2.2% per year, subject to plan limitations.

K. Investment Return Assumption for municipal assets (Regular Interest Rate):

5.25% compounded annually (net of investment expenses) for funding purposes.

PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

L. Administrative Expenses

System-wide Actuarial Value of Assets: The expense assumption is based on the previous year's actual expenses.

Municipalities: The expense assumption is based on the expected expenses for the current year, as reported on the Act 205 forms.

M. Rationale for Assumptions: An experience study is completed every five years for the System. The assumptions outlined above were reviewed and adopted by the Board based on the most recent experience study for the period covering January 1, 2014 – December 31, 2018.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Methods:

Contribution requirements are individually determined for each participating municipality, on an actuarial basis as described below in the Funding of the Unfunded Actuarial Liability section, at least biennially. The frequency of the actuarial valuation is determined by applicable Commonwealth statute (Act 205 of 1984 and Act 293 of 1972). The following actuarial methods were adopted effective January 1, 1985, unless indicated otherwise.

Actuarial Value of Assets (AVA):

The AVA is the sum of all audited reserve accounts as of the valuation date, including Members', Municipal, Retired Members', Disability, and DROP Participants' Reserves, as provided in the December 31, 2023 ACFR, and a one-year administration expense reserve net of member assessments, plus any additional adjustments as made during the year by the Board of Trustees without reflecting any Excess Interest. In years where an excess interest distribution occurs, the following year's valuation will incorporate the updated information once the type and amount of distribution to each plan has been determined.

Each year, municipalities may receive an excess interest allocation derived as a portion of new surplus created during the prior year based on the current financial standing of the System. "Surplus" refers to the excess of fair market value over the AVA. Once the preliminary AVA has been determined, a formula is used to allocate the new surplus. Generally, depending on the relative size of surplus to fair market value, between 10 percent and 90 percent of the new surplus will become available for possible distribution as excess interest pending Board approval. If the entire excess interest allocation available is distributed, then the System's actuarial value of assets would not be less than 90 percent of fair market value.

The AVA is set equal to reserves under the System based on the unique legislative structure of PMRS. These reserves are increased annually at a set rate agreed on by the Board named "Regular Interest" as defined under the Pennsylvania Municipal Retirement Law. These assets do not relate directly or indirectly with the current market value of assets as required under Actuarial Standard of Practice Statement No. 44 which states under Section 3.3:

"...the actuary should select an asset valuation method that is designed to produce actuarial values of assets that bear a reasonable relationship to the corresponding market values. The qualities of such an asset valuation method include the following:

- a. The asset valuation method is likely to produce actuarial values of assets that are sometimes greater than and sometimes less than the corresponding market values.*
- b. The asset valuation method is likely to produce actuarial values of assets that, in the actuary's professional judgment, satisfy both of the following:*
 - 1. The asset values fall within a reasonable range around the corresponding market values. For example, there might be a corridor centered at market value, outside of which the actuarial value of assets may not fall, in order to assure that the difference from market value is not greater than the actuary deems reasonable.*

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

2. *Any differences between the actuarial value of assets and the market value are recognized within a reasonable period of time. For example, the actuary might use a method where the actuarial value of assets converges toward market value at a pace that the actuary deems reasonable, if the investment return assumption is realized in future periods.*

In lieu of satisfying both (1) and (2) above, an asset valuation method could satisfy section 3.3(b) if, in the actuary's professional judgment, the asset valuation method either (i) produces values within a sufficiently narrow range around market value or (ii) recognizes differences from market value in a sufficiently short period."

The administrative rules adopted by the PMRS Board in conjunction with Pennsylvania Municipal Retirement Law, which are not required to comply with Actuarial Standards of Practice (ASOP) when defining the Actuarial Value of Assets, do not necessarily meet the requirement of ASOP 44 Selection and Use of Asset Valuation Methods for Pension Valuations. The Actuarial Value of Assets provided within this report follow the Pennsylvania Municipal Retirement Law and the PMRS policy statement.

Actuarial Cost Method:

The Entry Age Normal Actuarial Cost Method was used for active employees, whereby the normal cost is computed as the level annual percentage of salary required to fund the retirement benefits between each member's date of hire and assumed retirement. Entry age is defined as attained age less credited service. The normal cost is based on taking the value, as of entry age into the plan, of each member's projected future benefits. This value is then divided by the value, also at entry age, of each member's expected future salary producing a normal cost rate as a percentage of salary. The normal cost rate is multiplied by current salary to determine each member's normal cost. If a plan provides for a Separate Member Annuity through required member contributions, this contribution rate is then added to the total normal cost rate to determine the final total normal cost rate. Within the MMO calculation, the normal cost is reduced by the member contribution to produce the employer normal cost to be paid.

The Actuarial Liability is the difference between the present value of future benefits and the present value of future normal cost. The Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Actuarial Value of Assets.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Funding of the Unfunded Actuarial Liability:

Actuarial gains (or losses), including the effect of contributions greater or less than the previously determined actuarial determined contribution, are reflected by decreases (or increases) in the unfunded actuarial liability. Under Act 205 of 1984, and updated by Act 44, the unfunded actuarial liability generated by the categories below for each plan is amortized as a level dollar amount over the lesser of:

- (a)
 - (i) 30 years, with respect to the initial liability as of 1/1/85 (or first valuation);
 - (ii) 20 years, with respect to actuarial gains and losses;
 - (iii) 15 years, with respect to changes due to actuarial assumptions;
 - (iv) 20 years, with respect to changes due to plan provisions (if state mandated);
 - (v) 10 years, with respect to changes in benefits for currently active members and 1 year for retired members (if local benefit changes); or
- (b) The average assumed working lifetime of active employees as of the date the liability was established. If there are no active employees, the unfunded liability is amortized one year after the liability was established.

With the two exceptions which follow, the funding method is applied individually with respect to each municipality:

- 1) Retired and disabled members are paid monthly benefits from the System's Retired Members' Reserve account, which at the time of retirement receives a transfer from the Municipal and Members' Reserve Accounts in an amount actuarially determined to be sufficient to pay all future benefits for the member (and, if applicable, a surviving beneficiary). Thus, post-retirement experience is pooled with the System.
- 2) A disabled member's pension is met in part from the amount that can be provided by the value of that portion of the member's accrued benefit attributable to municipal contributions, with the balance of the pension being provided by the appropriate transfer from the Disability Reserve Account. The amount of annual transfer from the accumulated municipal contributions to the Disability Reserve Account is determined on a one-year term cost basis, i.e., the expected cost of disabilities in the coming year.

If a plan is in a surplus position, then 10% of the surplus is credited against the aggregate cost of the plan.

Method to Roll Forward Liabilities:

The non-county defined benefit pension plans are valued explicitly every odd calendar year. The county plans are valued explicitly every even calendar year. Cash balance plans are valued every year for the active and terminated vested accounts while the retiree liabilities are explicitly valued every odd calendar year.

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JANUARY 1, 2024**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

In the off-valuation year, defined benefit plan liabilities are rolled forward using actual benefit payments and reflecting new retirements. These liabilities reflect any material changes that may have occurred since the prior actuarial valuation, such as new actuarial assumptions and material plan provision changes. When the retiree liabilities are explicitly calculated, the rolled forward active and deferred vested liabilities are proportionally adjusted based on the prior year liabilities net of liabilities attributable to participants in pay status.

Valuation Software:

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project 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.

Disclosures Regarding Models Used:

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies for the intended purpose of calculating liabilities and projected benefit payments. We have examined the reasonableness of the input data and assumptions, reviewed sample calculations for accuracy, reconciled the actuarial gain loss, and find the aggregate results reasonable and appropriate. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect this actuarial valuation.

The deterministic projections are based on our propriety model P-Scan developed by our firm that utilize the results shown in this valuation report. The model is also used to stress test the impact of volatile asset returns over the projection period. The projections assume continuation of the plan provisions and actuarial assumptions (other than projected returns on MVA where noted in Section I) in effect as of the valuation date and do not reflect the impact of any changes in benefits or actuarial assumptions that may be adopted after the valuation date. While the assumptions individually are reasonable for the underlying valuation that supports the projections, specifically for projection purposes, they are also considered reasonable in the aggregate. Additional assumptions are disclosed in the Projected Financial Trends of Section I to provide scenarios related to projected returns and distribution of excess interest.

Changes in Actuarial Assumptions and Methods:

There have been no changes in assumptions or methods this year.