DEPARTMENT OF DEFENSE
BOARD OF ACTUARIES
4800 MARK CENTER DRIVE, SUITE 03E25
ALEXANDRIA, VA 22350

August 30, 2024

MEMORANDUM FOR THE RECORD

SUBJECT: Minutes of the July 24, 2024, Meeting of the DoD Board of Actuaries

The Military Retirement Fund and Voluntary Separation Incentive Fund were discussed from 10:00 AM to 11:15 AM.

The Education Benefits Fund was discussed from 11:25 AM to 12:25 PM.

List of Attachments:

1 - Meeting agenda
2 - Complete list of attendees
3 - Meeting handouts
4 - Meeting transcript

We have reviewed and agree with the meeting minutes. Responsibility for the accuracy of each attachment resides with the organization that created it.

Marcia A. Dush

Marcia A. Dush, Chairperson
DoD Board of Actuaries

Inger M. Pettygrove

Inger M. Pettygrove
Designated Federal Officer

DEPARTMENT OF DEFENSE BOARD OF ACTUARIES MEETING MINUTES

July 24, 2024

Virtual Meeting

MILITARY RETIREMENT FUND/VOLUNTARY SEPARATION INCENTIVE FUND

HIGHLIGHTS/KEY BOARD DECISIONS

Miscellaneous: Commendation for Board Member

- Transcript Pages 6-13: On behalf of the Department, Jeff Register, Director of the Defense Human Resources Activity, presented the Office of the Secretary of Defense Medal for Exceptional Public Service to outgoing Chairperson Marcia Dush. The award noted her invaluable role in maintaining the actuarial soundness of the Military Retirement Fund, the Education Benefits Fund, and the Voluntary Separation Incentive Fund, as well as her genuine concern for the welfare of military members and their families.

Agenda Item 1: September 30, 2023, Valuation of the Military Retirement Fund

- Transcript Pages 14-17: Starting population and total annualized pay for active duty, selected drilling reservists, non-selected reservists, disabled retirees, nondisabled retirees, and survivors were presented to the Board.

- Transcript Pages 17-18: The present value of future benefits was $2.5597 trillion, the present value of future normal cost contributions was $430.1 billion, and the fund value was $1.4187 trillion. The Unfunded Accrued Liability (UFL) was $710.9 billion.

- Transcript Pages 18-21: The total change in UFL was a gain of $26.2 billion. Economic experience resulted in a loss of 25.0 billion, and new assumptions resulted in a gain of $51.7 billion.

- Transcript Pages 21-22: The Treasury's FY 2025 UFL amortization payment is $154.387 billion, and the normal cost payment is $24.633 billion. This results in a total October 1, 2024, Treasury payment of $179.020 billion. The Board passed a motion to approve the methods used to calculate the October 1, 2024, Treasury amortization payment.

Agenda Item 2: September 30, 2024, Valuation of the Military Retirement Fund, Proposed Methods and Assumptions

- Transcript Pages 23-35: The Board discussed how the valuation model assumes new purchases are invested in longer duration bonds. LTC Steve Pagoaga of the Investment Advisory Committee clarified that 80-90% of newer purchases are at the 30-year mark, whereas the average maturity of existing holdings is around 21 to 22 years.

- Transcript Pages 35-36: The Board approved long-term economic assumptions for the September 30, 2024, valuation of 4.00% nominal interest rate (no change from last year), 2.75% across-the-board salary increase (no change from last year), and 2.5% inflation (no change from last year).

- Transcript Pages 36-56: The Board approved the proposed VA Offset Parameters (decreased NCPs by 2.4% full-time, increased part-time NCP by 0.4%), Mortality Improvement Scales (increased full-time and part-time NCPs by 0.2%), New Entrant Distribution (decreased full-time NCP by 0.1%, increased part-time NCP by 0.4%), Disability Factors (increased NCPs by 0.1% full-time, 0.3% part-time), and Survivor Mortality Rates (increased full-time NCP by 0.1%, no change to part-time NCP).

- Transcript Pages 55-56: The Board approved FY 2026 DoD NCPs of 24.3% for full-time and 22.6% for part-time and estimated Treasury NCPs of 33.5% for full-time and 9.6% for part-time.

Agenda Item 3: September 30, 2023, VSI Fund Valuation, Proposed Methods and Assumptions

- Transcript Pages 56-64: The Board approved economic assumptions of 3.75% interest (1.0% increase from last year), 2.2% COLA (unchanged from last year), and 2.0% VA increase (1.0% increase from last year) leading to a January 1, 2026, amortization payment of $4.1 million.

EDUCATION BENEFITS FUND

HIGHLIGHTS/KEY BOARD DECISIONS

Agenda Item 4: Education Benefits Fund Overview

- Transcript Pages 65-75: Education benefit programs and their usage model were presented.

Agenda Item 5: September 30, 2023, Valuation Proposed Methods and Non-Economic Assumptions

- Transcript Pages 75-81: The Board approved simplifications to the Chapter 30 Kicker valuation model.
- Transcript Pages 82-89: The reconciliation between primary data sources from DFAS and DMDC file extracts was discussed. The large difference in kicker information was addressed. Kicker benefits used with Chapter 30 and Chapter 1606 were not recorded correctly by DMDC.
- Transcript Pages 90-91: The Board approved the model and methodology for data reconciliation and benefit usage for the September 30, 2023, valuation.

Agenda Item 6: September 30, 2023, Valuation Proposed Economic Assumptions

- Transcript Pages 91-94: The Board approved an interest rate assumption of 3.50% (0.75% increase from last year).
- Transcript Pages 93-94: The Board approved the continued use of the Blue Chip Financial Forecast to estimate the CPI for the Chapter 1606 basic benefit. This assumes a CPI assumption of 3.2% for FY 2025 and an ultimate CPI of 2.2%.

Agenda Item 7: September 30, 2023, Valuation of the Education Benefits Fund

- Transcript Pages 94-96: The Board approved the Chapter 30 Kicker amortization methodology resulting in no amortization payment on October 1, 2025.
- Transcript Pages 96-102: Per capita amounts for selected benefits of Chapter 30 kicker and Chapter 1606 were discussed. The fund was less than had been

projected due to contributions being less than expected as a result of recruiting struggles and benefits being greater than expected.

- Transcript Pages 102-105: The Board approved the 5-year amortization of the Chapter 1606 unfunded liability at a 3.5% interest rate, as well as the use of the surplus to offset normal costs. The amortization schedule results in an October 1, 2025, Air National Guard amortization payment of $4.21 million.

- Transcript Pages 108-110: The Board approved continued use of the Cat III methodology to determine October 1, 2024, costs (unchanged from last year). No payment is required for any of the services at this time.

ATTACHMENT 1

DEPARTMENT OF DEFENSE BOARD OF ACTUARIES MEETING AGENDA

Wednesday, July 24th, 2024
10:00 AM—1:00 PM EST
Back-up Dial-in: (410) 874-6749
Conference ID: 985 053 163#

MILITARY RETIREMENT FUND

1. September 30, 2023, Valuation of the Military Retirement Fund

   a. Starting population as of September 30, 2023 (Drew May, DoD Office of the Actuary)
   b. Actuarial status information as of September 30, 2023 (Drew May)
   c. Change in unfunded liability for FY 2023 (Drew May)
   d. October 1, 2024, Treasury amortization payment and normal cost payment* (Drew May)

2. September 30, 2024, Valuation of the Military Retirement Fund, Proposed Methods and Assumptions*

   a. Economic Assumptions – COLA, Interest Rate, and Across-the-Board Salary Increases (Phil Davis, DoD Office of the Actuary)

   b. Non-Economic Assumptions
      i. Overall impact (Drew May)
      ii. VA offset parameters (Jonathan Wong)
      iii. Mortality improvement factors (Jonathan Wong)
      iv. New entrant distribution (Austin Keib)
      v. Disability factors (Austin Keib)
      vi. Survivor mortality rates (Drew May)

VOLUNTARY SEPARATION INCENTIVE FUND

3. September 30, 2023, VSI Fund Valuation, Proposed Methods and Assumptions*

   a. Introduction (Jonathan Wong)
   b. Interest rate (Austin Keib)
   c. Valuation update and other Assumptions (Austin Keib)
   d. Unfunded liability amortization payments (Austin Keib)

<u>EDUCATION BENEFITS FUND</u> (approximate start time 11:00 AM)

4. Fund Overview (Phil Davis)

5. September 30, 2023, Valuation Proposed Methods and Non-Economic Assumptions* (Phil Davis and Richard Allen, DoD Office of the Actuary)

6. September 30, 2023, Valuation Proposed Economic Assumptions* (Austin Keib, DoD Office of the Actuary)

7. September 30, 2023, Valuation of the Education Benefits Fund

   a. Chapter 30 (Ethan Field, DoD Office of the Actuary)
   b. Chapter 1606 (Phil Davis)
   c. Category III (Richard Allen)

* Indicates Board approval required

ATTACHMENT 2

Department of Defense Board of Actuaries Meeting
Attendee List

Name	**Position or Office**
Marcia Dush	Chairperson
John Moore	Board Member
Mike Clark	Board Member
Pete Zouras	DoD Chief Actuary and Executive Secretary
Inger Pettygrove	OACT, DFO
Richard Allen	OACT
Qian Magee	OACT
Philip Davis	OACT
Drew May	OACT
Jonathan Wong	OACT
Ethan Field	OACT
Austin Keib	OACT
Tom Liuzzo	Advisor, Reserve Affairs
Peter Abraham	DMDC
David Rafferty	CBO
James Fasano	Advisor, Comptroller
Jonathan Poe	DFAS JJA
Donald E. Sutton, III	ARNG
Alicia Litts	OUSD (C)
Richard Virgile	USCG
Edith Smith	Military Survivor
Paul Dotto	OPM
Daniel Lee	OUSD (C)
Anita Chellaraj	OMB
Craig Graby	Korn Ferry Hay Group
Brittany Gladden	Army

Darlene Woodruff	Army
Danilo Mendoza	USCG
Montreville Holcombe	USCG
Matthew Goyette	DFAS JJA
Hattie DuBois	Advisor, General Counsel
Pete Rossi	GAO
Mary Webb	DFAS JBA
Ronald Garner	OUSD (P-R)
David Bryan	Army
Jeffrey Register	Director, DHRA
Neil Thompson	VA
Mark Phelan	OUSD (P-R)
Michael Green	Army
David Percich	OUSD (P-R)
Colleen Hartman	OUSD (C)
Scott Porter	Milliman
Annie Morgan	OMB
Marcella Giorgou	Milliman
Daenuka Muraleetharan	OMB
David Haldeman	Navy
Kelly Chestnut	CTR
Michelle Hoffman	DFAS JFB
Charlie Bentley	VBA
George Kolumbic	USCG
Gayla Cummings	Army
Michael Rosa	DMDC
Court Reporter	Guest

ATTACHMENT 3

Meeting Handouts for the
Department of Defense Board of Actuaries Meeting
(Military Retirement Fund, Education Benefits Fund, and VSI Fund)

DoD Board of Actuaries Legislative and Policy Update

Mr. Ron Garner

Assistant Director, Military Compensation Policy, Retired and Annuitant Pay

July 2024

Controlled by: OUSD(P&R)/ (MPP)
Unclassified
POC: (Mr. Ron Garner, 703-693-1059)

As of: 2 July 2024 (v1)

Agenda

- **Blended Retirement System Implementation**
  - **Current Status**
- **Recent/Pending Legislation**
  - **FY2024/25 National Defense Authorization Act**
- **Legislation Raised – Not Passed**
  - **Major Richard Star Act**
  - **Love Lives On Act**
- **2023 SBP Open Season Update**

Blended Retirement System

Blended Retirement System Update

- **In Service as of June 30, 2024:**

(number in parentheses shows increase/decrease since last update (2023))

	Full-Time	Part-Time	**Total**
Opted In	181,434 *(-22,707)*	120,267 *(-4018)*	**301,701** *(-26,725)*
Auto-Enrolled	738,831 *(+76,617)*	368,682 *(+51,549)*	**1,107,513** *(+128,166)*
Total In-Service Participants as of June 30, 2024			**1,409,214**
Net Increase Since June 30, 2023			**+101,441**

- **Lump Sum:**
  - Discount rate for CY25 will be 6.33% (+0.07% from CY24)
  - 2 Lump Sum takers to date (reservist)
  - CY23 LSDR review recommended no changes

Recent/Pending Legislation

FY 2024 National Defense Authorization Act

- **Basic Pay**
  - Pay raise was 5.2% (MRF Impact: MINIMAL)

FY 2024 National Defense Authorization Act

- **Basic Pay**
  - House
    - 4.5% across the board (MRF Impact: MINIMAL)
    - 15% targeted for junior enlisted (MRF Impact: SIGNIFICANT)
  - Senate
    - 4.5% across the board (MRF Impact: MINIMAL)
    - 1.0% targeted for junior enlisted (MRF Impact: MINIMAL)
- **Other**
  - House
    - Elimination of extraordinary heroism pay cap for Vietnam Era Army/AF (MRF Impact: MINIMAL)
  - Senate
    - Pay calculation for O-8s who serves as O-9/O-10 (MRF Impact: MINIMAL)
    - Extension of time for minor survivors to file death gratuity claims (MRF Impact: NONE)

Legislation Raised – Not Passed

- **Major Richard Star Act**
  - Full concurrent receipt of military retied pay and VA disability compensation for Chapter 61 retirees with less than 20 years of service and a combat-related disability
- **Love Lives On Act**
  - Continued SBP annuity for surviving spouses who remarry before age 55

2023 SBP Open Season

- Section 643 of the 2023 NDAA declared an open season enrollment and disenrollment period for SBP from 23 December 2022 to 1 January 2024.
- Statistics (as of June 5, 2024)
  - Total Enrollments: 1576
  - Total Disenrollments: 4895
  - Total Buy-in Premiums: $57M
  - Total Outstanding Buy-in Premiums: $20M

Military Retirement Fund Board of Actuaries Meeting

Defense Finance and Accounting Service

Jonathan Poe
Enterprise Accounting and Audit Support (EAAS)
Financial Reporting
July 22, 2024

AGENDA

- Overview
- Financial Data
- Fund Status

OVERVIEW

- Short Term Liquidity
  - ✓ Invested approximately $174.0B in October (Treas contrib $171.4B)
  - ✓ Inflows exceeding outflows
    - ✓ FY 2024 payments through May $51.9B
    - ✓ FY 2024 receipts through May $187.2B
    - ✓ FY 2024 overnights/cash as of May 31st $5.7B

- Long Term Liquidity
  - ✓ New investing for FY 2024
    - ✓ As of EOM May, $174.0B
    - ✓ Average to maturity for FY 24 investments is 21.6 years
  - ✓ Mix Ratio and Average to maturity (60-70% TIPS, 30-40% nominal and 15 years average to maturity)
  - ✓ FY 2025-2028 projected investments of $543.8B

Summary Financial Analysis

Year Ended September 30

(In Billions)

	FY 2023	FY 2022	% Change
Service Contributions	$28.1	$26.0	8%
Unfunded Liability Contribution	120.4	114.5	5%
Concurrent Receipts Contribution	10.6	10.6	0%
Interest Income	55.1	93.1	-41%
Total Revenue	$214.2	$244.2	-12%
Benefit Payments	$74.7	$71.5	4%
Total Expense	$74.7	$71.5	4%

Summary Financial Analysis

Year Ended September 30

(In Billions)

Interest Income

	FY 2023	FY 2022	$Change
Interest Revenue--Par	$25.5	$23.4	$2.1
Interest Revenue--Inflation	33.3	76.0	-$42.7
Interest Revenue--Discount	3.1	0.9	$2.2
Interest Revenue--Premium	-7.3	-7.2	-$0.1
	$54.6	$93.1	-$38.5

Military Retirement Fund
For the Year Ending September 30, 2023

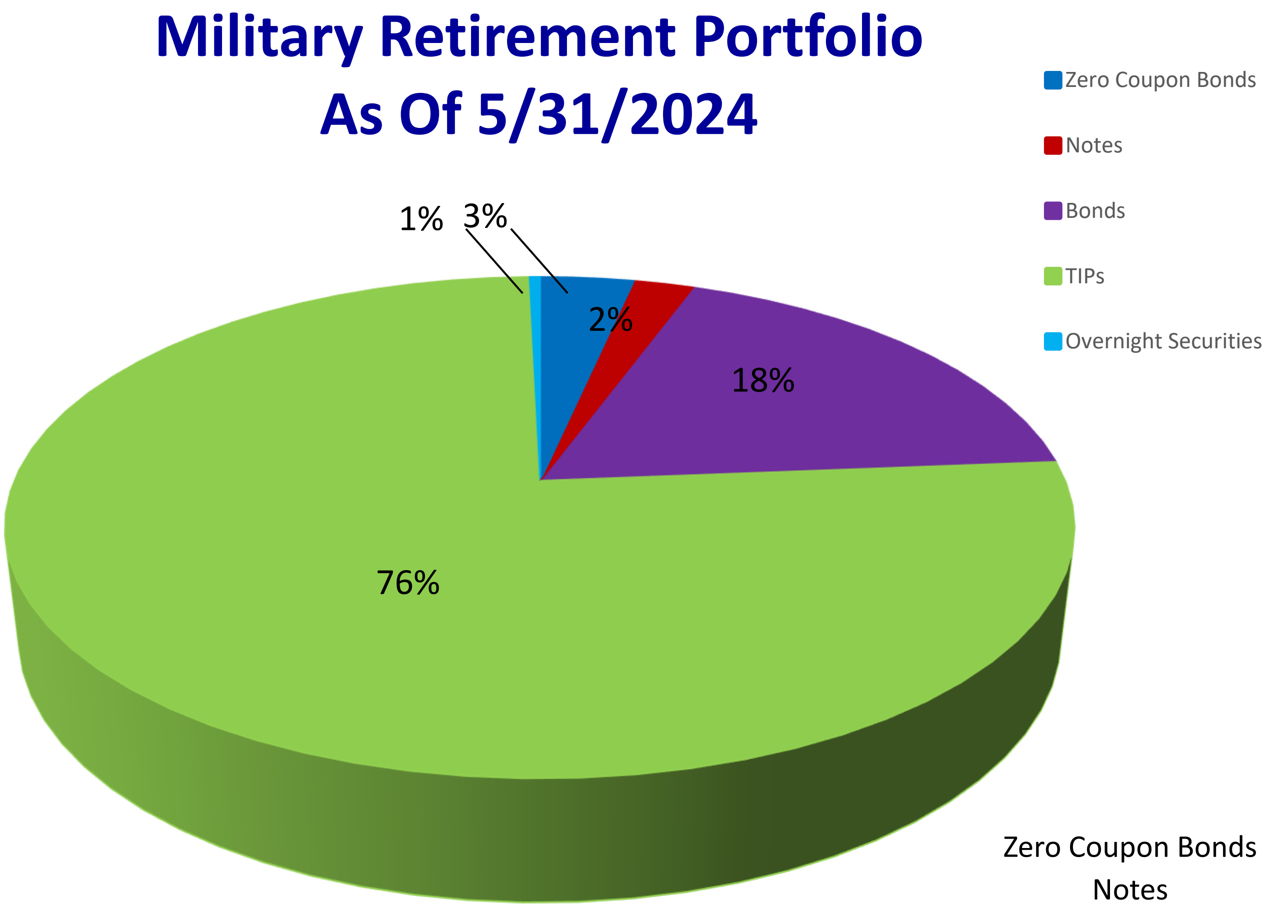
	(in millions)
Assets	
Fund Balance with Treasury	$708.3
Investments	
Overnight	$10,257.9
Long term	
Par	$1,064,694.4
Inflation purchased	$60,619.2
Inflation earned	$231,273.7
Premium outstanding	$84,984.0
Discount outstanding	-$41,670.8
Interest receivable	$6,923.4
Total Long Term Investments	$1,406,823.9
Total Investments	$1,417,081.8
Accounts Receivable, net	$882.9
Total Assets	$1,418,673.0
Liabilities	
Military Retirement and Other Federal Employment Benefits	
Benefits Payable to Beneficiaries	$432.2
Actuarial Liability	$2,616,041.0
Total Military and Other Federal Employment Benefits	$2,616,473.2
Other Liabilities	$3.0
Total Liabilities	$2,616,476.2
Net Position	
Cumulative Results of Operations	-$1,197,803.2
Total Liabilities and Net Position	$1,418,673.0

FINANCIAL DATA Updated

Effective Fund Yields

FY	Yield
2014	3.16%
2015	1.79%
2016	2.34%
2017	2.92%
2018	3.82%
2019	3.01%
2020	2.67%
2021	5.34%
2022	7.73%
2023	3.98%

FUNDAMENTALS STATUS



Zero Coupon Bonds	$46.0
Notes	$29.5
Bonds	$246.6
TIPs	$1,029.5
Overnight Securities	$5.2
Total (in Billions)	$1,356.8

FUND STATUS

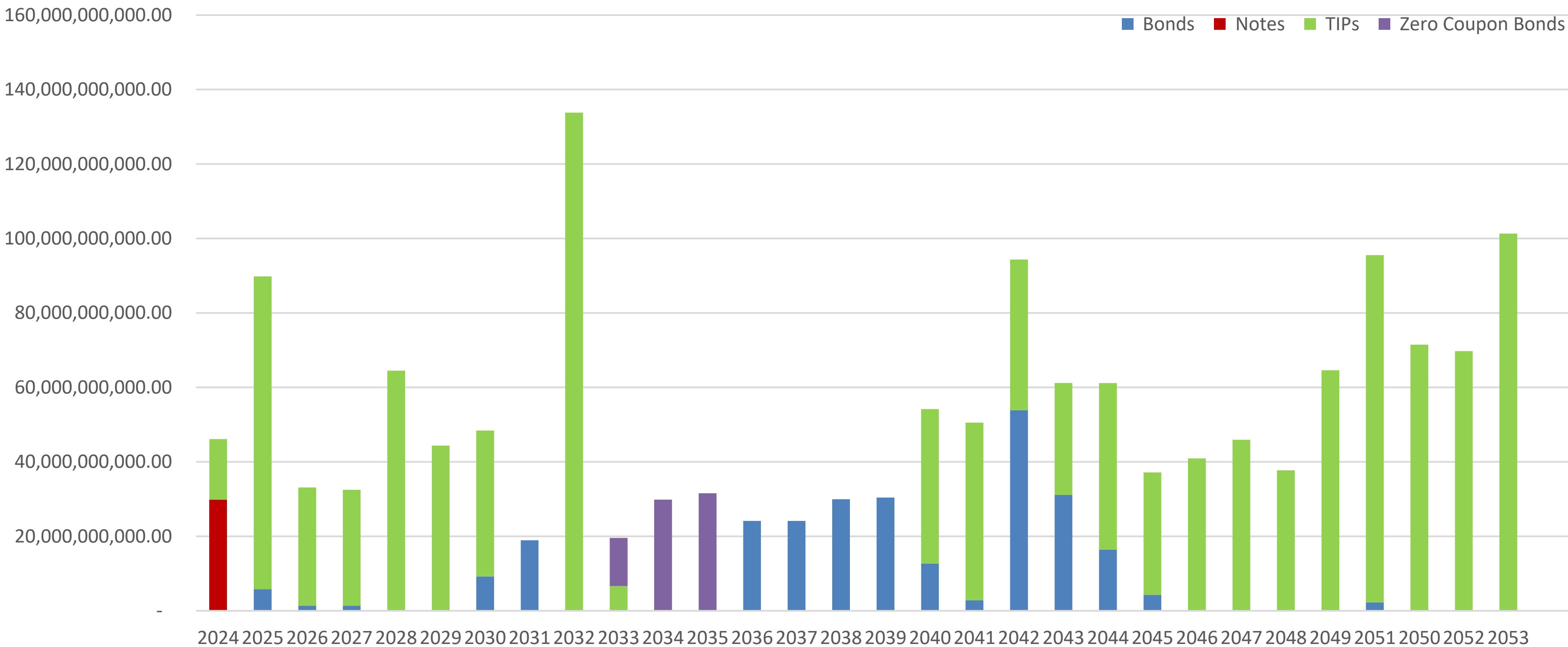
Security Description	Shares Par	Inflation Compensation	Book Value	Market Value
INTEREST ZCB 08/15/33	12,949,000,000.00	-	10,907,792,226.16	8,462,690,495.92
INTEREST ZCB 02/15/34	16,574,000,000.00	-	10,327,134,567.06	10,570,466,276.00
INTEREST ZCB 08/15/34	13,268,000,000.00	-	10,927,008,240.82	8,259,190,420.64
INTEREST ZCB 08/15/35	31,552,000,000.00		21,275,153,720.28	18,700,543,521.28
Zero Coupon Bond Total	**74,343,000,000.00**	**-**	**53,437,088,754.32**	**45,992,890,713.84**
MK BOND 1.875% 02/15/2051	2,233,238,900.08	-	2,025,191,281.53	1,277,831,383.14
MK BOND 2.500% 02/15/2045	4,280,660,325.79	-	4,072,683,721.59	3,005,826,172.52
MK BOND 2.750% 08/15/2042	13,725,197,672.68	-	10,142,176,599.51	10,392,548,112.78
MK BOND 2.750% 11/15/2042	30,591,584,611.59	-	26,606,518,188.45	23,077,526,641.37
MK BOND 3.000% 05/15/2042	6,695,039,147.53	-	6,876,014,445.49	5,289,080,926.55
MK BOND 3.125% 02/15/2042	2,864,461,876.61	-	3,020,776,171.29	2,314,843,254.04
MK BOND 3.125% 02/15/2043	3,349,775,799.13	-	3,522,624,917.80	2,674,586,614.62
MK BOND 3.125% 08/15/2044	13,149,549,324.21	-	10,125,097,440.30	10,363,488,561.14
MK BOND 3.125% 11/15/2041	2,818,271,057.13	-	2,954,180,957.41	2,286,322,395.10
MK BOND 3.500% 02/15/2039	6,039,034,048.35	-	6,141,360,141.87	5,357,755,519.77
MK BOND 3.625% 02/15/2044	3,321,324,845.08	-	3,764,932,023.40	2,838,694,828.53
MK BOND 3.625% 08/15/2043	27,751,381,194.62	-	25,243,913,234.04	23,779,464,761.14
MK BOND 4.250% 05/15/2039	6,479,267,826.79	-	7,437,456,875.56	6,244,394,368.07
MK BOND 4.250% 11/15/2040	5,520,767,853.28	-	6,617,901,256.89	5,261,981,860.16
MK BOND 4.375% 02/15/2038	25,572,851,817.21	-	29,114,948,116.76	25,197,250,556.14
MK BOND 4.375% 05/15/2040	4,793,071,508.45	-	5,813,659,923.60	4,656,768,537.43
MK BOND 4.375% 11/15/2039	6,831,664,626.58	-	7,970,195,499.22	6,656,603,220.52
MK BOND 4.500% 02/15/2036	24,127,295,618.01	-	28,745,710,672.01	24,270,551,435.74
MK BOND 4.500% 05/15/2038	4,396,913,844.83	-	5,148,439,424.70	4,380,425,417.91
MK BOND 4.500% 08/15/2039	11,047,121,094.16	-	12,026,882,528.00	10,933,197,657.88
MK BOND 4.625% 02/15/2040	2,399,775,551.83	-	3,013,509,567.04	2,402,025,341.41
MK BOND 4.750% 02/15/2037	9,697,894,474.30	-	11,441,849,514.97	9,949,433,612.23
MK BOND 5.000% 05/15/2037	14,449,874,166.16	-	15,824,866,977.63	15,176,883,460.14
MK BOND 5.375% 02/15/2031	18,948,966,774.83	-	23,781,399,629.47	19,931,944,426.27
MK BOND 6.000% 02/15/2026	1,400,000,000.00	-	1,472,242,424.18	1,422,750,000.00
MK BOND 6.250% 05/15/2030	9,225,255,976.51	-	11,025,261,602.68	10,032,465,874.45
MK BOND 6.625% 02/15/2027	1,400,000,000.00	-	1,522,796,564.17	1,468,687,500.00
MK BOND 6.875% 08/15/2025	3,800,000,000.00		4,046,131,889.46	3,884,312,500.00
MK BOND 7.625% 02/15/2025	2,000,000,000.00		2,091,601,624.16	2,033,125,000.00
Bond Total	**268,910,239,935.74**	**-**	**281,590,323,213.18**	**246,560,769,939.05**

FUND STATUS cont.

Security Description	Shares Par	Inflation Compensation	Book Value	Market Value
MK NOTE 0.375% 08/15/2024	8,356,277,142.29	-	8,278,464,310.17	8,272,714,370.87
MK NOTE 0.375% 09/15/2024	21,479,417,103.80	-	21,269,728,406.55	21,177,362,800.78
Note Total	**29,835,694,246.09**	**-**	**29,548,192,716.72**	**29,450,077,171.65**
MK TIPS 0.125% 01/15/2030	32,292,714,800.06	6,901,276,079.92	40,678,598,664.84	35,078,621,837.58
MK TIPS 0.125% 02/15/2051	77,794,558,985.50	15,513,013,007.30	100,966,546,413.53	53,243,633,268.39
MK TIPS 0.125% 02/15/2052	62,154,343,965.27	7,567,291,377.77	49,259,331,297.43	39,022,327,781.06
MK TIPS 0.125% 07/15/2024	12,384,186,897.41	3,902,381,133.24	16,262,709,810.10	16,261,120,268.10
MK TIPS 0.250% 02/15/2050	58,854,771,145.64	12,630,233,887.85	80,814,438,928.12	43,114,393,660.83
MK TIPS 0.625% 02/15/2043	22,156,985,598.00	7,936,853,811.06	27,805,012,634.36	22,448,123,334.20
MK TIPS 0.750% 02/15/2042	29,278,329,999.00	11,182,858,143.12	39,854,387,850.39	31,382,709,052.73
MK TIPS 0.750% 02/15/2045	24,791,139,787.00	8,083,894,861.75	32,514,615,360.98	24,430,260,123.35
MK TIPS 0.875% 02/15/2047	35,491,724,098.11	10,420,725,112.45	45,477,125,935.31	34,133,036,459.97
MK TIPS 1.000% 02/15/2046	31,047,295,342.32	9,869,624,716.36	42,567,729,097.56	31,646,680,357.89
MK TIPS 1.000% 02/15/2048	29,787,977,975.60	7,932,836,414.68	37,431,659,055.76	28,573,516,900.64
MK TIPS 1.000% 02/15/2049	52,067,680,448.21	12,545,707,604.00	70,625,968,296.98	48,621,574,509.29
MK TIPS 1.125% 01/15/2033	1,045,800,093.45	50,522,602.51	1,062,649,062.80	1,007,931,678.60
MK TIPS 1.375% 02/15/2044	33,333,101,942.39	11,328,588,026.14	45,895,340,347.05	38,046,177,141.94
MK TIPS 1.375% 07/15/2033	5,393,376,391.00	151,985,346.70	5,155,844,161.99	5,205,708,331.26
MK TIPS 1.500% 02/15/2053	96,453,584,154.74	4,871,870,535.66	83,657,302,696.01	84,353,441,029.75
MK TIPS 1.750% 01/15/2028	7,000,000,000.00	3,433,920,000.00	11,032,617,247.08	10,238,284,000.00
MK TIPS 2.000% 01/15/2026	20,167,675,000.00	11,562,329,754.25	32,019,330,334.08	31,353,210,947.79
MK TIPS 2.125% 02/15/2040	28,691,811,638.98	12,760,683,226.44	47,066,516,611.28	40,778,891,823.85
MK TIPS 2.125% 02/15/2041	33,452,277,019.97	14,248,662,873.88	54,739,821,036.12	46,925,799,620.58
MK TIPS 2.375% 01/15/2025	50,700,000,000.00	33,290,634,000.00	85,054,471,017.51	83,413,198,391.25
MK TIPS 2.375% 01/15/2027	20,071,880,000.00	11,008,422,586.00	31,635,942,216.58	31,031,739,613.21
MK TIPS 2.500% 01/15/2029	7,000,000,000.00	3,181,080,000.00	11,180,704,773.61	10,321,069,850.00
MK TIPS 3.375% 04/15/2032	76,051,206,552.50	57,741,878,574.99	142,810,896,417.90	145,332,738,719.73
MK TIPS 3.625% 04/15/2028	28,000,000,000.00	26,058,760,000.00	56,017,636,427.91	56,694,124,550.00
MK TIPS 3.875% 04/15/2029	18,000,000,000.00	16,191,180,000.00	36,146,368,808.65	36,819,626,962.50
TIPS Total	**893,462,421,835.15**	**320,367,213,676.07**	**1,227,733,564,503.93**	**1,029,477,940,214.49**
ONE DAY 5.380% 06/03/2024	**5,204,559,596.65**	**-**	**5,204,559,596.65**	**5,204,559,596.65**
Total Portfolio	**1,271,755,915,613.63**	**320,367,213,676.07**	**1,597,513,728,784.80**	**1,356,686,237,635.68**

FUND STATUS

MRF Maturities
As of May 31, 2024



24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53
46.1	89.8	33.1	32.5	64.5	44.4	48.4	18.9	133.8	17.5	21.3	21.3	24.1	24.1	30.0	30.4	54.1	50.5	94.3	61.2	61.1	37.2	40.9	45.9	37.7	64.6	95.5	71.5	74.2	101.3

QUESTIONS

DoD Board of Actuaries Meeting Objectives

Military Retirement Fund

1. Review and approve the September 30, 2023, closed group valuation results and amortization schedule
    a. Population as of September 30, 2023
    b. Actuarial status information as of September 30, 2023
    c. Change in unfunded liability for FY 2023
    d. October 1, 2024, Treasury amortization payment and normal cost payment
        - These amounts will be sent in a letter to the Secretary of Defense

2. Set the long-term economic assumptions for the September 30, 2024, valuation and FY 2026 Normal Cost Percentages (NCPs)
    a. COLA
    b. Interest Rate
    c. Salary

3. Review and approve proposed non-economic actuarial assumptions for the September 30, 2024, valuation and FY 2026 NCPs
    a. VA offset parameters
    b. Mortality improvement scales
    c. New entrant distribution
    d. Disability factors
    e. Survivor mortality rates

4. Set FY 2026 DoD NCPs. The NCPs will be sent in a letter to the DoD Comptroller and the Secretary of Homeland Security (Coast Guard)

Voluntary Separation Incentive Fund

5. Review and approve September 30, 2023, VSI valuation

Education Benefits Fund

6. Review and approve actuarial methods and assumptions needed for September 30, 2023, actuarial valuation, including proposed model changes. The education benefit programs funded by the EBF are:
    a. Chapter 30 Kicker Benefits
    b. Chapter 1606 Basic & Kicker Benefits
    c. Category III Benefits

7. Review the actuarial liability as of September 30, 2023, for each of the benefit plans by active duty and reserve service component, including the Coast Guard.

8. Set FY 2026 per capita contribution amounts and October 1, 2025, amortization payments for each of these benefit plans by active duty contract length and reserve component. These amounts will be sent in letters to the Secretary of Defense, DoD Comptroller, and the Secretary of Homeland Security (Coast Guard).

INITIAL ACCOUNTING FIGURES AS OF SEPTEMBER 30
($ in billions)

	2023	2022
Total Active Duty and FTS	1,402,290	1,433,234
Total Annualized Basic Pay	$74.13	$71.98
Non-BRS	613,718	685,998
Total Annualized Basic Pay	$42.88	$44.24
BRS	788,572	747,236
Total Annualized Basic Pay	$31.25	$27.74
Total Selected Drilling Reservists	675,047	681,979
Total Annualized Basic Pay	$9.05	$8.62
Non-BRS	343,744	385,823
Total Annualized Basic Pay	$5.86	$5.98
BRS	331,303	296,156
Total Annualized Basic Pay	$3.19	$2.63
Total Non-Selected Reservists (with 20 years)	173,902	180,712
Total Annualized Basic Pay	-N/A-	-N/A-
Total Number of Non-disabled Retirees	1,914,874	1,907,227
Total Annualized Retired Pay	$67.97	$62.13
Total Number of Disabled Retirees	138,359	136,468
Total Annualized Retired Pay	$2.49	$2.23
Total Number of Survivors	312,532	319,238
Total Annualized Survivor Annuities	$5.23	$4.91

MILITARY RETIREMENT SYSTEM
ACTUARIAL STATUS INFORMATION

($ in billions)

	9/30/23	9/30/22	Difference	
1. Present Value of Future Benefits (PVFB)				
a. Retirees and Survivors	$1,396.3	$1,372.1	$24.2	2%
b. Reserves	$244.5	$248.3	($3.8)	-2%
c. Active Duty	$918.9	$906.5	$12.4	1%
TOTAL	$2,559.7	$2,526.8	$32.9	1%
2. Present Value of Future Normal Cost Contributions (PVFNC)[1]	$430.1	$418.4	$11.7	3%
3. Actuarial Accrued Liability (1 - 2)	$2,129.6	$2,108.4	$21.2	1%
4. Actuarial Value of Assets[2]	$1,418.7	$1,279.1	$139.6	11%
5. Unfunded Accrued Liability (3 - 4)	$710.9	$829.3	($118.4)	-14%
6. Valuation DoD Normal Cost Percentage (NCP)	FY 2024	FY 2023		
a. Full-time	26.8%	30.1%		-3.3%
b. Part-time	21.6%	23.1%		-1.5%
7. Implemented DoD Normal Cost Percentage, Applied to Basic Pay in Fiscal Year[3]	FY 2025	FY 2024		
a. Full-time	26.6%	30.0%		-3.4%
b. Part-time	21.5%	23.1%		-1.6%
8. Implemented Treasury Normal Cost Percentage, Applied to Basic Pay in Fiscal Year[4]	FY 2025	FY 2024		
a. Full-time	30.8%	27.9%		2.9%
b. Part-time	9.8%	8.5%		1.3%

[1] 9/30/23 PVFNC reflects a reduction of $1,798.859 million due to sequestration of the 10/1/2023 Treasury Concurrent Receipt normal cost contribution. The 9/30/22 PVFNC reflects a reduction of $960.559 million due to sequestration of the prior Treasury Concurrent Receipt normal cost contribution.

[2] The following is a reconciliation of assets during FY23 ($ in billions):

	PLUS				MINUS	
Beg. of Year	DoD Accrual	Contributions Treas. Accrual	Unfund. Liab.	Int. Income	Fund Disb.	End of Year
$1,279.1	$28.1	$10.6	$120.4	$55.1	$74.7	$1,418.7

[3] Line 7 may differ from Line 6 in the portion of military personnel assumed to be under the Final Pay, Hi-3, REDUX, and Blended Retirement System retirement benefit formulas.

[4] Line 8 refers to the increase in the normal cost due to concurrent receipt benefits, which is paid by Treasury.

NOTE: Some figures may not add precisely due to rounding.

* The data and assumptions supporting this handout are to be summarized in the DoD Office of the Actuary's September 30, 2023, Valuation of the Military Retirement System.

Long-Term Economic Assumptions

9/30/23 Val	**9/30/22 Val**
COLA (2.50%)	COLA (2.50%)
Salary (2.75%)	Salary (2.75%)
Interest (4.00%)	Interest (4.00%)

9/30/2023 CHANGE IN UNFUNDED LIABILITY

($ in billions)

(A Negative Change Indicates a Gain and
A Positive Change Indicates a Loss)

1. 9/30/22 Unfunded Liability	$829.3		
2. 10/01/22 Amortization Payment on Unfunded Liability	$120.4		
3. Interest Assumption	1.0400		
4. Expected Unfunded Liability on 9/30/23 (1 - 2) X 3	$737.2		
5. Actual Unfunded Liability	$710.9		
6. Total Change in Unfunded Liability (5 - 4)	**-$26.2**	-1.2%	
A. Total Experience (gain) loss	**$23.7**	1.1%	
1. COLA, Salary, and Interest	$25.0	1.2%	
a. Interest[1]:	$2.7	0.1%	--> 0.2%
b. Salary[2]:	$12.7	0.6%	
c. COLA[3]:	$9.6	0.5%	
2. Noneconomic Experience[4]:	-$1.3	-0.1%	
B. 10/1/23 unpaid contribution[5]:	**$1.8**	0.1%	
C. Total benefit change (gain) loss:	**$0.0**	0.0%	
D. Total assumption change (gain) loss	**-$51.7**	-2.4%	
1. Mortality Improvement Scales	-$33.8	-1.6%	
2. Reserve Rates	-$16.8	-0.8%	
3. SBP Parameters	-$1.4	-0.1%	
4. Disability Rates	$0.4	0.0%	

(Percentages shown are ratios of values of each gain or loss component to the accrued liability; the ratio of the interest gain to the actuarial value of assets is shown as well).

[1] Valuation assumption: 4.00% investment return; FY23 dollar-weighted fund yield: 3.98%
Also includes the experience due to benefit payments and normal cost contributions different than expected.

[2] Valuation assumption: 2.75% long-term salary; 1/1/24 across-the-board pay increase: 5.2%

[3] Valuation assumption: 2.50% long-term COLA; 1/1/24 COLA: 3.2%

[4] (Gains)/losses as a percent of liability for each population are as follows:
Active (-0.9%), Reserves (2.3%), Retiree (-0.1%), Survivor (1.2%)

[5] Loss due to $1,798.859 million sequestration (reduction) to the 10/1/2023 Treasury Concurrent Receipt normal cost contribution.

NOTE: Some figures may not add precisely due to rounding.

* The data and assumptions supporting this handout are to be summarized in the DoD Office of the Actuary's September 30, 2023, valuation of the Military Retirement System.

TOTAL TREASURY PAYMENT

($ in billions)

	October 1, 2024	October 1, 2023
1. Amortization Payment for:		
a. Initial Unfunded Liability[1]	$111.282	$108.303
b. Initial Unfunded Liability for Coast Guard	$21.530	$20.953
c. Benefits Changes	$7.861	$7.768
d. Actuarial Assumptions	$18.514	$21.608
e. Actuarial Experience	($6.671)	($8.110)
f. Prior year unpaid contribution[2]	$1.871	$0.999
Total amortization payment	**$154.387**	**$151.521**
2. Normal Cost payment[3]	**$24.633**	**$19.874**
3. Total Treasury payment	**$179.020**	**$171.395**

[1] The remaining amortization period for 1a. and 1b is 2 years. The remaining amortization period for 1.c through 1.e is 17.7 years.

Amortizations are scheduled to increase as a percent of the long-term salary increase assumption.

[2] Prior year unpaid contribution of $1.871 billion is due to 8.3% sequestration of the 10/1/2023 Treasury Concurrent Receipt normal cost contribution ($1.871 billion is equal to $1.799 billion plus one year of interest at the assumed rate of 4.00%). It is treated as an actuarial experience loss, and amortized over one year.

[3] Treasury contribution to pay for Concurrent Receipt benefits. The 10/1/2023 normal cost payment of $19.874 billion is net of the $1.799 billion sequestration reduction. The 10/1/2024 normal cost payment of $24.633 billion does not reflect an expected sequestration reduction.

NOTE:

Some figures may not add precisely due to rounding.
The data and assumptions supporting the October 1, 2024, payment are to be summarized in the DoD Office of the Actuary's September 30, 2023, Valuation of the Military Retirement System report. Support for the prior year's payment is summarized in the September 30, 2022, valuation report.

Economic Assumptions – At A Glance (Page 1 of 2)

Other Systems Current Economic Assumptions in Nominal and Real Terms

Economic Assumption - Nominal Terms	MRF Current 2023	OPM 2024	SSA OASDI Trustees Report 2024			MRF Financial Statements 2023	CBO Inflation and 10-Yr Treas. Note 2024	Blue Chip Consensus Inflation and 10-Yr Treas. Note 2023
			Low Cost	Intermediate	High Cost			
Reference Date	7/14/2023	5/17/2024	5/6/2024	5/6/2024	5/6/2024	9/1/2023	2/1/2024	12/1/2023
Rate Projection Period	75-100 Yrs Forward	75-100 Yrs Forward	Inf: '24 to '97 Sal: '32 to '97 Int: '32 to '97	Inf: '24 to '97 Sal: '32 to '97 Int: '32 to '97	Inf: '24 to '97 Sal: '32 to '97 Int: '32 to '97	10-Yr Look Back	2030 to 2034	2030 to 2034
Inflation	2.50%	2.40%	3.00%	2.40%	1.80%	2.60%	2.30%	2.20%
Salary	2.75%	2.65%	4.79%	3.56%	2.34%	2.60%	---	---
Interest Rate	4.00%	4.00%	5.80%	4.70%	3.60%	2.90%	4.10%	3.90%

Notes:

(1) **MRF securities are purchased at market, but valued at book.** TIPS are valued at experienced inflation rates to date.

(2) "Salary" refers to Across-The-Board Pay Increase for MRF and OPM, but Total Wage Increase for SSA.
Total Wage Increase for SSA = productivity growth + hours growth + earnings growth + CPI adjusted for substitution

(3) Inflation assumptions for MRF, OPM, and SSA are CPI-W, all other are CPI-U (including Blue Chip).

(4) Above reference dates refer to when the projection and underlying assumptions were adopted.

(5) 'MRF Financial Statements' refers to economic assumptions prescribed by Statement of Federal Financial Accounting Standards (SFFAS) No. 33.

(6) SSA Note that a higher price inflation rate results in faster earnings and revenue growth immediately, while the resulting added growth in benefit levels occurs with a delay, causing an overall improvement in the actuarial balance. Similarly, a lower price inflation rate causes an overall decline in the actuarial balance.

Economic Assumptions – At A Glance (Page 2 of 2)

Economic Assumption - Real Terms	MRF Current 2023	OPM 2024	SSA OASDI Trustees Report 2024		
			Low Cost	Intermediate	High Cost
Reference Date	**7/14/2023**	**5/17/2024**	**5/6/2024**	**5/6/2024**	**5/6/2024**
Rate Projection Period	**75-100 Yrs Forward**	**75-100 Yrs Forward**	**Inf: '24 to '97 Sal: '32 to '97 Int: '32 to '97**	**Inf: '24 to '97 Sal: '32 to '97 Int: '32 to '97**	**Inf: '24 to '97 Sal: '32 to '97 Int: '32 to '97**
Salary (Real)	0.25%	0.25%	1.79%	1.16%	0.54%
Interest Rate (Real)	1.50%	1.60%	2.80%	2.30%	1.80%

Economic Assumption - Real Terms	MRF Financial Statements 2023	CBO Inflation and 10-Yr Treas. Note 2024	Blue Chip Consensus Inflation and 10-Yr Treas. Note 2023
Reference Date	**9/1/2023**	**2/1/2024**	**12/1/2023**
Rate Projection Period	**10-Yr Look Back**	**10 Yrs Forward**	**10 Yrs Forward**
Salary (Real)	0.00%	---	---
Interest Rate (Real)	0.30%	1.80%	1.70%

Blue Chip L-T Index	Year				
	Dec 2023	**Dec 2022**	**Jun 2022**	**Dec 2021**	**Jun 2021**
Projection Period	**10 Yrs**	**10 Yrs**	**10 Yrs**	**10 Yrs**	**10 Yrs**
CPI	**2.20%**	**2.10%**	**2.30%**	**2.20%**	**2.20%**
30-Year Treasury	**3.90%**	**4.00%**	**3.90%**	**3.80%**	**3.90%**
Real Return	1.70%	1.90%	1.60%	1.60%	1.70%

Long-Range Survey:

The table below contains the results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are consensus estimates for the years 2025 through 2029 and averages for the five-year periods 2025-2029 and 2030-2034. Apply these projections cautiously. Few if any economic, demographic and political forces can be evaluated accurately over such long time spans.

		Average For The Year					Five-Year Averages	
		2025	2026	2027	2028	2029	2025-2029	2030-2034
1. Federal Funds Rate	CONSENSUS	**3.8**	**3.2**	**3.1**	**3.0**	**3.0**	**3.2**	**3.0**
	Top 10 Average	4.3	3.6	3.6	3.5	3.5	3.7	3.5
	Bottom 10 Average	3.3	2.7	2.6	2.6	2.5	2.7	2.5
2. Prime Rate	CONSENSUS	**6.9**	**6.3**	**6.2**	**6.2**	**6.2**	**6.3**	**6.1**
	Top 10 Average	7.3	6.7	6.7	6.6	6.6	6.8	6.6
	Bottom 10 Average	6.5	5.9	5.7	5.7	5.7	5.9	5.6
3. SOFR	CONSENSUS	**3.8**	**3.2**	**3.1**	**3.1**	**3.1**	**3.3**	**3.0**
	Top 10 Average	4.1	3.6	3.5	3.5	3.4	3.6	3.4
	Bottom 10 Average	3.4	2.9	2.7	2.7	2.6	2.9	2.6
4. Commercial Paper, 1-Mo	CONSENSUS	**3.7**	**3.2**	**3.2**	**3.2**	**3.1**	**3.3**	**3.1**
	Top 10 Average	3.9	3.5	3.4	3.4	3.4	3.5	3.4
	Bottom 10 Average	3.5	2.9	2.8	2.8	2.8	3.0	2.7
5. Treasury Bill Yield, 3-Mo	CONSENSUS	**3.7**	**3.2**	**3.1**	**3.0**	**3.0**	**3.2**	**3.0**
	Top 10 Average	4.1	3.6	3.6	3.5	3.5	3.7	3.5
	Bottom 10 Average	3.2	2.7	2.6	2.5	2.5	2.7	2.4
6. Treasury Bill Yield, 6-Mo	CONSENSUS	**3.7**	**3.3**	**3.2**	**3.2**	**3.1**	**3.3**	**3.1**
	Top 10 Average	4.1	3.7	3.6	3.6	3.6	3.7	3.6
	Bottom 10 Average	3.4	2.9	2.8	2.7	2.7	2.9	2.7
7. Treasury Bill Yield, 1-Yr	CONSENSUS	**3.7**	**3.4**	**3.3**	**3.3**	**3.2**	**3.4**	**3.2**
	Top 10 Average	4.1	3.8	3.7	3.7	3.7	3.8	3.7
	Bottom 10 Average	3.3	3.0	2.9	2.8	2.8	3.0	2.8
8. Treasury Note Yield, 2-Yr	CONSENSUS	**3.7**	**3.5**	**3.4**	**3.4**	**3.4**	**3.5**	**3.4**
	Top 10 Average	4.1	3.9	3.9	3.9	3.9	3.9	3.9
	Bottom 10 Average	3.3	3.1	3.0	2.9	2.9	3.0	2.9
9. Treasury Note Yield, 5-Yr	CONSENSUS	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**
	Top 10 Average	4.1	4.1	4.2	4.2	4.3	4.2	4.3
	Bottom 10 Average	3.3	3.2	3.2	3.1	3.1	3.2	3.1
10. Treasury Note Yield, 10-Yr	CONSENSUS	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**
	Top 10 Average	4.3	4.4	4.5	4.5	4.5	4.4	4.5
	Bottom 10 Average	3.5	3.3	3.3	3.3	3.3	3.3	3.3
11. Treasury Bond Yield, 30-Yr	CONSENSUS	**4.1**	**4.1**	**4.1**	**4.2**	**4.2**	**4.1**	**4.2**
	Top 10 Average	4.5	4.6	4.7	4.7	4.7	4.6	4.8
	Bottom 10 Average	3.8	3.6	3.6	3.6	3.6	3.7	3.6
12. Corporate Aaa Bond Yield	CONSENSUS	**5.0**	**4.9**	**4.9**	**5.0**	**5.0**	**4.9**	**5.0**
	Top 10 Average	5.3	5.3	5.4	5.5	5.5	5.4	5.5
	Bottom 10 Average	4.6	4.5	4.5	4.5	4.5	4.5	4.4
13. Corporate Baa Bond Yield	CONSENSUS	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**
	Top 10 Average	6.4	6.4	6.5	6.6	6.6	6.5	6.6
	Bottom 10 Average	5.7	5.5	5.5	5.6	5.6	5.6	5.6
14. State & Local Bonds Yield	CONSENSUS	**4.3**	**4.3**	**4.3**	**4.3**	**4.3**	**4.3**	**4.3**
	Top 10 Average	4.6	4.7	4.7	4.8	4.8	4.7	4.9
	Bottom 10 Average	4.0	3.8	3.9	3.9	3.8	3.9	3.8
15. Home Mortgage Rate	CONSENSUS	**6.2**	**5.9**	**5.9**	**5.9**	**5.9**	**5.9**	**5.8**
	Top 10 Average	6.6	6.4	6.4	6.5	6.5	6.5	6.5
	Bottom 10 Average	5.7	5.5	5.4	5.3	5.2	5.4	5.2
A. Fed's AFE Nominal $ Index	CONSENSUS	**114.1**	**113.0**	**113.1**	**113.2**	**112.8**	**113.2**	**112.3**
	Top 10 Average	116.0	115.5	115.9	116.5	116.2	116.0	115.7
	Bottom 10 Average	111.8	110.4	110.1	109.6	109.1	110.2	108.5

		Year-Over-Year, % Change					Five-Year Averages	
		2025	2026	2027	2028	2029	2025-2029	2030-2034
B. Real GDP	CONSENSUS	**1.6**	**2.1**	**2.1**	**2.0**	**2.0**	**1.9**	**2.0**
	Top 10 Average	2.1	2.4	2.4	2.3	2.3	2.3	2.3
	Bottom 10 Average	1.1	1.8	1.8	1.7	1.7	1.6	1.7
C. GDP Chained Price Index	CONSENSUS	**2.2**	**2.2**	**2.1**	**2.1**	**2.2**	**2.2**	**2.2**
	Top 10 Average	2.5	2.3	2.3	2.3	2.3	2.3	2.3
	Bottom 10 Average	2.0	2.0	2.0	2.0	2.0	2.0	2.0
D. Consumer Price Index	CONSENSUS	**2.3**	**2.2**	**2.2**	**2.2**	**2.2**	**2.2**	**2.2**
	Top 10 Average	2.5	2.4	2.4	2.4	2.4	2.4	2.4
	Bottom 10 Average	2.1	2.1	2.0	2.0	2.0	2.0	2.0
E. PCE Price Index	CONSENSUS	**2.2**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**
	Top 10 Average	2.3	2.3	2.2	2.2	2.2	2.2	2.3
	Bottom 10 Average	2.0	2.0	1.9	1.9	2.0	1.9	2.0

MRF Fund Yield Projection
BASED ON 2024 SOCIAL SECURITY (SSA) - INTERMEDIATE ASSUMPTIONS

FY	Inflation	Real Fund Yield*	Nominal Fund Yield	New Invests** (Cumulative)	New Invests (Annual)
2024	2.76%	0.91%	3.67%	4.60%	4.60%
2025	2.32%	1.42%	3.74%	4.34%	4.20%
2026	2.40%	1.36%	3.76%	4.23%	4.10%
2027	2.40%	1.36%	3.76%	4.19%	4.10%
2028	2.40%	1.36%	3.76%	4.16%	4.10%
2029	2.40%	1.37%	3.77%	4.15%	4.10%
2030	2.40%	1.41%	3.81%	4.12%	4.00%
2031	2.40%	1.43%	3.83%	4.10%	4.00%
2032	2.40%	1.42%	3.82%	4.10%	4.10%
2033	2.40%	1.43%	3.83%	4.10%	4.10%
2034	2.40%	1.46%	3.86%	4.14%	4.40%
2035	2.40%	1.50%	3.90%	4.20%	4.70%
2036	2.40%	1.56%	3.96%	4.27%	4.70%
2037	2.40%	1.60%	4.00%	4.31%	4.70%
2038	2.40%	1.65%	4.05%	4.36%	4.70%
2039	2.40%	1.69%	4.09%	4.39%	4.70%
2040	2.40%	1.74%	4.14%	4.42%	4.70%
2041	2.40%	1.79%	4.19%	4.44%	4.70%
2042	2.40%	1.83%	4.23%	4.47%	4.70%
2043	2.40%	1.86%	4.26%	4.49%	4.70%
2044	2.40%	1.89%	4.29%	4.51%	4.70%
2045	2.40%	1.92%	4.32%	4.52%	4.70%
2046	2.40%	1.95%	4.35%	4.53%	4.70%
2047	2.40%	1.98%	4.38%	4.55%	4.70%
2048	2.40%	2.01%	4.41%	4.56%	4.70%
2049	2.40%	2.05%	4.45%	4.57%	4.70%
2050	2.40%	2.11%	4.51%	4.57%	4.70%
2051	2.40%	2.18%	4.58%	4.58%	4.70%
2052	2.40%	2.20%	4.60%	4.59%	4.70%
2053	2.40%	2.20%	4.60%	4.60%	4.70%
2054	2.40%	2.20%	4.60%	4.60%	4.70%
2055	2.40%	2.21%	4.61%	4.61%	4.70%
2056	2.40%	2.21%	4.61%	4.61%	4.70%
2057	2.40%	2.22%	4.62%	4.62%	4.70%
2058	2.40%	2.22%	4.62%	4.62%	4.70%
2059	2.40%	2.22%	4.62%	4.62%	4.70%
2060	2.40%	2.23%	4.63%	4.63%	4.70%
2061	2.40%	2.23%	4.63%	4.63%	4.70%
2062	2.40%	2.23%	4.63%	4.63%	4.70%
2063	2.40%	2.24%	4.64%	4.64%	4.70%
2064	2.40%	2.24%	4.64%	4.64%	4.70%
2065	2.40%	2.24%	4.64%	4.64%	4.70%
2066	2.40%	2.24%	4.64%	4.64%	4.70%
2067+	2.40%	2.25%	4.65%	4.65%	4.70%

	Inflation	Real Fund Yield*	Nominal Fund Yield	New Invests** (Cumulative)	New Invests (Annual)
10-Yr Avg	2.43%	1.35%	3.77%	4.21%	4.14%
20-Yr Avg	2.41%	1.51%	3.92%	4.28%	4.40%
30-Yr Avg	2.41%	1.69%	4.10%	4.37%	4.50%
50-Yr Avg	2.41%	1.91%	4.31%	4.48%	4.58%
75-Yr Avg	2.40%	2.02%	4.42%	4.53%	4.62%
10-Yr Fund Wgt Avg	2.42%	1.36%	3.78%	4.19%	4.13%
20-Yr Fund Wgt Avg	2.41%	1.54%	3.95%	4.29%	4.44%
30-Yr Fund Wgt Avg	2.41%	1.78%	4.18%	4.41%	4.56%
50-Yr Fund Wgt Avg	2.40%	2.07%	4.47%	4.56%	4.65%
75-Yr Fund Wgt Avg	2.40%	2.19%	4.59%	4.62%	4.68%
Ultimate	2.40%	2.25%	4.65%	4.65%	4.70%

Current MRF Assumptions		
2.50%	1.50%	4.00%

Liab Mod Dur	NC FT BRS Mod Dur	NC PT BRS Mod Dur
22	30	40

NC FT Delta*** If Infl -0.25%	NC PT Delta*** If Infl -0.25%
+0.1%	+0.1%

MRF Fund Yield Notes

* Real = Nominal Fund Yield - Inflation. For inflation, fund yield, and new investment return calculations, the "X Yr Avg" calculation is geometric and the "X Yr Fund Wgt Avg" is weighted by expected fund size during FY.

** Assumes an amount equal to 5% of expected annual benefit payments is invested in overnights and new bond purchases are invested in 27-yr bonds. ASSUMES OVERNIGHT RETURNS SAME AS LONG BONDS (new bond purchases are invested in 27-yr bonds with yields equal to SSA's new-purchase yield assumptions from the 2024 Trustees Report). The long-term expected 27-yr bond rate assumes 4.70%.

***There is a +0.1 percent change to both the FY 2024 DoD Full-time (FT) and Part-time (PT) NCP, if the long-term interest rate, across-the-board salary, and COLA assumptions are each lowered by 25 basis points.

-- Long-term fund yield converges to 4.65%
-- Short-Term Strategy: Mix of overnights and bills.
-- Portfolio Allocation: 75-90% in TIPS and 10-25% in conventional notes and bonds (except, for example, high premiums, TIPS not offered, expected decreases in future inflation, etc.)

--- Investment Policy: The Fund is required to be invested in market based Treasury special issues, and the interest assumption reflects this constraint. Current strategy includes investing the funds to coincide with the cash flow of the fund (to pay benefits and expenses when due) and holding securities to maturity, unless a cash flow requirement to pay benefits occurs. Many considerations are taken into account when making the investment decisions, including balancing various risks, targeting an average maturity of investments of AT MINIMUM 15 years, and current and projected economic conditions.

MRF Fund Yield Projection
BASED ON BLUE CHIP ASSUMPTIONS

FY	Inflation	Real Fund Yield*	Nominal Fund Yield	New Invests** (Cumulative)	New Invests (Annual)
2024	2.61%	1.05%	3.67%	4.58%	4.58%
2025	2.32%	1.42%	3.74%	4.34%	4.21%
2026	2.25%	1.51%	3.76%	4.22%	4.08%
2027	2.20%	1.55%	3.75%	4.18%	4.08%
2028	2.20%	1.56%	3.76%	4.17%	4.15%
2029	2.20%	1.58%	3.78%	4.17%	4.18%
2030	2.20%	1.64%	3.84%	4.17%	4.18%
2031	2.20%	1.67%	3.87%	4.17%	4.18%
2032	2.20%	1.66%	3.86%	4.17%	4.18%
2033	2.20%	1.67%	3.87%	4.18%	4.18%
2034	2.20%	1.68%	3.88%	4.18%	4.18%
2035	2.20%	1.69%	3.89%	4.18%	4.18%
2036	2.20%	1.71%	3.91%	4.18%	4.18%
2037	2.20%	1.72%	3.92%	4.18%	4.18%
2038	2.20%	1.73%	3.93%	4.18%	4.18%
2039	2.20%	1.75%	3.95%	4.18%	4.18%
2040	2.20%	1.77%	3.97%	4.18%	4.18%
2041	2.20%	1.79%	3.99%	4.18%	4.18%
2042	2.20%	1.81%	4.01%	4.18%	4.18%
2043	2.20%	1.82%	4.02%	4.18%	4.18%
2044	2.20%	1.83%	4.03%	4.18%	4.18%
2045	2.20%	1.84%	4.04%	4.18%	4.18%
2046	2.20%	1.85%	4.05%	4.18%	4.18%
2047	2.20%	1.87%	4.07%	4.18%	4.18%
2048	2.20%	1.87%	4.07%	4.18%	4.18%
2049	2.20%	1.90%	4.10%	4.18%	4.18%
2050	2.20%	1.94%	4.14%	4.18%	4.18%
2051	2.20%	2.00%	4.20%	4.18%	4.18%
2052	2.20%	2.00%	4.20%	4.18%	4.18%
2053	2.20%	1.98%	4.18%	4.18%	4.18%
2054	2.20%	1.98%	4.18%	4.18%	4.18%
2055	2.20%	1.98%	4.18%	4.18%	4.18%
2056	2.20%	1.98%	4.18%	4.18%	4.18%
2057	2.20%	1.98%	4.18%	4.18%	4.18%
2058	2.20%	1.98%	4.18%	4.18%	4.18%
2059	2.20%	1.98%	4.18%	4.18%	4.18%
2060	2.20%	1.98%	4.18%	4.18%	4.18%
2061	2.20%	1.98%	4.18%	4.18%	4.18%
2062	2.20%	1.98%	4.18%	4.18%	4.18%
2063	2.20%	1.98%	4.18%	4.18%	4.18%
2064	2.20%	1.98%	4.18%	4.18%	4.18%
2065	2.20%	1.98%	4.18%	4.18%	4.18%
2066	2.20%	1.98%	4.18%	4.18%	4.18%
2067+	2.20%	1.98%	4.18%	4.18%	4.18%

	Inflation	Real Fund Yield*	Nominal Fund Yield	New Invests** (Cumulative)	New Invests (Annual)
10-Yr Avg	2.26%	1.53%	3.79%	4.24%	4.20%
20-Yr Avg	2.23%	1.64%	3.87%	4.21%	4.19%
30-Yr Avg	2.22%	1.73%	3.95%	4.20%	4.18%
50-Yr Avg	2.21%	1.83%	4.04%	4.19%	4.18%
75-Yr Avg	2.21%	1.88%	4.09%	4.18%	4.18%
10-Yr Fund Wgt Avg	2.25%	1.55%	3.80%	4.23%	4.19%
20-Yr Fund Wgt Avg	2.22%	1.66%	3.88%	4.20%	4.18%
30-Yr Fund Wgt Avg	2.21%	1.77%	3.99%	4.19%	4.18%
50-Yr Fund Wgt Avg	2.20%	1.90%	4.11%	4.18%	4.18%
75-Yr Fund Wgt Avg	2.20%	1.95%	4.15%	4.18%	4.18%
Ultimate	2.20%	1.98%	4.18%	4.18%	4.18%

Current MRF Assumptions		
2.50%	1.50%	4.00%

Liab Mod Dur	NC FT BRS Mod Dur	NC PT BRS Mod Dur	NC FT Delta*** If Infl -0.25%	NC PT Delta*** If Infl -0.25%
22	30	40	+0.1%	+0.1%

MRF Fund Yield Notes

* Real = Nominal Fund Yield - Inflation. For inflation, fund yield, and new investment return calculations, the "X Yr Avg" calculation is geometric and the "X Yr Fund Wgt Avg" is weighted by expected fund size during FY.

** Assumes an amount equal to 5% of expected annual benefit payments is invested in overnights and new bond purchases are invested in 27-yr bonds. The long-term expected 27-yr bond rate assumes 4.18%.

***There is a +0.1 percent change to both the FY 2024 DoD Full-time (FT) and Part-time (PT) NCP, if the long-term interest rate, across-the-board salary, and COLA assumptions are each lowered by 25 basis points.

-- Long-term fund yield converges to 4.18%
-- Short-Term Strategy: Mix of overnights and bills.
-- Portfolio Allocation: 75-90% in TIPS and 10-25% in conventional notes and bonds (except, for example, high premiums, TIPS not offered, expected decreases in future inflation, etc.)

--- Investment Policy: The Fund is required to be invested in market based Treasury special issues, and the interest assumption reflects this constraint. Current strategy includes investing the funds to coincide with the cash flow of the fund (to pay benefits and expenses when due) and holding securities to maturity, unless a cash flow requirement to pay benefits occurs. Many considerations are taken into account when making the investment decisions, including balancing various risks, targeting an average maturity of investments of AT MINIMUM 15 years, and current and projected economic conditions.

PROPOSED NON-ECONOMIC ASSUMPTION CHANGES FOR 9/30/2024 MRF VALUATION AND FY 2026 MRF NORMAL COST PERCENTAGES (NCPs)

FY 2026 NCP SUMMARY

	DoD		Total	
	Full-time	**Part-time**	**Full-Time**	**Part-time**
FY 2025 Budgeted NCPs (Prior assumptions)	26.6%	21.5%	57.4%	31.3%
FY 2026 NCPs from 9/30/2023 Valuation (Prior assumptions)	26.4%	21.3%	57.0%	31.0%
FY 2026 NCPs from 9/30/2024 Valuation (Prior assumptions)	26.4%	21.3%	57.1%	31.1%
i. Proposed VA Offset Parameters	-2.4%	0.4%	0.2%	-0.2%
ii. Proposed Mortality Improvement Factors	0.2%	0.2%	0.5%	0.3%
iii. Proposed New Entrant Distribution	-0.1%	0.4%	-0.3%	0.5%
iv. Proposed Disability Factors	0.1%	0.3%	0.2%	0.5%
v. Proposed Survivor Mortality Rates	0.1%	0.0%	0.1%	0.0%
FY 2026 NCP from 9/30/2024 Valuation*	**24.3%**	**22.6%**	**57.8%**	**32.2%**

* See Attachment 1 for Treasury NCPs.

PROPOSED VA OFFSET PARAMETERS

SUMMARY IMPACT: This proposal results in a 2.4% decrease to the FY 26 full-time DoD NCP, a 0.4% increase to the part-time DoD NCP, and an increase in the 9/30/2023 accrued liability of $1.5 billion (less than 0.1%).

PROPOSAL: We propose updating the experience period used to calculate full and partial VA offset parameters for the DoD NCPs. For new nondisabled retirees from active duty, we propose updating the experience period from FYs 04-05 and 18-19 to FYs 18-19 and 22-23. For new nondisabled retirees from reserves, we propose updating the experience period from FYs 18-19 to FYs 18-19 and 22-23.

We also propose updating the experience period used to calculate partial VA offset parameters for the Total NCPs from FYs 18-19 to FYs 22-23.

RATIONALE: The update captures recent increases in VA offset experience for the DoD NCPs. The increases have been occurring since the expansion of Concurrent Receipt in 2004. Last year's VA offset parameters included a margin to address the impact of the Promise to Address Comprehensive Toxics (PACT) Act of 2022. This year's proposal replaces the margin with parameters based on recent military data and incorporates one full year under PACT.

See Attachment 2 for the count and annual benefits of new retirees receiving Concurrent Receipt benefits from 2016 to 2023. See Attachment 3 for a summary of VA offset parameters.

PROPOSED MORTALITY IMPROVEMENT FACTORS

SUMMARY IMPACT: This proposal results in a 0.2% increase to the FY 26 full-time DoD NCP, a 0.2% increase to the part-time DoD NCP, and an increase in the 9/30/2023 accrued liability of $28.4 billion (or 1.3%).

PROPOSAL: We propose updating the military mortality improvement (Mil MI) factors with the following changes: (a) incorporate 2023 military data for both retirees and survivors; (b) increase the ultimate female percentage from 15% to 20% in the male/female adjustment factors[1].

The current Mil MI factors are based on FYs 00-22 military data and use modified methods underlying the SOA's MP-2021 model. We applied weights of 0% and 25% for 2021 and 2022, respectively, in the smoothing model to mitigate the impact of COVID on future mortality. The proposed Mil MI factors for retirees apply these same weights for 2021 and 2022 and 100% for 2023.

[1] Male/female adjustment factors account for an expected increase in the percent females in the projected retired population. They are constructed using differentials in male/female base rates from FYs 17-20 assuming linearly increasing percent females to an ultimate year.

RATIONALE: Our proposal reflects a balance between expectations of a return to pre-COVID levels of MI and some level of elevated mortality. Based on a comparison of actual and expected mortality for military retirees, there were excess deaths in 2021 and 2022, but 2023 was close to our expectation. The percentage of excess deaths correlates to CDC data for the general population, which shows a decline in COVID deaths over the same period. However, we think some provision for increased mortality due to non-COVID reasons is reasonable. Therefore, we recommend a 100% weight for 2023 and continued use of a 25% weight for 2022.

Male-female adjustment factors were revised to reflect a higher percentage of females in the retiree population. These factors, which are arrayed by fiscal year for officer and enlisted, are applied to the smoothed mortality improvement factors.

Attachment 4 shows a comparison of the current and proposed factors. Attachment 5 provides the A/E for military mortality experience as well as CDC death counts due to COVID.

PROPOSED NEW ENTRANT DISTRIBUTION

SUMMARY IMPACT: This proposal results in a 0.1% decrease to the FY 26 full-time DoD NCP, a 0.4% increase to the part-time NCP, and an increase in the 9/30/2023 accrued liability of $1.1 billion (less than 0.1%).

PROPOSAL: We propose an update to the experience period of the new entrant distribution, from FYs 15-19 to FYs 21-23. See Attachment 6 for a summary of statistics and the probability of making it to 20 years for the current and proposed new entrant distributions. Other than the active officers, the average age for each group increased. The probability of making it to 20 years decreased slightly for the active population and increased for reserves. See Attachment 7 for graphs of the current and proposed distributions.

The full-time and part-time FY 26 DoD NCPs move in opposite directions under the proposed distribution partially due to an adjustment made to match the Comptroller's projected end strength officer percentage in the steady state.

RATIONALE: The experience during 2021 to 2023, with adjustment for Comptroller's projection, is a better match with expectations for new entrant profiles in FY 26.

PROPOSED DISABILITY FACTORS

SUMMARY IMPACT: This proposal results in a 0.1% increase to the FY 26 full-time DoD NCP, a 0.3% increase in the part-time NCP, and an increase in the 9/30/2023 accrued liability of $2.7 billion (or 0.1%).

PROPOSAL: We propose an update to the experience period of the disability benefit multiplier factors. These factors are used to estimate the average benefit multipliers for new disabled retirees where they get the greater of their disability rating (limited to 75%) or 2.5% (or 2.0% for BRS) times years of service. The current active and reserve factors are based on FYs 10-11 and FYs 09-10, respectively, and we propose an update to FYs 21-23 experience. We also propose combining the factors for active and reserve, and permanent and temporary disability. The proposed changes increase the average benefit multiplier from 55% to 56%.

RATIONALE: Updating the experience period better reflects recent trends in disability ratings. Active and reserve factors are similar before 20 years of service, and there is very little experience on which to develop the reserve factors separately. Combining the factors simplifies the model, produces more credible rates, and does not have a material impact on results.

PROPOSED SURVIVOR MORTALITY RATES

SUMMARY IMPACT: This proposal results in a 0.1% increase to the FY 26 full-time DoD NCP, no change to the part-time DoD NCP, and an increase in the 9/30/2023 accrued liability of $1.0 billion (less than 0.1%).

PROPOSAL: The current survivor death rates are based on FYs 14-15. We propose to update to the experience period to FYs 20, 22, and 23. We excluded 2021 due to elevated excess deaths. Since mortality data is sparse for young survivor ages, we used the *Period Life Table 2020* published in the SSA's *2023 Trustees Report*. For ages where there were too few deaths to develop credible rates (ages 19 to 51 and 106 to 120), we extended the rates using a standard table. The proposal also incorporates Coast Guard experience.

Additionally, we are proposing an update to the spouse death rates. These rates are used to decrement the spouse[1] of a living retiree who elected SBP coverage. The current rates use the Society of Actuaries' standard actuarial mortality tables, *RPH-2014 Mortality Table*. Our proposal uses the proposed survivor death rates with an age offset. The age offset is determined using a comparison between the Society of Actuaries' *Pri-2012 Mortality Tables* for healthy annuitants and contingent survivors. The age difference is assumed to be zero for juveniles and at ages above 85. Both sets of rates use an ultimate age of 120.

See Attachment 8 for a comparison of the current and proposed rates.

RATIONALE: The updates reflect more recent mortality experience. While the military survivor population saw an increase in deaths during the pandemic, the relative increase in mortality was lower than the retiree population's and the general public's due to their ages and gender. Because of this, the survivor experience in 2020 and 2022 is not significantly different from other years and has been included. The 2021 survivor experience exhibits excess deaths that we do not believe to be representative of future mortality.

The proposal for spouse death rates is an improvement over the current approach since it is reasonable to assume that spouse mortality is closely related to survivor mortality. Note that we have not conducted a separate mortality study of spouses of living retirees.

[2] Referred to as "spouse" due to SBP elections being primarily spouses. The rate includes all ages to include child SBP elections.

Attachment 1

Proposed Changes and Impact on FY 2026 Full- and Part-Time NCPs

DoD NCP

	Full-time	Part-time
FY 2025 Budgeted DoD NCPs (Prior assumptions)	26.6%	21.5%
FY 2026 DoD NCPs from 9/30/2023 Valuation (Prior assumptions)	26.4%	21.3%
FY 2026 DoD NCPs from 9/30/2024 Valuation (Prior assumptions) *	26.4%	21.3%
i. Proposed VA Offset Parameters	-2.4%	0.4%
ii. Proposed Mortality Improvement Factors	0.2%	0.2%
iii. Proposed New Entrant Distribution	-0.1%	0.4%
iv. Proposed Disability Factors	0.1%	0.3%
v. Proposed Survivor Mortality Rates	0.1%	0.0%
FY 2026 DoD NCP from 9/30/2024 Valuation	24.3%	22.6%

Total NCP

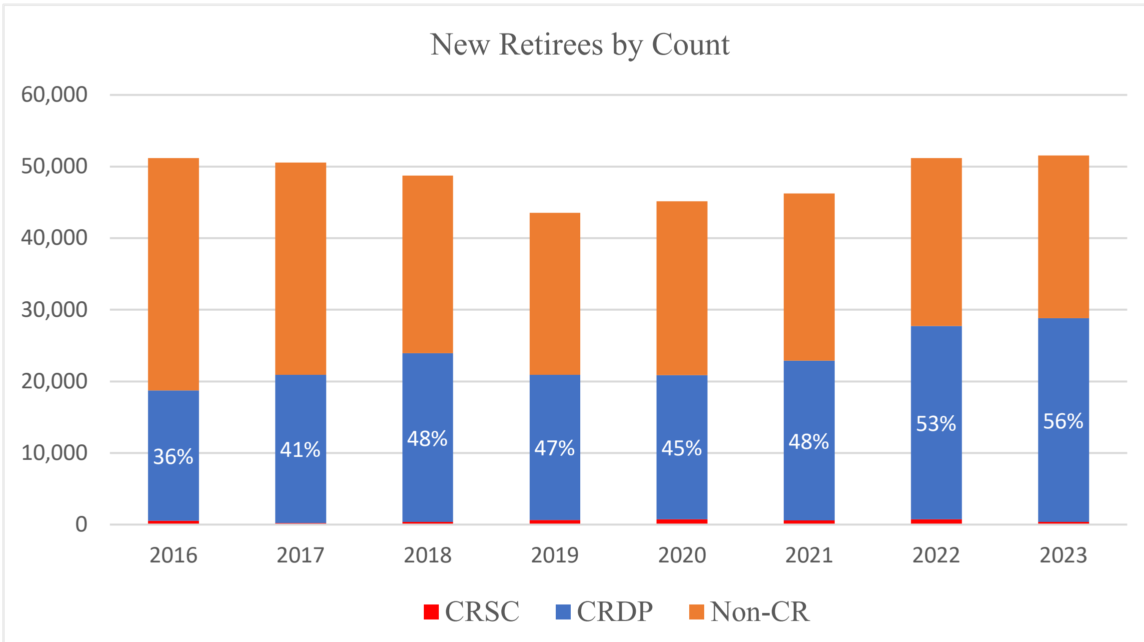
	Full-time	Part-time
FY 2025 Budgeted Total NCPs (Prior assumptions)	57.4%	31.3%
FY 2026 Total NCPs from 9/30/2023 Valuation (Prior assumptions)	57.0%	31.0%
FY 2026 Total NCPs from 9/30/2024 Valuation (Prior assumptions) *	57.1%	31.1%
i. Proposed VA Offset Parameters	0.2%	-0.2%
ii. Proposed Mortality Improvement Factors	0.5%	0.3%
iii. Proposed New Entrant Distribution	-0.3%	0.5%
iv. Proposed Disability Factors	0.2%	0.5%
v. Proposed Survivor Mortality Rates	0.1%	0.0%
FY 2026 Total NCP from 9/30/2024 Valuation	57.8%	32.2%

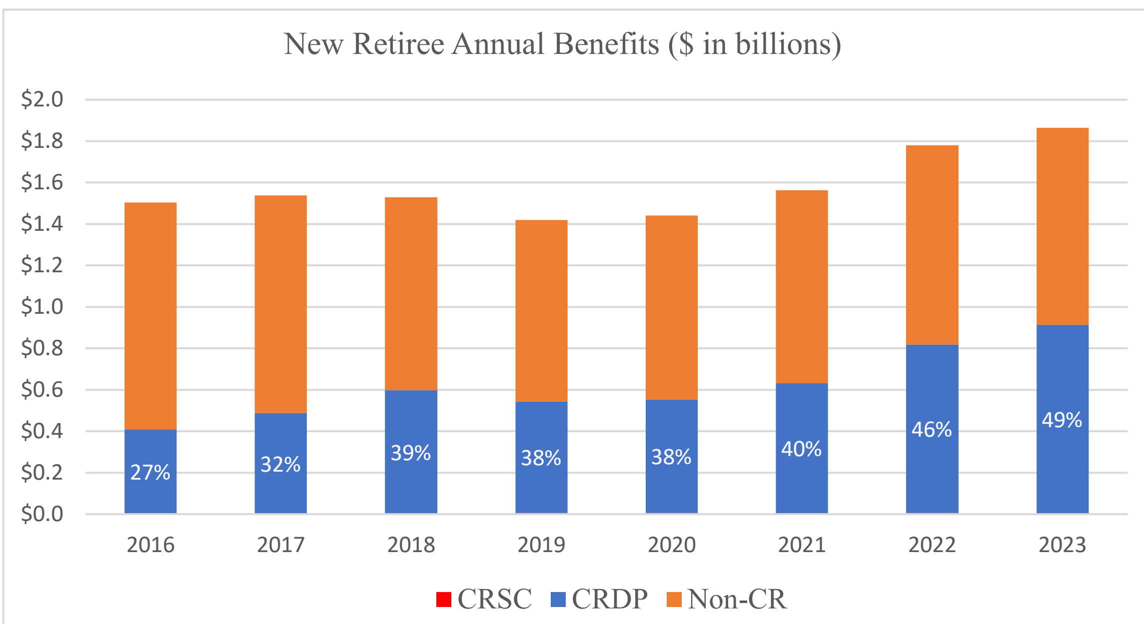
Treasury NCP

	Full-time	Part-time
FY 2025 Budgeted Treasury NCPs (Prior assumptions)	30.8%	9.8%
FY 2026 Treasury NCPs from 9/30/2023 Valuation (Prior assumptions)	30.6%	9.7%
FY 2026 Treasury NCPs from 9/30/2024 Valuation (Prior assumptions) *	30.7%	9.8%
i. Proposed VA Offset Parameters	2.6%	-0.6%
ii. Proposed Mortality Improvement Factors	0.3%	0.1%
iii. Proposed New Entrant Distribution	-0.2%	0.1%
iv. Proposed Disability Factors	0.1%	0.2%
v. Proposed Survivor Mortality Rates	0.0%	0.0%
FY 2026 Treasury NCP from 9/30/2024 Valuation	33.5%	9.6%

* Reflects an additional year of mortality improvement in the NCPs (advancing the valuation year from 2023 to 2024)

Attachment 2
Concurrent Receipt Benefit History





Attachment 3

Historic and Proposed Nondisabled Partial VA Offset Factors

For Total NCP

	Active		Reserve*		Notes
	Officer	Enlisted	Officer	Enlisted	
Current	0.004	0.014	0.074	0.085	Based on FY 18-19
Proposed	0.003	0.007	0.080	0.088	Based on FY 22-23

For DoD NCP

	Active		Reserve*		Notes
	Officer	Enlisted	Officer	Enlisted	
1. Based on FY 18-19	0.249	0.359	0.152	0.165	
2. Used in FY 22 val	0.149	0.236	0.152	0.165	
3. Used in FY 23 val	0.238	0.379	0.208	0.236	Current
4. Based on FY 22-23	0.332	0.385	0.198	0.208	
5. Average of (1) and (4)	0.290	0.372	0.175	0.187	Proposal

* Also includes SBP premium offset.

Attachment 3 (cont.)

Historic and Proposed Nondisabled Full VA DoD Offset Factors

	Active		Reserve		Notes
	Officer	Enlisted	Officer	Enlisted	
1. Based on FY 18-19	0.033	0.299	0.029	0.139	
2. Used in FY 22 and FY 23 val	0.016	0.155	0.029	0.139	
3. Based on FY 22-23	0.061	0.449	0.058	0.217	
4. Average of (1) and (3)	0.047	0.374	0.043	0.178	Proposal

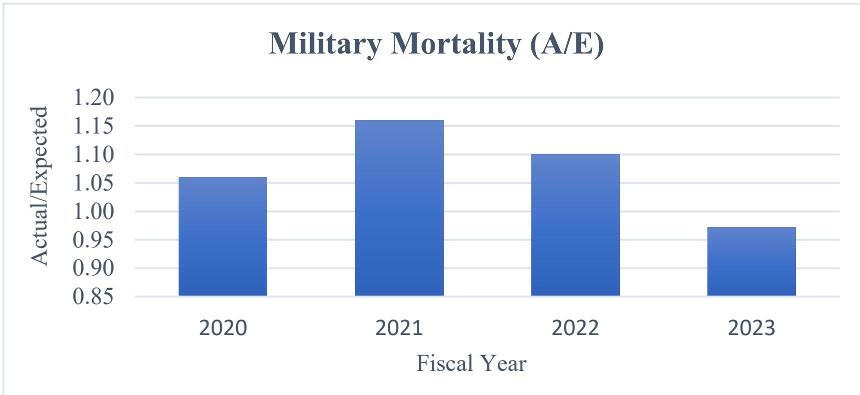
Attachment 4: MI METHODS/ASSUMPTIONS COMPARISON

Model Component	SOA MP 2021[1]	DoD Current	DoD Proposed
Underlying Mortality Data	SSA-published through 2019	DoD data from 2000 through 2022, with weights of 0% and 25% applied to 2021 and 2022 data, respectively.	Adding 2023 data with 100% weight to current data and no changes to previous weights.
Graduation Technique	2D Whittaker Henderson; Order 3	2D P-spline model; deaths assumed to be Poisson distributed.	
Smoothing Parameters	100 in the calendar year direction; 400 in the age direction		
Edge Effect Step-back	2 years	3 years	
Interpolating from current MI to Ult MI	Cubic Polynomials: @ beginning - match value and slope (constrained to initial slope constraint immediately below), @ end – match ultimate MI and slope 0. [2]		
Initial Slope Constraint	0		
Long Term MI	Flat 1.35% rate to age 62, decreasing linearly to 1.10% at age 80, further decreasing linearly to 0.40% at age 95, and then decreasing linearly to 0.00% at age 115.	Enlisted: 3.5% before age 45, linear decrease to 0.25% to age 90, then linear decrease to 0 at age 115. Officer: 4% before age 50, linear decrease to 3.5% at age 60, then decrease to 0.25% at age 95, then decrease to 0% at age 115. Survivor: A 50% and 50% blend of the DoD retiree officer and enlisted long-term rates of improvement.	No change
Convergence Period – Horizontal (Age)	10 Years		
Convergence Period – Diagonal (Cohort)	20 Years[3]		
Additional COVID adjustment	None	None	None

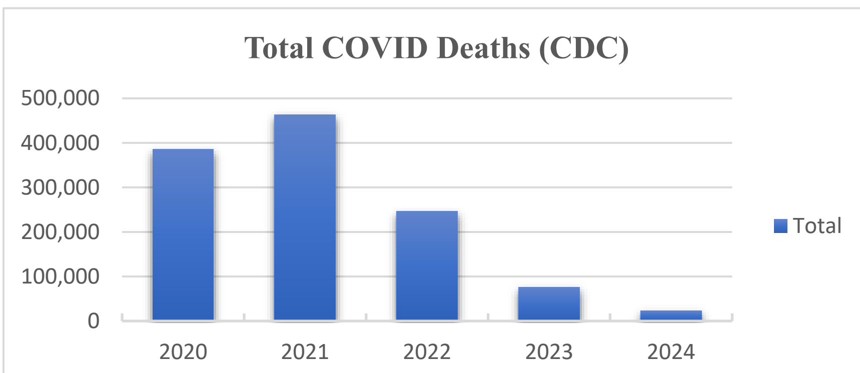
[1] SOA did not release a new mortality improvement scale for 2023 as the challenges to incorporate the pandemic data persist.
[2] Starting MI values for young ages without credible data are set equal to the MI for the youngest credible age. Starting MI values for old ages without credible data grade to 0 at age 115, analogous to the assumed long-term MI.
[3] DoD proposed improvement scales converge to an ultimate level in 2040 (first projection year is 2020).

Attachment 5
Mortality Overview

Military Experience History



Provisional Death Counts for COVID-19 *



Relative % of COVID Deaths **

CY	% of COVID Deaths
2020	11%
2021	13%
2022	7%
2023	2%
2024	2%

* Data as of May 2024, Provisional Death Counts for COVID-19 from the National Center for Health Statistics
https://www.cdc.gov/nchs/nvss/vsrr/COVID19/index.htm

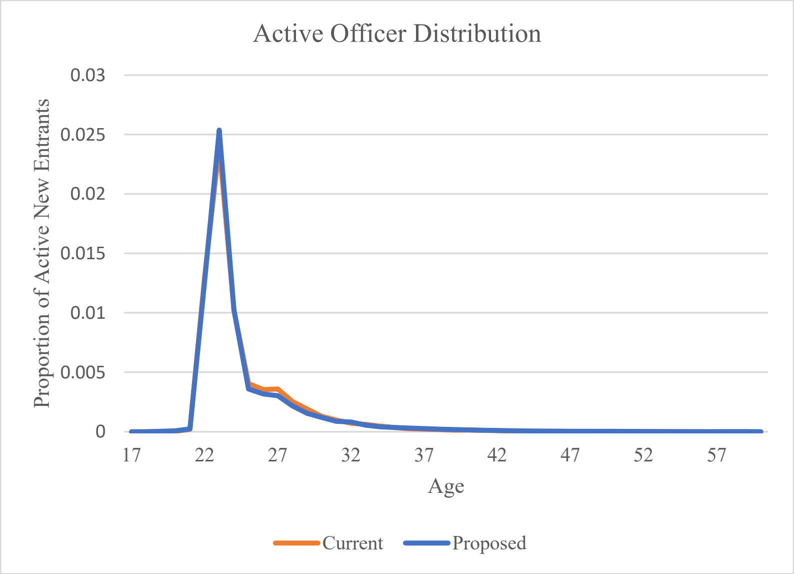
** Percentage of deaths involving COVID-19 over deaths from all causes

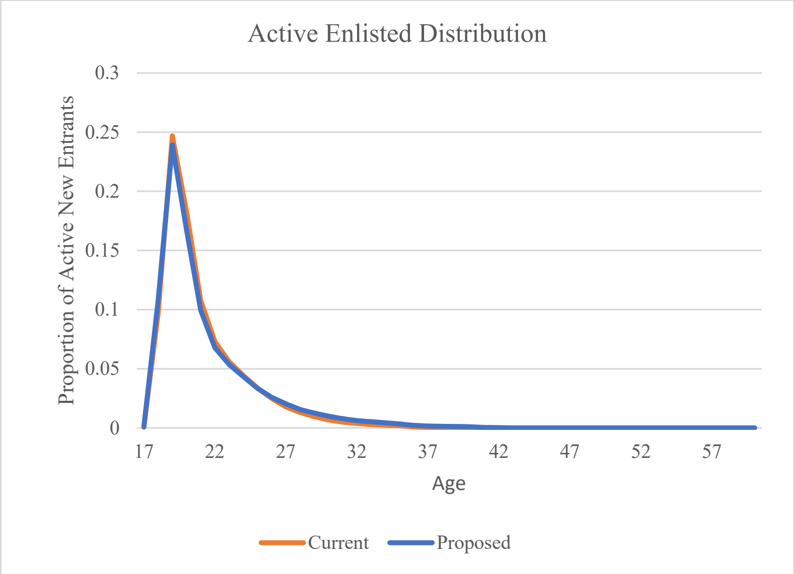
Attachment 6
Comparison of the Current and Proposed New Entrant Distributions

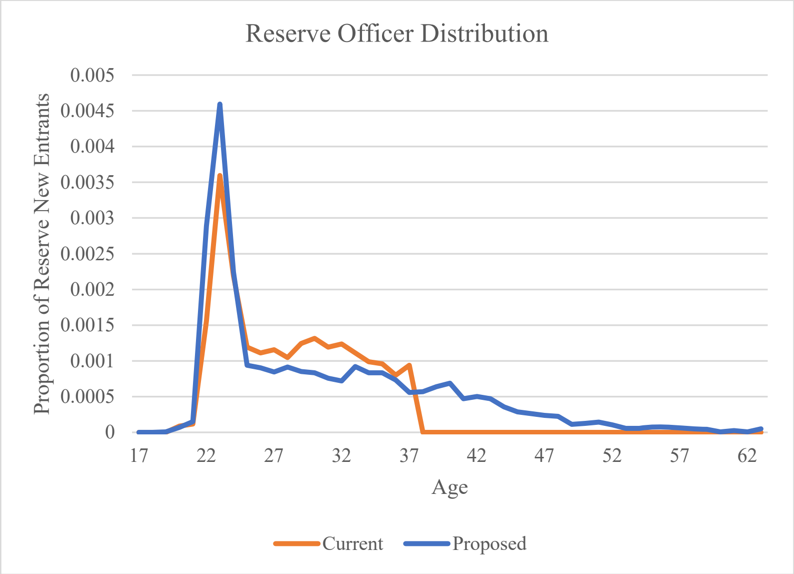
	Summary Statistics			
	Active		Reserve	
	Current	Proposed	Current	Proposed
Off Avg Age	24.7	24.7	28.0	30.6
Enl Avg Age	21.2	21.5	21.1	21.9
% Officer	6.9%	6.8%	2.2%	2.6%
Off % Age 42+	0.5%	0.8%	0.0%	12.7%
Enl % Age 42+	0.0%	0.0%	0.0%	0.1%

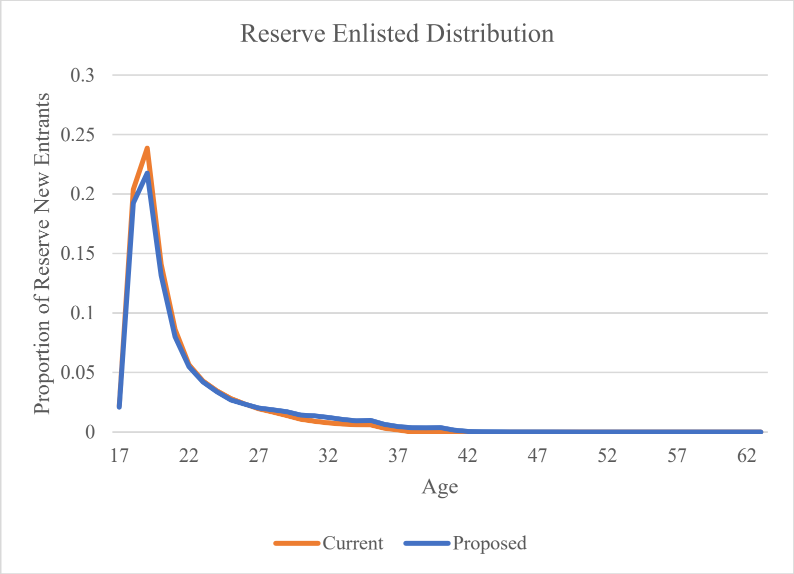
	Probability of Making 20 Years			
	Active		Reserve	
	Current	Proposed	Current	Proposed
Officer	59.5%	59.4%	54.9%	50.8%
Enlisted	16.2%	16.2%	14.8%	15.5%
All	19.2%	19.1%	16.2%	17.1%

Attachment 7
Graphs of the Current and Proposed New Entrant Distributions

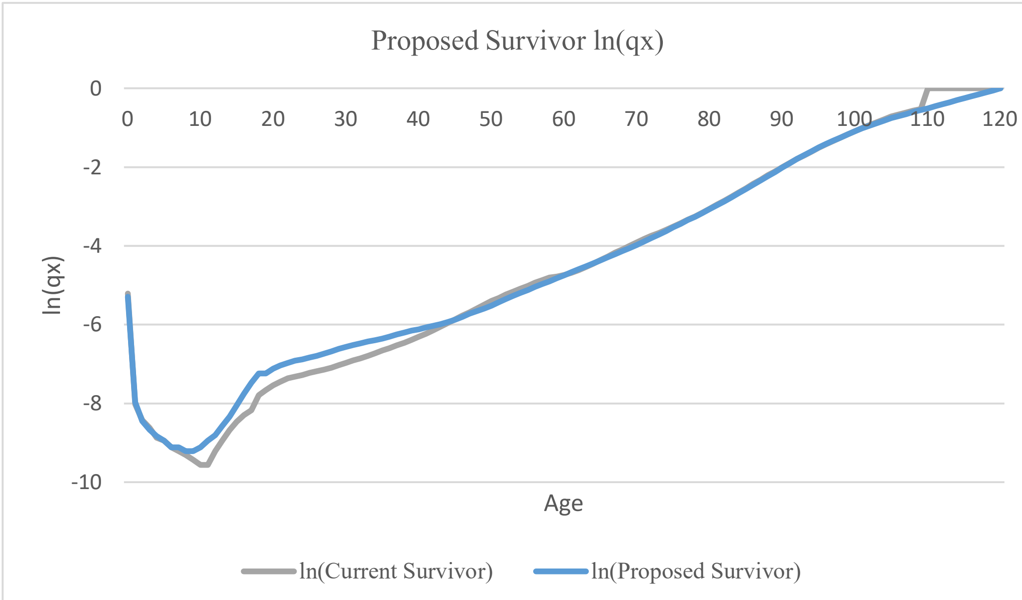


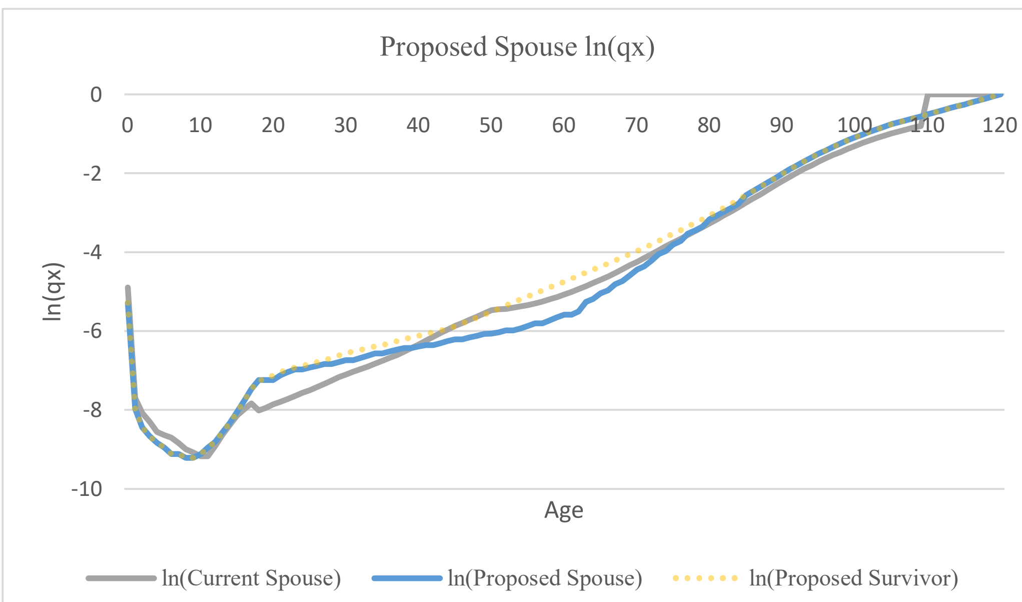






Attachment 8
Current and Proposed Survivor and Spouse Death Rates





Voluntary Separation Incentive Fund Board of Actuaries Meeting

Defense Finance and Accounting Service

Jonathan Poe
Enterprise Solutions and Standards
Financial Reporting
July 22, 2024

Agenda

- Overview
- Financial Data
- Fund Status

OVERVIEW

- Short Term Liquidity
  - ✓ No new investing
    - ✓ $ 25.2M in overnights (May 31)
    - ✓ $ 0.92M in cash (May 31)
  - ✓ Outflows on track to surpass inflows
    - ✓ FY 2023 program expense $10.8M (May 31)
    - ✓ FY 2023 program revenue $10.6M (May 31)
    - ✓ FY 2023 interest revenue $1.4M (May 31)

- Long Term Liquidity
  - ✓ $19.6M long-term par (May 31)
  - ✓ No new program entrants since 2001

Summary Financial Analysis

Year Ended September 30

(In Millions)

	FY 2023	FY 2022	% Change
Service Contributions	$13.0M	$15.7M	-18%
Interest Income	$2.1M	$1.4M	50%
Total Revenue	$15.1M	$17.1M	-13%
Benefit Payments	$24.6M	$30.4M	-23%
Total Expense	$24.2M	$30.1M	-24%

Interest Analysis

Year Ended September 30

(In Millions)

Interest Income

	FY 2023	FY 2022	$ Change
Interest Revenue—Par	$1.5	$1.9	-$0.4
Interest Revenue--Inflation	$0.0	$0.0	$0.0
Interest Revenue--Discount	$0.01	$0.09	-$0.08
Interest Revenue – Overnight	$1.2	$0.1	$1.1
Interest Revenue--Premium	-$0.6	-$0.6	$0.0
	$2.1	$1.4	$0.7

Voluntary Separation Incentive
For the Year Ending September 30, 2022

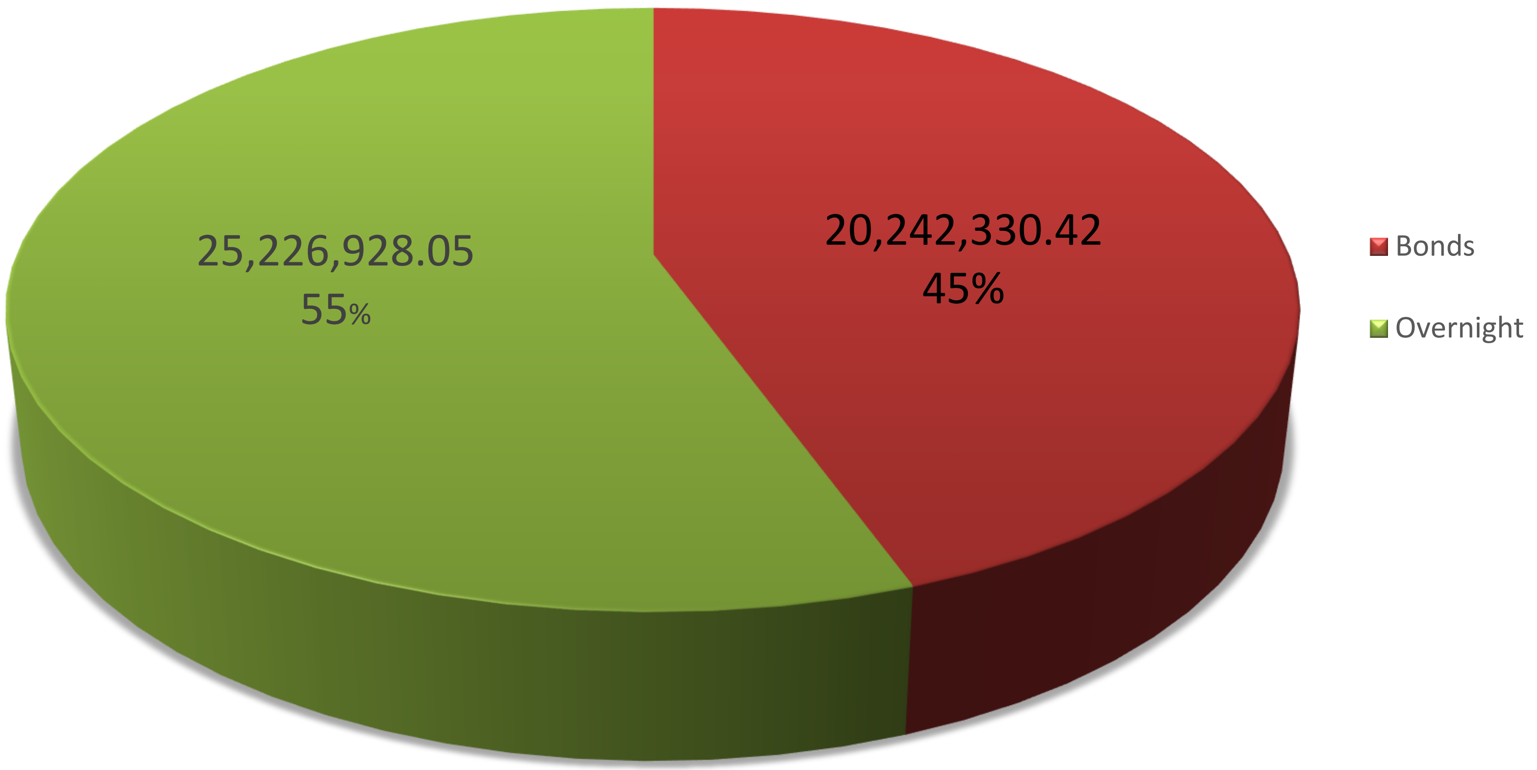
	(in millions)
Assets	
Fund Balance with Treasury	$ 1.97
Investments	
Overnight	$14.98
Long term	
Par	$26.57
Premium outstanding	$7.11
Discount outstanding	-$5.58
Interest receivable	$0.37
Total Long Term Investments	$28.47
Total Investments	$43.45
Total Assets	$45.42
Liabilities	
Military Retirement and Other Federal Employment Benefits	
Due and Payable	$1.10
Actuarial Liability	$82.48
Total Military and Other Federal Employment Benefits	$83.58
Total Liabilities	$83.58
Net Position	
Cumulative Results of Operations	$-38.16
Total Liabilities and Net Position	$45.42

Effective Fund Yields

FY	Yield
2013	2.60%
2014	1.43%
2015	1.41%
2016	1.50%
2017	1.75%
2018	2.15%
2019	2.43%
2020	2.21%
2021	2.08%
2022	2.29%
2023	4.12%

FUNDS STATUS

Voluntary Separation Portfolio
As of May 31, 2024

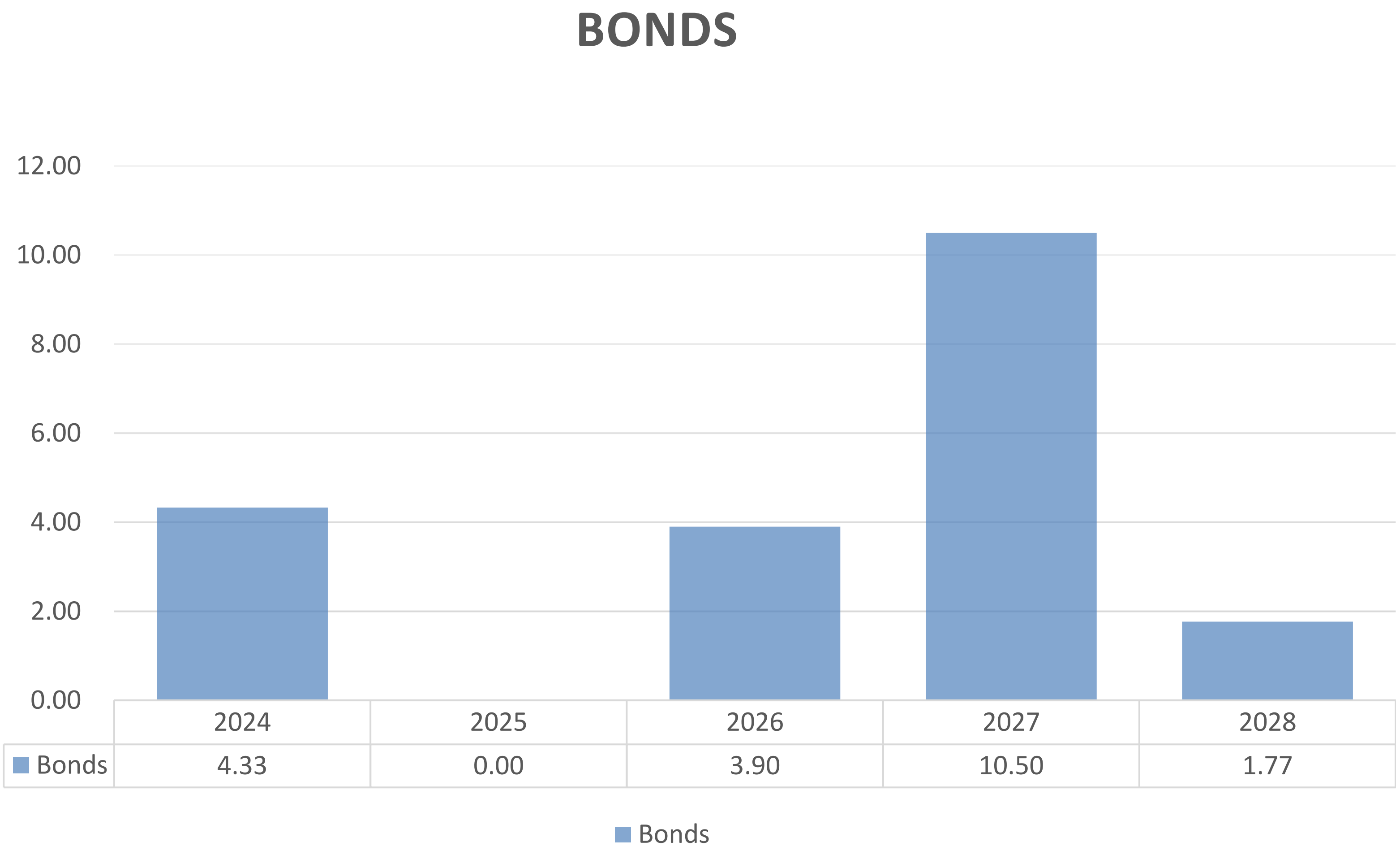


FUND STATUS

Security Description	Shares/Par	Book Value	Market Value
MK BOND 7.500% 11/15/2024	$ 4,218,497.61	$ 4,329,562.38	$ 4,256,727.74
MK BOND 6.000% 02/15/2026	$ 3,667,977.19	$ 3,944,994.18	$ 3,727,581.82
MK BOND 6.625% 02/15/2027	$ 10,000,000.00	$10,841,724.22	$ 10,490,625.00
MK BOND 5.250% 11/15/2028	$ 1,721,664.16	$ 1,907,321.08	$ 1,767,395.86
Total BONDS	**$ 19,608,138.96**	**$ 21,023,601.86**	**$ 20,242,330.42**
ONE DAY 0.380% 04/30/2022	**$ 25,226,928.05**	**$ 25,226,928.05**	**$ 25,226,928.05**
Total	**$ 44,835,067.01**	**$ 46,250,529.91**	**$ 45,469,258.47**

FUNDS STATUS

VSI Maturities as of May 31, 2024



- QUESTIONS

Voluntary Separation Incentive (VSI)

BRIEF HISTORY: At the end of the 1980s, the Department of Defense (DoD) began drawing down the size of the U.S. military's active force, from a post-Vietnam peak of 2.2 million in FY 1987 to 1.6 million by FY 1997, a decline of about 25 percent. Initially, the focus of the drawdown was on cutting the number of entrants into the armed forces, but DoD also needed to reduce the number of mid-careerists. To accomplish this reduction in personnel while treating service members fairly and maintaining a high state of readiness, DoD chose to rely on voluntary rather than involuntary separations.

In January 1992, the Voluntary Separation Incentive (VSI) was authorized for all branches of the armed forces to help DoD complete the reduction-in-force while avoiding serious skill and grade imbalances. The program stopped taking new applicants in October 2001. VSI offered members an annuity payable for twice as long as their years of service and equal to 2.5 percent of basic pay times years of service.

To be eligible to receive VSI, an individual must have met all of the following requirements:

- six years of active duty as of December 1991
- five years of continuous active service at separation
- be in a rank that has more people in it than are needed to maintain force readiness
- continue military service in a reserve component

VSI Fund Yield Projection and Current Interest Assumption

FY	Inflation	Real*	Fund Yield	Blue Chip Return on New Invests**
2024	2.61%	1.27%	3.88%	4.59%
2025	2.32%	1.79%	4.11%	3.82%
2026	2.25%	1.75%	4.00%	3.52%
2027	2.20%	1.80%	4.00%	3.42%
2028	2.20%	1.56%	3.76%	3.40%
2029	2.20%	1.65%	3.85%	3.40%
2030	2.20%	1.58%	3.78%	3.40%
2031	2.20%	1.52%	3.72%	3.40%
2032	2.20%	1.48%	3.68%	3.40%
2033	2.20%	1.45%	3.65%	3.40%
5 Yr Avg	2.32%	1.63%	3.95%	3.75%
5 Yr Fund Wgt Avg	2.31%	1.64%	3.95%	3.73%

FY	Inflation	Real*	Fund Yield	Blue Chip Return on New Invests**
2034	2.20%	1.43%	3.63%	3.40%
2035	2.20%	1.40%	3.60%	3.40%
2036	2.20%	1.37%	3.57%	3.40%
2037	2.20%	1.36%	3.56%	3.40%
2038	2.20%	1.34%	3.54%	3.40%
2039	2.20%	1.33%	3.53%	3.40%
2040	2.20%	1.32%	3.52%	3.40%
2041	2.20%	1.32%	3.52%	3.40%
2042	2.20%	1.31%	3.51%	3.40%
2043	2.20%	1.31%	3.51%	3.40%

Current Interest Assumption	Proposed Interest Assumption
2.75%	3.75%

Asset Duration	Liability Duration
3.3	3.0

* Real = Fund Yield - Inflation (after 3 mths TIPS inflation lag). For inflation, fund yield, and Blue Chip return calculations, the "X Yr Avg" calculation is geometric and the "X Yr Fund Wgt Avg" is weighted by expected fund size during FY.

** Assumes available funds are invested in 2 yr bonds, until maturity values would be more than future expected payments.

--- Short Term Strategy: Mix of overnights and bills.
--- Portfolio Allocation: Notes and bonds (No TIPS).
--- Investment Policy: Maturities matched to cash flows and liquidity requirements. Minimize risks to the funds--all securities are market based Treasury special issues. Hold to maturity policy.

VSI Population by Number of Remaining Payments

(as of September 30, 2023)

Remaining Annual Payments	Enlisted					Officer				
	WITH VA Offset			W/O VA Offset		WITH VA Offset			W/O VA Offset	
	Count	Avg Annual VSI Gross	Avg Annual VA Pay	Count	Avg Annual VSI Gross	Count	Avg Annual VSI Gross	Avg Annual VA Pay	Count	Avg Annual VSI Gross
1	47	$8,252	$3,520	164	$7,649	44	$16,568	$6,928	134	$15,054
2	40	$8,855	$4,112	149	$8,096	27	$16,812	$4,239	109	$16,693
3	26	$8,859	$3,645	128	$8,801	28	$17,344	$5,411	92	$16,719
4	28	$9,693	$4,130	105	$9,428	31	$19,030	$5,879	54	$17,489
5	30	$9,750	$3,946	90	$9,512	24	$19,879	$5,494	56	$18,725
6	18	$10,495	$5,328	81	$9,688	12	$20,109	$7,508	36	$18,685
7	18	$10,421	$3,853	85	$9,425	8	$20,376	$10,259	40	$16,151
8	18	$11,302	$4,701	33	$10,678	4	$19,959	$7,989	28	$17,202
9	12	$12,059	$4,874	30	$11,743	7	$22,216	$8,054	19	$23,503
10	3	$10,946	$1,980	13	$12,248	3	$24,930	$5,860	11	$23,772
11	1	$15,367	$6,816	5	$12,100	1	$21,055	$1,980	6	$24,532
12	1	$22,747	$3,924	1	$22,808	1	$36,771	$1,980	0	$0
13	0	$0	$0	0	$0	0	$0	$0	4	$32,192
14	0	$0	$0	0	$0	2	$31,674	$18,300	0	$0
15	0	$0	$0	0	$0	2	$39,049	$18,288	0	$0
16	1	$24,676	$12,492	0	$0	1	$26,391	$9,732	0	$0
17	1	$27,253	$13,692	0	$0	1	$27,253	$17,280	0	$0
Total	244	$9,770	$4,139	884	$9,012	196	$18,893	$6,465	589	$17,237

(i) Table includes 1,913 VSI annuitants who have remaining benefit payments.
(ii) Table includes 370 survivors receiving benefits from 288 deceased VSI members.
(iii) Table excludes 437 eligible VSI members who have a full VA offset.
(iv) A total of 18,430 service members have elected VSI since the program's inception.
(v) Final payment is often a partial payment.

10 U.S. Code § 1175 - Voluntary Separation Incentive: http://www.law.cornell.edu/uscode/text/10/1175

VSI
CHANGE IN UNFUNDED LIABILITY (UFL)

($ in Millions)

(A Negative Change Indicates a Gain and a Positive Change Indicates a Loss)

Based on 3.75% interest, 2.2% COLA on VA Offsets and 2.0% Non-COLA increase on VA Offsets

1. 10/1/2022 Unfunded Liability	$49.1		
2. 1/1/2023 Amortization Payment on UFL	$13.0		
3. Interest Rate Assumption	1.0275		
4. Expected Unfunded Liability on 10/1/2023 (1 X 3) - (2 X 3 ^ 0.75)	$37.2		
5. Actual Unfunded Liability on 10/1/2023	$30.2		
6. Total (Gain)/Loss in Unfunded Liability (5 - 4)	**-$6.91**	-9.3%	
A. Total (Gain)/Loss Due to Assets	**-$2.04**	-2.7%	
1. Asset (Gain)/Loss-Yield[1]	-$0.70	-0.9%	--> -1.6%
2. Asset (Gain)/Loss-Benefit Payments[2]	-$1.3	-1.8%	
B. Total (Gain)/Loss Due to Liability	**-$4.86**	-6.5%	
1. Liability (Gain)/Loss-2023 COLA[3]	$0.0	0.0%	
2. Liability (Gain)/Loss-2022 VA Update[4]	-$2.7	-3.6%	
3. Liability (Gain)/Loss-Interest Rate	-$2.0	-2.7%	
4. Liability (Gain)/Loss-VA Incr. Assump.	-$0.2	-0.3%	
5. Liability (Gain)/Loss-Residual[5]	$0.1	0.1%	

(Percentages shown are ratios of values of each gain or loss component to the PVFB; the ratio of the yield loss to the VSI fund is shown as well).

[1] Valuation assumption: 2.75% fund yield; actual fund yield: 4.12%

[2] Projected FY23 benefit payments: $25.5M; actual FY23 benefit payments: $24.2M

[3] Projected 2024 COLA (excluding the VA Increase Assumption): 2.2%; actual 2024 COLA: 3.2%

[4] Represents actual 2023 VA offsets being different than expected.

[5] Represents DFAS data changes and residual.

VSI AMORTIZATION

($ in Millions)

Based on 3.75% interest, 2.2% COLA on VA Offsets and 2.0% Non-COLA increase on VA Offsets

VSI Valuation Results as of 9/30/2023:

a. 9/30/2023 PVFB	$74.5	PVFB Sensitivity at 25 basis points:	1%
b. 10/1/2023 Fund	$44.3		
c. 10/1/2023 UFL	$30.2		

Amortization Schedule - Decreasing Amortization Payments:

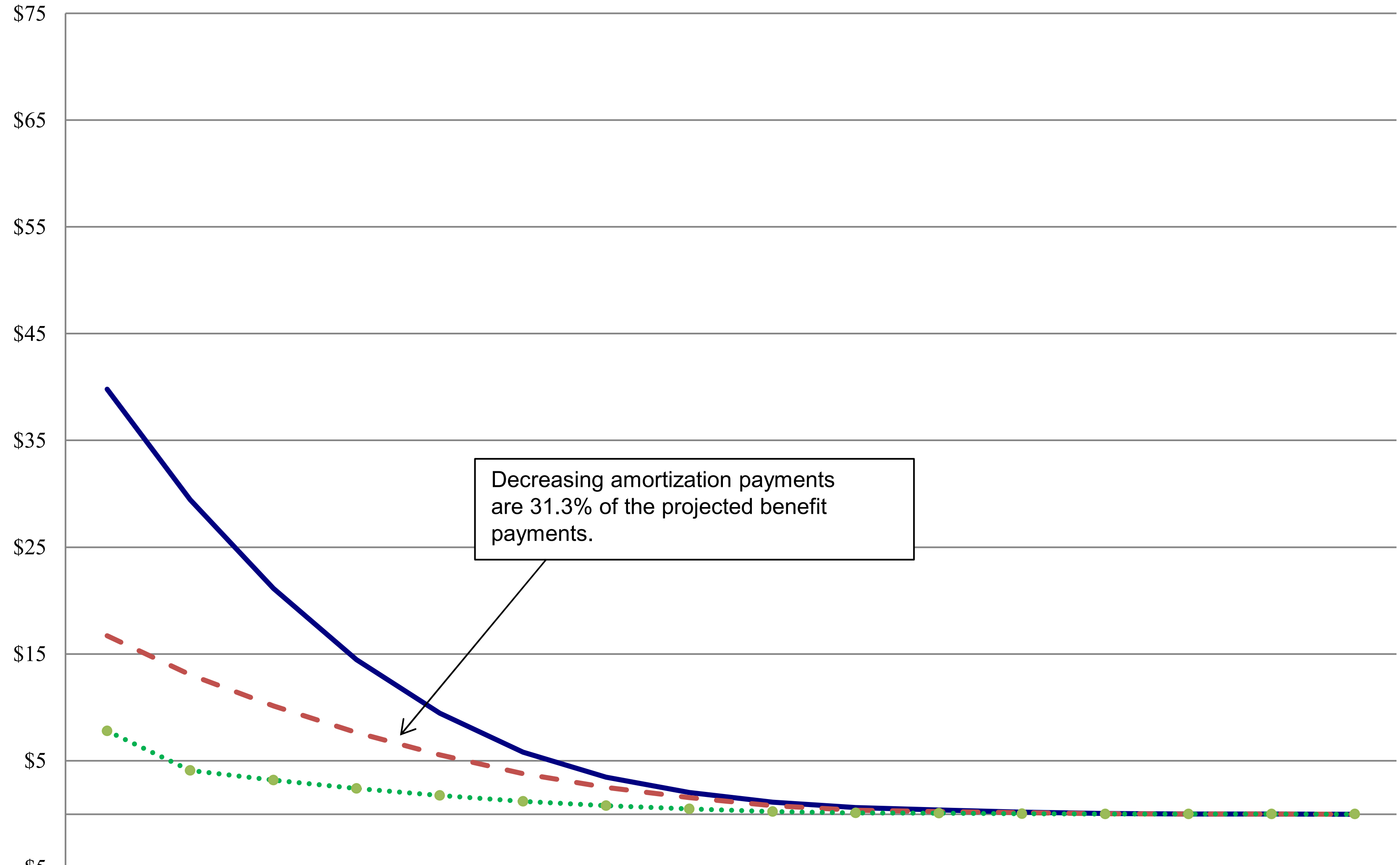
d. 1/1/2025	$7.8
e. 1/1/2026 - expiration	31.3% of FY Projected Benefit Payments

VSI Fund Projections:

	Contributions (paid on Jan. 1)	Jan-1 Fund Balance (After Contribution)	Interest Earned during FY	Benefit Payments during FY	End-of-Fiscal-Year Fund Balance
FY 2024	$10.6	$60.0	$1.6	$20.3	$36.3
FY 2025	$7.8	$39.8	$1.3	$16.7	$28.6
FY 2026	**$4.1**	$29.5	$1.0	$13.1	$20.6
FY 2027	$3.2	$21.1	$0.7	$10.1	$14.4
FY 2028	$2.4	$14.5	$0.5	$7.6	$9.6
FY 2029	$1.7	$9.5	$0.3	$5.6	$6.1
FY 2030	$1.2	$5.8	$0.2	$3.8	$3.6
FY 2031	$0.8	$3.5	$0.1	$2.5	$2.0
FY 2032	$0.5	$2.0	$0.1	$1.5	$1.0
FY 2033	$0.2	$1.1	$0.0	$0.8	$0.5
FY 2034	$0.11	$0.6	$0.0	$0.4	$0.3
FY 2035	$0.08	$0.4	$0.0	$0.2	$0.1
FY 2036	$0.04	$0.2	$0.0	$0.1	$0.0
FY 2037	$0.01	$0.1	$0.0	$0.0	$0.0
FY 2038	$0.00	$0.0	$0.0	$0.01	$0.0
FY 2039	$0.00	$0.0	$0.0	$0.002	$0.0
FY 2040	$0.00	$0.00	$0.0	**$0.00**	$0.0

VA compensation offsets VSI payments; VSI liability calculations reflect VA offsets
The last net VSI payment is projected to be in 2039.
31.3% is calculated by finding the percentage that draws fund to zero by the last benefit payment.

VSI CASH FLOW PROJECTIONS
($ in Millions)



	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040
FY Fund Dollars	$39.8	$29.5	$21.1	$14.5	$9.5	$5.8	$3.5	$2.0	$1.1	$0.6	$0.4	$0.2	$0.1	$0.0	$0.0	$0.00
Benefit Payments	$16.7	$13.1	$10.1	$7.6	$5.6	$3.8	$2.5	$1.5	$0.8	$0.4	$0.2	$0.1	$0.0	$0.01	$0.002	$0.00
Contributions	$7.8	$4.1	$3.2	$2.4	$1.7	$1.2	$0.8	$0.5	$0.2	$0.11	$0.08	$0.04	$0.01	$0.00	$0.00	$0.00

Education Benefits Fund Board of Actuaries Meeting

Defense Finance and Accounting Service

Jonathan Poe
Enterprise Solutions and Standards (ESS)
Financial Reporting
July 22, 2024

AGENDA

- Overview
- Financial Data
- Fund Status

OVERVIEW

- Short Term Liquidity
  - ✓ Current Year Purchases
    - ✓ Oct 2023 purchased $48M TIPS
    - ✓ Feb 2024 purchased $20M Notes and $5M TIPS
    - ✓ Anticipate continued ability to invest annually going forward.
  - ✓ Current Year Maturities
    - ✓ Oct 2023 maturity $4.2M
    - ✓ Jan 2024 maturity $104.0M
  - ✓ Outflows exceeding Inflows
    - ✓ FY 2024 disbursements through May $128.7M
    - ✓ FY 2024 receipts through May $20.1M (Excl interest of $8.1M)
    - ✓ FY 2024 overnights/cash as of May 31 $30.2M
- Long Term Liquidity
  - ✓ Planned to invest $150M for FY 2025
    - ✓ Depending on the FY 24 cash flow
  - ✓ FY2026-2029 projected investments of $351.0

Summary Financial Analysis

Year Ended September 30

(In Thousands)

	FY 2023	FY 2022	% Change
Service Contributions	$17,901	$53,699	-67%
Interest Income	22,598	45,614	-50%
Total Revenue	$40,499	$99,313	-59%
Benefit Payments	$159,056	$150,514	6%
Total Expense	$159,048	$150,669	6%

Summary Financial Analysis

Year Ended September 30

(In Thousands)

Interest Income

	FY 2023	FY 2022	$Change
Interest Revenue--Par	$13,198	$12,457	$741
Interest Revenue--Inflation	13,584	38,652	-25,068
Interest Revenue--Discount	1,137	543	594
Interest Revenue--Premium	-5,321	-6,038	717
	$22,598	$45,614	-$23,016

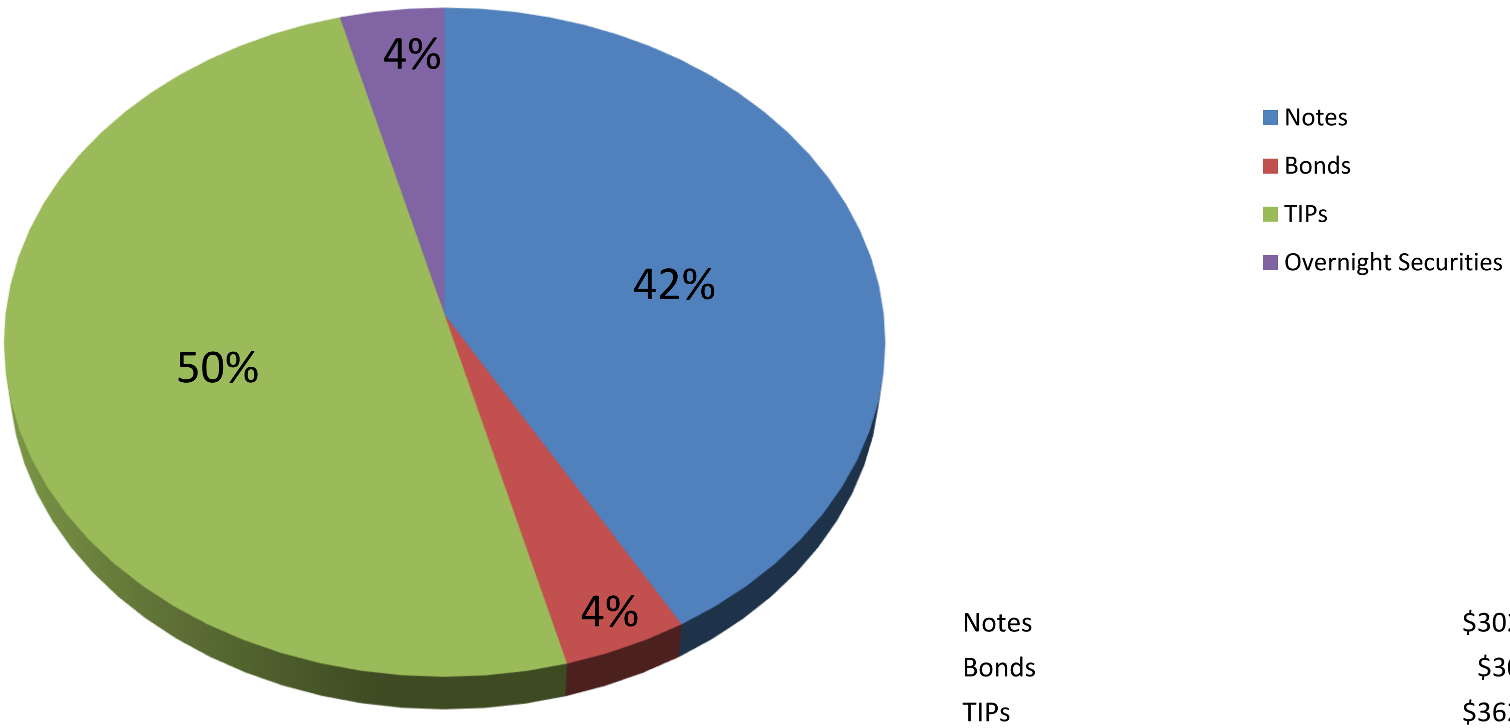
Education Benefits Fund
For the Year Ending September 30, 2023

	(in thousands)
Assets	
Fund Balance with Treasury	$100.0
Investments	
Overnight	$95,402.0
Long term	
Par	$661,480.2
Inflation purchased	$38,315.6
Inflation earned	$58,403.6
Premium outstanding	$9,344.4
Discount outstanding	-$4,178.6
Interest receivable	$1,720.9
Total Long Term Investments	$765,086.1
Total Investments	$860,488.1
Accounts Receivable, net	$768.9
Total Assets	$861,357.0
Liabilities	
Military Retirement and Other Federal Employment Benefits	
Benefits Payable to Beneficiaries	$640.6
Actuarial Liability	$441,989.0
Total Military and Other Federal Employment Benefits	$442,629.6
Other Liabilities	$8.3
Total Liabilities	$442,637.9
Net Position	
Cumulative Results of Operations	$418,719.1
Total Liabilities and Net Position	$861,357.0

Effective Fund Yields

FY	Yield
2014	3.16%
2015	1.79%
2016	2.34%
2017	2.92%
2018	3.82%
2019	3.01%
2020	3.01%
2021	2.92%
2022	4.97%
2023	2.32%

Education Benefits Portfolio
As Of 05/31/24

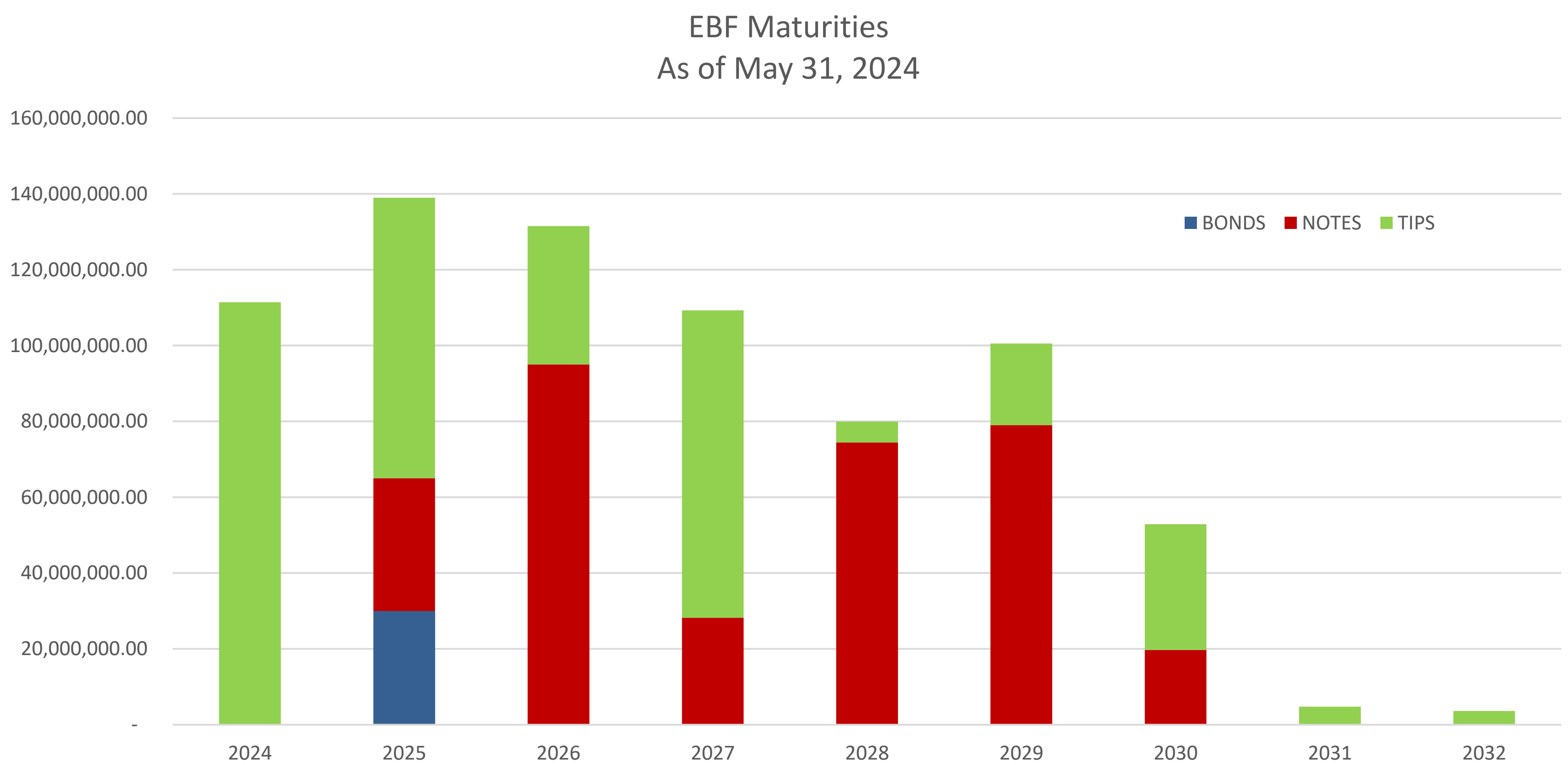


Notes	$302,376,699.17
Bonds	$30,665,625.00
TIPs	$362,898,410.08
Overnight Securities	$30,103,422.70
Total	$726,044,156.95

FUND STATUS

Security Description	Shares Par	Book Value	Market Value
MK BOND 6.875% 08/15/2025	**30,000,000.00**	**31,603,855.79**	**30,665,625.00**
MK NOTE 0.375% 04/30/2025	25,257,378.17	25,189,417.59	24,183,939.60
MK NOTE 0.750% 03/31/2026	4,471,306.75	4,221,506.55	4,148,534.29
MK NOTE 0.750% 08/31/2026	25,258,185.58	25,179,678.77	23,087,560.26
MK NOTE 1.250% 03/31/2028	74,437,713.07	74,655,409.98	65,737,805.35
MK NOTE 1.625% 02/15/2026	65,292,466.40	67,062,146.16	61,742,188.54
MK NOTE 1.625% 08/15/2029	78,985,623.85	76,394,738.56	68,470,662.67
MK NOTE 2.250% 08/15/2027	28,200,032.62	29,267,889.94	26,181,967.79
MK NOTE 2.750% 02/28/2025	9,738,025.93	9,834,519.42	9,561,524.21
MK NOTE 4.125% 08/31/2030	19,699,601.37	19,852,651.85	19,262,516.46
TOTAL NOTES	**331,340,333.74**	**331,657,958.82**	**302,376,699.17**
MK TIPS 0.125% 01/15/2030	3,871,200.10	4,341,024.60	4,205,170.27
MK TIPS 0.125% 01/15/2031	3,959,596.03	4,340,277.41	4,166,476.25
MK TIPS 0.125% 07/15/2024	84,717,357.00	111,473,545.42	111,238,561.11
MK TIPS 0.125% 07/15/2030	23,369,252.56	25,132,332.18	25,331,281.26
MK TIPS 0.250% 01/15/2025	35,503,274.93	47,103,039.93	45,929,876.71
MK TIPS 0.375% 01/15/2027	62,715,061.70	83,917,418.85	76,867,351.93
MK TIPS 0.625% 01/15/2026	27,772,869.71	36,644,366.12	35,289,803.98
MK TIPS 2.375% 01/15/2025	16,405,437.41	27,717,100.15	26,990,729.89
MK TIPS 3.375% 04/15/2032	2,040,930.22	4,053,346.88	3,900,187.67
MK TIPS 3.625% 04/15/2028	2,856,742.80	5,762,792.46	5,784,304.72
MK TIPS 3.875% 04/15/2029	11,339,169.56	22,998,083.67	23,194,666.29
TOTAL TIPS	**274,550,892.02**	**373,483,327.67**	**362,898,410.08**
ONE DAY 5.380% 06/03/2024	**30,103,422.70**	**30,103,422.70**	**30,103,422.70**
TOTAL PORTFOLIO	**665,994,648.46**	**766,848,564.98**	**726,044,156.95**

FUND STATUS



2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
111.4	139.0	131.5	109.3	80	100.5	52.9	4.7	3.6	732.9

QUESTIONS

FY 2023 Valuation of the

DoD Education Benefits Fund

Meeting Objectives

1. Review and approve actuarial methods and assumptions needed for September 30, 2023, actuarial valuation of the DoD Education Benefits Fund (EBF), including proposed model changes. The education benefit programs funded by the EBF are:

    a. Chapter 30 Kicker Benefits
    b. Chapter 1606 Basic & Kicker Benefits
    c. Category III Benefits

2. Review the actuarial liability as of September 30, 2023, for each of the benefit plans by active duty and reserve service component, including the Coast Guard.

3. Set FY 2026 per capita contribution amounts and October 1, 2025, amortization payments for each of these benefit plans by active duty contract length and reserve component. These amounts will be sent in letters to the Secretary of Defense, DoD Comptroller, and the Secretary of Homeland Security (Coast Guard).

Presentation to the DoD Board of Actuaries

Military Education Benefits

Program	Funded By	Participants	Eligibility	FY 2024 Benefit	Per Capita Amount	Amortization	Transferability	Dates
Post 9/11 Chapter 33 Basic	VA	Active Duty or Reserve	Active – Serve 3 Years, serve at least 30 days and service-connected disability discharge, or Purple Heart (Full) Serve 90+ days (Partial) Reserve – Serve 90+ Days in Active Duty Status	Full Tuition/Fees[1] Up to $27,120.05[2] indexed Other[3]	N/A	None	Currently serving, completed 6+ years of service, and agree to add 4 more years of service. Purple Heart.	August, 2009 - Present
Montgomery GI Bill Chapter 30 Basic	VA	Active Duty	Enlistment of 3 Years or Enlistment Contract (Full Amount) Usually ends 10 Years after Separation	Up to $2,358 for each full month of enrollment, indexed	N/A	None	None	July, 1985 - Present
Chapter 30 Kicker	DoD Services Contribute to EBF	Active Duty	Offered by DoD at Time of Recruitment. Contract Period of 2-6 years. Corresponds with Chapter 30 or Chapter 33 Basic	$150 - $950 Per month, not indexed	Net Single Premium Paid at Time of Entry. Fund Surplus Offset as Determined by DoD Board of Actuaries	Determined by Board of Actuaries. Unfunded Liability by Service Paid Off in 5 Years	Same as Chapter 33 Basic	July, 1985 – Present (None offered since 2012)

[1] Public Institution of Higher Learning up to in-state rate. Plus, if eligible, monthly housing allowance and book/supply allowance.
[2] For Private/Foreign Institution of Higher Learning or Non-college degree program. Plus, if eligible, monthly housing allowance and book/supply allowance.
[3] Flight Training up to $15,497.15. Correspondence school up to $13,172.57. Plus, if eligible, monthly housing allowance and book/supply allowance.

These are not all the education benefits available to military members. These are only the programs funded by the EBF or programs whose use by members impacts the EBF.

Military Education Benefits

Program	Funded By	Participants	Eligibility	FY 2024 Benefit	Per Capita Amount	Amortization	Transferability	Dates
Category III Post-Vietnam Veterans' Educational Assistance Program (VEAP)	DoD & VA	Active Duty	Entered service between January, 1977 ~ June, 1985 Involuntarily separated for certain reasons or separated under the VSI (Voluntary Separation Incentive) or SSB (Special Separation Benefit) Program	Same as Chapter 30	N/A	Projected amount plus interest used in prior fiscal year	Survivors and dependents may be eligible	January 1977 - Present
Chapter 1606 Basic	DoD Reserve Components Contribute to EBF	Selected Reserves	Agree to Serve 6 Years. Ends After 14 Years of Service or Upon Leaving Reserves	Up to $466 per month for each full month of enrollment, indexed	Net Single Premium Paid at Time of Entry. Fund Surplus Offset as Determined by DoD Board of Actuaries	Determined by DoD Board of Actuaries. Unfunded Liability by Reserve Component Paid Off in 5 Years	Not Currently Offered	July, 1985 – Present
Chapter 1606 Kicker	DoD Reserve Components Contribute to EBF	Selected Reserves (Offered to fill special skilled positions)	Offered by DoD at Time of Recruitment. Same as Chapter 1606 Basic	$100, $200 & $350 per month, not indexed	Net Single Premium Paid at Time of Entry.	None	Not Currently Offered	July, 1985 – Present

These are not all the education benefits available to military members. These are only the programs funded by the EBF or programs whose use by members impacts the EBF.

Executive Summary

FY 2023 Fund experience and actuarial valuation results as of September 30, 2023

($ in Millions)	Chapter 30 Kicker	Chapter 1606 Basic & Kicker	Other[2]	Total
Sept. 30, 2023 Eligible Members[1]	107,995	357,321	N/A	465,316
Sept. 30, 2022 Balance & Liability				
Fund Balance[3]	$334.8	$643.9	$0.5	$979.1
Actuarial Liability (AL)	$191.8	$325.7	$0.0	$517.5
Unfunded Liability (Surplus)	($143.0)	($318.2)	($0.5)	($461.6)
FY 2023 Fund Activity				
Sept. 30, 2022 Fund Balance	$334.8	$643.9	$0.5	$979.1
Asset Transfers	($0.1)	$0.0	$0.1	$0.0
Amortization Payments	$0.5	$0.0	$0.0	$0.5
Per Capita Contributions	$0.0	$17.4	$0.0	$17.4
Benefit Payments	($28.8)	($130.3)	($0.0)	($159.1)
Interest[4]	$7.5	$13.8	$0.0	$21.3
Total Changes	($20.8)	($99.1)	$0.1	($119.8)
Sept. 30, 2023 Fund Balance	$314.0	$544.8	$0.6	$859.3
Sept. 30, 2023 Balance & Liability				
Fund Balance	$314.0	$544.8	$0.6	$859.3
Actuarial Liability (AL)	$157.3	$296.0	$0.0	$453.4
Unfunded Liability (Surplus)	($156.7)	($248.7)	($0.5)	($406.0)

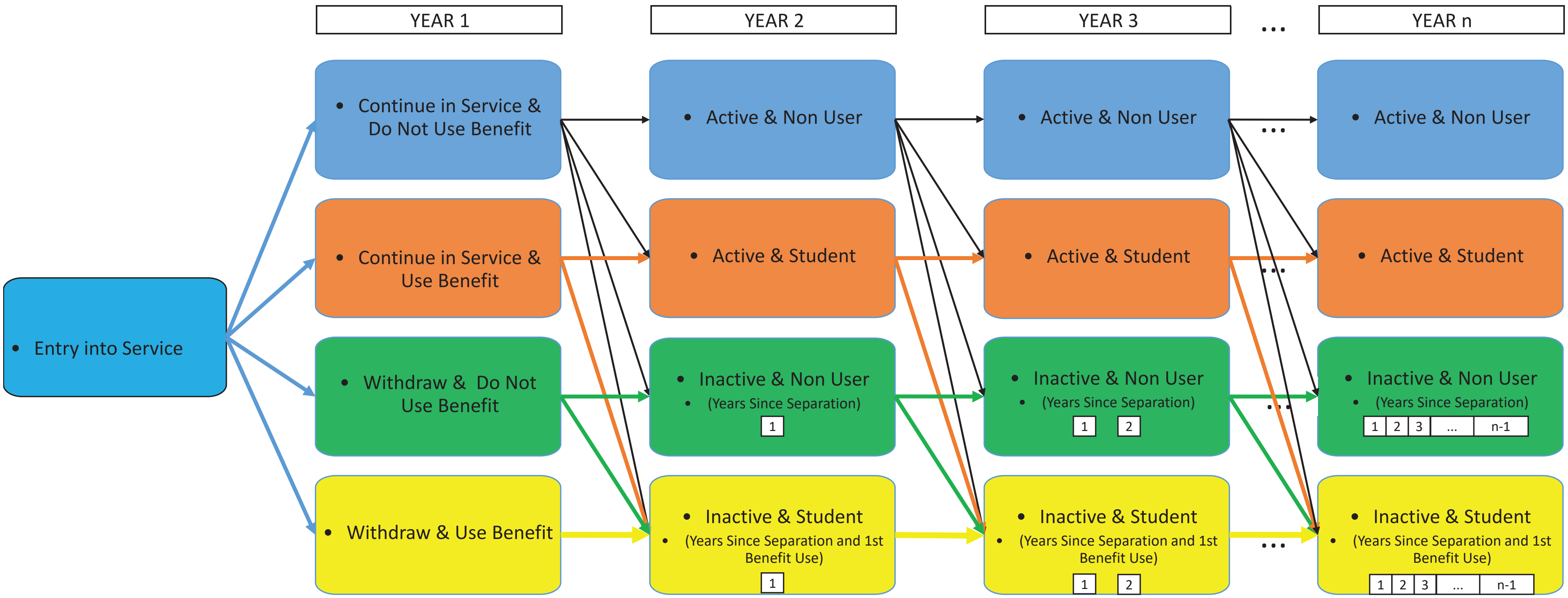
[1]Members eligible for multiple programs are counted separately for each program. There have not been any new entrants into the Chapter 30 Kicker program since 2012. Of the 357,321 Chapter 1606 eligibles, 140,258 are also eligible to receive a Chapter 1606 kicker benefit.

[2]Other is Category III, National Call to Service and Chapter 30 Section 3020 Transferability. Due to the relatively small size of benefits and no benefits paid since FY 2008 for National Call to Service and Chapter 30 Section 3020 Transferability, liability amounts for those programs have not been estimated. Liability amounts in this column represent only the Category III liability. Fund balances for National Call to Service and Chapter 30 Section 3020 Transferability are still reflected in this column.

[3]Officially, there is only one Fund. OACT allocates the Fund into separate accounts for the various programs by component, using reported contributions and benefit payments by program for each component and allocating reported interest earnings by program.

[4]In FY 2023, the Education Benefits Fund earned 2.32% in interest.

Education Benefit Usage Model



Each box has a probability of benefit usage and a probability of moving into a different box for the following year.
Benefits are discounted to the time of entry.
Active Duty model continues for 40 years. Reserve model continues for 15 years .

Preliminary Benefit Usage & Withdrawal Rates

The OACT Education Benefits Usage Model calculates usage and withdrawal rates for each cell as described in the previous slide by taking the weighted average over the most recent 10 years.

1. **Active Model** – The most recent year (FY 2023) is given a weight of 100%. The second most recent year (FY 2022) is given a weight of 80% of the most recent year. Each successive year (2014-2021) is given a weight 80% of the year it precedes.
   - Exceptions – For cells which have not had recent activity because there have not been any new entrants since 2012, the model uses the 10 most recent years in which there were members whose activity could be measured.

2. **Reserve Model** – The most recent year (FY 2023) is given a weight of 100%. The second most recent year (FY 2022) is given a weight of 60% of the most recent year. Each successive year (2014-2021) is given a weight 60% of the year it precedes.
   - Exceptions – Where there are no or very few cases to measure, model may use other measurements. For example, if a particular program has not offered a $100 kicker benefit, the model will use historical weighted average of the $200 and $350 kicker benefit and basic benefit and apply utilization adjustments to account for different benefit amounts.

Explanation of Education Normal Cost Factors

Assume Normal Cost (NC) cohort radix = 100,000

Calculating the NC involves projecting the cohort through the eligibility period for the benefit, projecting the usage (i.e., the benefit payments), and discounting the benefit payment dollars to the present.

Define:

N_1 = projected count of users in year 1, N_2 = projected count of users in year 2, etc.

M_1 = projected avg months of usage in year 1, M_2 = same for year 2, etc.

B_1 = projected monthly benefit amount in year 1, B_2 = same for year 2, etc. For kickers, all B's are equal. For other programs, B's change with future COLAs.

V = discount factor

Thus:

$$NC = \frac{(N_1 M_1 B_1 V^{0.5} + N_2 M_2 B_2 V^{1.5} + \ldots)}{100{,}000}$$

$$= \frac{(N_1 M_1 B_1 V^{0.5} + N_2 M_2 B_2 V^{1.5} + \ldots)}{(N_1 M_1 B_1 + N_2 M_2 B_2 + \ldots)} \quad \frac{(N_1 M_1 B_1 + N_2 M_2 B_2 + \ldots)}{(N_1 M_1 + N_2 M_2 + \ldots)} \quad \frac{(N_1 M_1 + N_2 M_2 + \ldots)}{36 \times 100{,}000} \quad (36)$$

Thus the NC is the product of 3 ratios and 36. The first ratio is the "discount factor" and is a reflection of the assumed interest rate and the timing of when payments occur—it gives the ratio of the actual NC to what it would be without discounting. The second ratio is the average monthly benefit amount—it's a flat (obvious) calculation for kickers; and for CPI-indexed benefits, it gives the average benefit reflecting the effect of future COLAs. The third ratio is the "percent of benefit used" and is a reflection of how many become eligible, usage rates, and how much of the potential total entitlement is ultimately used.

CHAPTER 30 KICKER MODEL PROPOSED CHANGES

- Consolidate the data from all services into one set of usage and other decrement rates instead of producing a unique set of rates for each service and use the same set of rates for liability calculations as for normal cost calculations. The current model for liability calculations uses different rates for members with different contract lengths, whereas the rates used in normal cost consolidates all the members from a service regardless of their contract length with a few exceptions.
  - Reduces the complexity of the model by having fewer sets of rates
  - Produces larger sample sizes, thus improving the credibility for each rate
  - For consistency's sake, the normal cost and liability rates will be the same
  - OACT believes that one of the major decision points in using the benefit occurs within the first two years of members meeting their contract, but once members are beyond two years of fulfilling their contract, the length of the contract has very little impact in the probability of member's using the benefit. This is especially true for members who transfer the benefit to a family member
  - The result is usage rates for members between 2 and 8 years after entry will vary by contract length. Usage rates at other points in time will be the same regardless of contract length
- No longer adjust the probability of usage rates for members with different benefit amounts
  - Simplifies the model by removing a set of calculations
  - The Post 9-11 Bill which includes tuition, a supply stipend, and a housing allowance exceeds the Chapter 30 basic benefit. As such, OACT believes the size of the kicker is much less of a factor in whether the member chooses to use the benefit and therefore that variable can be removed from the model
- Mortality is removed as a variable
  - While some members may die while still eligible, that is a small probability since most member benefit usage occurs when members are young and therefore has very little impact in producing the final costs
  - Since transferability became a part of the benefit, it is possible for a member to die and still have a family member use the benefit in their name, thus including mortality may produce misleading results

Chapter 30 Kicker Model Comparison

(Dollars in Millions)

	Liability as of September 30, 2022		
	Current Model	Proposed Model	Assets
Army	$136.8	$117.4	$261.6
Navy	$40.3	$43.5	$43.1
Marine Corps	$14.3	$16.5	$28.9
Coast Guard	$0.37	$0.43	$1.15
Total DoD	$191.8	$177.9	$334.8

	Projected FY 2023 Benefits Paid		Actual FY 2023
	Current Model	Proposed Model	Benefits Paid
Army	$23.0	$20.5	$19.6
Navy	$5.8	$6.6	$6.0
Marine Corps	$2.8	$3.3	$3.1
Coast Guard	$0.042	$0.041	$0.059
Total DoD	$31.6	$30.4	$28.8

Data Sources

Defense Finance Accounting Service (DFAS) Trial Balance

- Provides Education Benefits Trust Fund activity for each active duty service and reserve component by month
  - Total per capita contributions
  - Amortization payments
  - Total benefit payments
- Provides entire fund starting and end of year balances

Defense Manpower Data Center (DMDC) File Extracts

- Provides individual member data
  - Cumulative lifetime benefits as of file date
  - Code indicating current service or reserve component
  - Code indicating monthly benefit amount
  - Date of entry, first benefit use, and withdrawal (if no longer active)

DMDC and DFAS Reported Activity for Chapter 30 Kicker Benefit Payments

FY 2020 - 2023

FY 2023 Service	DMDC Reports	DFAS Reports	$$ Difference	DMDC Extracts as % of DFAS Reports
Army	$12,894,564	$19,539,440	-$6,644,876	66.0%
Navy	$4,452,715	$5,982,147	-$1,529,432	74.4%
Marine Corps	$1,823,401	$3,055,092	-$1,231,691	59.7%
Coast Guard	$44,072	$59,008	-$14,936	74.7%
Unknown	$0	$135,720	-$135,720	0.0%
Total	$19,214,753	$28,771,407	-$9,556,655	66.8%
FY 2022	$36,272,676	$31,868,910	$4,403,766	113.8%
FY 2021	$46,755,128	$42,625,549	$4,129,579	109.7%
FY 2020	$44,772,510	$55,282,580	-$10,510,070	81.0%

DMDC and DFAS Reported Activity for Chapter 1606 Basic and Kicker New Entrants

FY 2020 - 2023

	DMDC Extracts			DFAS Reporting[1]			DMDC Extracts as % of DFAS Reports		
FY 2023	Chapter 1606 Basic Benefits	Chapter 1606 Kicker Benefits	Basic & Kicker Combined	Chapter 1606 Basic Benefits	Chapter 1606 Kicker Benefits	Basic & Kicker Combined	Chapter 1606 Basic Benefits	Chapter 1606 Kicker Benefits	Basic & Kicker Combined
Army National Guard	16,898	6,984	23,882	8,356	4,240	12,596	202.2%	164.7%	189.6%
Army Reserve	1,502	1,008	2,510	4,894	2,500	7,394	30.7%	40.3%	33.9%
Navy Reserve[2]	193	2	195	1,128	7	1,135	17.1%	28.6%	17.2%
Marine Corps Reserve	3,427	12	3,439	4,865	230	5,095	70.4%	5.2%	67.5%
Air National Guard	2,172	775	2,947	2,065	752	2,817	105.2%	103.1%	104.6%
Air Force Reserve[2]	707	420	1,127	1,943	221	2,164	36.4%	190.0%	52.1%
Coast Guard Reserve[2]	0	0	0	N/A	0	N/A	N/A	N/A	N/A
All Components	24,899	9,201	34,100	23,251	7,950	31,201	107.1%	115.7%	109.3%
FY 2022	29,214	14,794	44,008	44,078	15,565	59,643	66.3%	95.0%	73.8%
FY 2021	47,036	16,952	63,988	45,198	18,647	63,845	104.1%	90.9%	100.2%
FY 2020	50,454	15,825	66,279	58,428	14,443	72,871	86.4%	109.6%	91.0%

[1]Contributions divided by specific per capita amount

[2]If Basic Benefit Normal Cost is $0, estimated DFAS basic benefits new entrants is recruitment target number provided by DoD Program Budget/Military Personnel and Construction

DMDC and DFAS Reported Activity for Chapter 1606 Basic and Kicker Benefit Payments FY 2020 - 2023

	DMDC Reporting			DFAS Reporting			DMDC Extracts as % of DFAS Reports		
FY 2023	Chapter 1606 Basic Benefits	Chapter 1606 Kicker Benefits	Basic & Kicker Combined	Chapter 1606 Basic Benefits	Chapter 1606 Kicker Benefits	Basic & Kicker Combined	Chapter 1606 Basic Benefits	Chapter 1606 Kicker Benefits	Basic & Kicker Combined
Army National Guard	$44,201,154	$18,391,050	$62,592,204	$46,737,402	$25,291,515	$72,028,917	94.6%	72.7%	86.9%
Army Reserve	$16,106,032	$3,655,700	$19,761,732	$17,127,818	$6,675,961	$23,803,779	94.0%	54.8%	83.0%
Navy Reserve	$966,239	$4,200	$970,439	$1,434,806	$370,972	$1,805,777	67.3%	1.1%	53.7%
Marine Corps Reserve	$4,772,808	$6,050	$4,778,858	$4,883,654	$235,498	$5,119,153	97.7%	2.6%	93.4%
Air National Guard	$12,266,538	$6,505,300	$18,771,838	$12,398,645	$10,333,017	$22,731,662	98.9%	63.0%	82.6%
Air Force Reserve	$1,547,036	$762,650	$2,309,686	$1,735,065	$3,004,509	$4,739,574	89.2%	25.4%	48.7%
Coast Guard Reserve	$37,754	$0	$37,754	$51,516	$119	$51,635	73.3%	0.0%	73.1%
All Components	$79,897,561	$29,324,950	$109,222,511	$84,368,906	$45,911,591	$130,280,496	94.7%	63.9%	83.8%
FY 2022	$85,321,852	$31,901,900	$117,223,752	$75,317,010	$43,255,864	$118,572,874	113.3%	73.8%	98.9%
FY 2021	$71,156,692	$21,947,625	$93,104,318	$71,977,703	$40,019,266	$111,996,969	98.9%	54.8%	83.1%
FY 2020	$77,868,403	$26,833,908	$104,702,310	$83,983,567	$40,646,651	$124,630,218	92.7%	66.0%	84.0%

Data Reconciliation and Census Assumptions

When summing up the individual usage data on the DMDC extracts over the past 10 years, the total benefit dollars paid and the number of new entrants have usually been less than the amount of dollars paid and the number of new entrants (obtained by dividing dollars by per capita amounts) according to the DFAS Trial Balances.

The model adjusts the preliminary benefit usage rates and starting population to account for the discrepancies between the data sources.

Active Duty Model

- **Rates**
  - Record the percent difference in benefit dollars paid between the DFAS Trial Balance and the DMDC file extracts over the past ten years (FY 2014-2023).
  - Use the same weighting method as in the benefit usage rate determination to derive the Total True-Up Factor (see Usage & Withdrawal Rates).
  - The Total True-Up Factor is then further split between member benefit usage and months used. The Member Rate True-Up Factor and Months Used True-Up Factor are each the square root of (1+ Total True-Up Factor). The square root is used because there is a compounding effect and multiplying the usage rates in each cell by the Total Usage True-Up Factor will increase the number of members who move from non-usage status to usage status, which has a higher usage rate in subsequent years. This would result in increasing the output by more than the DFAS/DMDC ratio.

- **Census**

The model uses members on the DMDC file. No adjustment is made to the census because the program has not had any contributions since 2012 and DoD Compensation does not expect any new entrants for the foreseeable future.

Reserve Model

- **Rates**
  - Record the percent difference in benefit dollars paid between the DFAS Trial Balance and the DMDC file extracts over the past ten years (FY 2014-2023) for each service.
  - Use the same weighting method as in the benefit usage rate determination to derive the Total True-Up Factor for each service (see Usage & Withdrawal Rates).
  - Record the percent difference in contributions paid between the DFAS Trial Balance and the DMDC file extracts over the past ten years (FY 2014-2023) for each service using the same weighting method as in the benefit usage rate determination. The contributions according to the DMDC file will be the number of new entrants by service and benefit level for a given year times each's respective per capita amount. This will be the Census True-Up Factor.
  - The Usage True-Up Factor is derived by dividing (1+ Total True-Up Factor) by (1+ Census True-Up Factor).
  - The Usage True-Up Factor for each service is then further split between member benefit usage and months used. The Member Rate True-Up Factor and Months Used True-Up Factor are each the square root of (1+ Usage True-Up Factor). The square root is used because there is a compounding effect and multiplying the usage rates in each cell by the Usage True-Up Factor will increase the number of members who move from non-usage status to usage status, which has a higher usage rate in subsequent years. This would result in increasing the output by more than the DFAS/DMDC ratio.

- **Census**
  - For the most recent year's entrants (FY 2023), the model uses the DFAS number (contributions divided by specific per capita amounts) and reduces that figure by the number of new entrants who according to DMDC entered and lost their eligibility in their first year.
  - For members who entered in prior years, the model uses the number of members on DMDC file and separates them by years since entry and whether they have received benefits as of valuation date (designate members as either "users" or "non-users"). The model then increases the census by the Census True-Up Factor.
  - For the current year (FY 2024), the model adds the DFAS report for actual number of entrants (contributions divided by specific per capita amounts) through the most recent reported month (April 2024) and the pro-rated projection for the remainder of the fiscal year as provided to OACT by DoD Program Budget/Military Personnel and Construction (PB/MPC). For components whose per capita amount for the current year is $0, the model uses the full year PB/MPC number.
  - For future years (FY 2025-), the model uses PB/MPC's projected number of entrants.

Hypothetical Example to Derive True-Up Factors

Suppose for 10 Year Weighted Average for Service ABC;

Benefits Paid (DFAS Trial Balance)	\$110,000,000
Benefits Paid (DMDC File Extracts)	\$100,000,000
% DFAS / DMDC	110%
PCA Contributions to Fund (DFAS)	\$52,000,000
PCA Contributions to Fund (DMDC)	\$50,000,000
% DFAS / DMDC	104%
Census True-Up Factor	104%
Usage True-Up Factor	110% / 104% = 105.8%
Member Rate & Months Used True-Up Factors	Square Root of 105.8% = 102.8%

DMDC population except for the most recent year's entrants for Service ABC is increased by 4.0%
All Probabilities for Service ABC are increased by 2.8%
All projected months used for Service ABC are increased by 2.8%

EBF Fund Yield Projection and Current Interest Assumption

FY	Inflation	Real*	Fund Yield	Blue Chip Return on New Invests (Cumulative)**
2024	2.61%	-0.001%	2.61%	4.37%
2025	2.32%	0.46%	2.78%	4.04%
2026	2.25%	0.88%	3.13%	3.90%
2027	2.20%	1.27%	3.47%	3.83%
2028	2.20%	1.48%	3.68%	3.79%
2029	2.20%	1.61%	3.81%	3.77%
2030	2.20%	1.55%	3.75%	3.76%
2031	2.20%	1.54%	3.74%	3.75%
2032	2.20%	1.54%	3.74%	3.74%
2033	2.20%	1.53%	3.73%	3.73%
10 Yr Avg	2.26%	1.19%	3.44%	3.87%
10 Yr Fund Wgt	2.25%	1.22%	3.48%	3.86%

Sensitivity Analysis Interest Assumption	Sensitivity Analysis Liability Inc / Dec
2.50%	0.81%
3.00%	-0.81%

Current Interest Assumption	Duration
2.75%	3.24

Proposed Interest Assumption
3.50%

Notes:

* Real = Fund Yield - Inflation. For inflation, fund yield, and Blue Chip return calculations, the "X Yr Avg" calculation is geometric and the "X Yr Fund Wgt Avg" is weighted by expected fund size during FY.

** Assumes new bond purchases are invested in 5-yr bonds.

--- Short Term Strategy: Mix of overnights and bills.

--- Portfolio Allocation: 50% conventional/50% TIPS.

--- Investment Policy: Match cash flows to cash outflows plus a margin. Minimize risks to the funds--all securities are market-based Treasury special issues. Hold to maturity policy.

Economic Assumptions - Projection of the Chapter 1606 Basic Benefit Using Blue Chip Financial Forecast of CPI - W

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	July - June	July - June CPI Increase	Chapter 1606 Monthly Basic Benefit
2022							**292.2**	**291.6**	**291.9**	**293.0**	**292.5**	**291.1**			
2023	**293.6**	**295.1**	**296.0**	**297.7**	**298.4**	**299.4**	**299.9**	**301.6**	**302.3**	**302.1**	**301.2**	**300.7**	294.4	**6.2%**	$439
2024	**302.2**	**304.3**	**306.5**	307.1	307.7	308.2	308.9	309.5	310.2	310.7	311.3	311.9	303.6	**3.2%**	$466
2025	312.5	313.1	313.6	314.2	314.8	315.3	315.9	316.5	317.1	317.6	318.2	318.8	312.2	**2.8%**	$481
2026														**2.2%**	$494
2027														**2.2%**	$505
2028														**2.2%**	$516
2029														**2.2%**	$527
2030														**2.2%**	$539
2031														**2.2%**	$551
2032														**2.2%**	$563

Bold indicates actual CPI. Otherwise, OACT projection.
Annual CPI = July - June 12 Month Average Divided by Previous July - June 12 Month Average rounded to the nearest tenth of percent.
Chapter 1606 monthly benefit is previous year's benefit increased by annual CPI rounded to the nearest dollar.

Source: Bureau of Labor Statistics, Urban Wage Earners and Clerical Workers CPI through March, 2024
Blue Chip Financial Forecasts, December, 2023 Consumer Price Index Estimates
Estimates are Quarterly Through 2025; Annually Thereafter

Chapter 30 Results - Determination of October 1, 2025 Amortization Payments (Adjustments) for Chapter 30 Kicker Programs

	Army	Navy	Marine Corps	Coast Guard	Total - Active
Fund Balance on September 30, 2023	$247,827,812	$38,573,408	$26,466,788	$1,118,206	$313,986,214
Present Value of Benefits	$103,524,829	$38,274,496	$15,065,906	$420,496	$157,285,727
Unfunded Liability (Surplus)	($144,302,983)	($298,912)	($11,400,882)	($697,710)	($156,700,487)
Amortization Payment on October 1, 2023	$0	$0	$0	$0	$0
Projected Net Cash Flow in FY 2024 (Contributions - Benefits + Interest +/- Transfers)	($9,450,894)	($4,711,316)	($1,923,705)	($22,310)	($16,108,225)
Projected Amount in Fund on September 30, 2024	$238,376,919	$33,862,091	$24,543,083	$1,095,896	$297,877,989
Projected Present Value of Benefits	$91,732,587	$33,810,668	$13,070,303	$382,500	$138,996,059
Projected Unfunded Liability (Surplus)	($146,644,332)	($51,423)	($11,472,780)	($713,396)	($158,881,930)
Scheduled Amortization Payment on October 1, 2024	$0	$0	$0	$0	$0
Projected Net Cash Flow in FY 2025 (Contributions - Benefits + Interest +/- Transfers)	($4,864,923)	($4,360,531)	($1,363,678)	($14,581)	($10,603,712)
Projected Fund Balance on September 30, 2025	$233,511,996	$29,501,560	$23,179,405	$1,081,315	$287,274,277
Projected Present Value of Benefits	$81,770,791	$29,448,338	$11,305,079	$342,951	$122,867,158
Projected Unfunded Liability (Surplus)	($151,741,205)	($53,223)	($11,874,327)	($738,365)	($164,407,119)
Amortization Payment on Oct 1, 2025	**$0**	**$0**	**$0**	**$0**	**$0**

For additional detail, see Chapter 30 Kicker Projected Fund Activity in Appendix, page 39

Chapter 30 Kicker Results - Per Capita Amounts for Selected Benefits

Item	Fiscal Year	Army 2 Year $150	Army 3 Year $250	Army 4 Year $350	Army 5 Year $650	Army 6 Year $950	Navy 4 Year $450	Marines 4 Year $450	Marines 5 Year $450	Marines 6 Year $450	Coast 4 Year $450
Monthly	2025	$150	$250	$350	$650	$950	$450	$450	$450	$450	$450
Benefit	2026	$150	$250	$350	$650	$950	$450	$450	$450	$450	$450
% Benefit	2025	34.2%	33.1%	32.2%	32.1%	29.6%	45.7%	33.9%	33.3%	30.0%	32.9%
Used	2026	36.6%	35.6%	35.4%	34.8%	33.4%	35.4%	35.4%	34.8%	33.4%	35.4%
Discount	2025	0.774	0.755	0.739	0.726	0.727	0.685	0.777	0.762	0.778	0.753
Factor	2026	0.732	0.709	0.691	0.679	0.669	0.691	0.691	0.679	0.669	0.691
Normal	2025	$1,430	$2,247	$3,003	$5,447	$7,352	$5,074	$4,264	$4,111	$3,780	$4,010
Cost	2026	$1,449	$2,272	$3,085	$5,520	$7,642	$3,966	$3,966	$3,821	$3,620	$3,966
Offset to	2025	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Normal Cost	2026	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Per Capita	**2025**	**$1,430**	**$2,247**	**$3,003**	**$5,447**	**$7,352**	**$5,074**	**$4,264**	**$4,111**	**$3,780**	**$4,010**
Amount	**2026**	**$1,449**	**$2,272**	**$3,085**	**$5,520**	**$7,642**	**$3,966**	**$3,966**	**$3,821**	**$3,620**	**$3,966**

Normal Cost = Monthly Benefit X % Benefit Used X Discount Factor X 36 Months
Per Capita Amount = Normal Cost - Offset

For all contract year and benefit amounts, see Appendix, page 35

Chapter 30 Kicker Results - All Per Capita Amounts

Fiscal Year 2025

Service / Contract	$150	$250	$350	$450	$550	$650	$750	$850	$950
	Monthly Kicker Amount								
Army / 2 Year	$1,430	$2,403	$3,394	$4,400	$5,421	$6,458	$7,509	$8,575	$9,655
Army / 3 Year	$1,336	$2,247	$3,174	$4,117	$5,075	$6,047	$7,034	$8,035	$9,050
Army / 4 Year	$1,266	$2,127	$3,003	$3,892	$4,794	$5,709	$6,637	$7,578	$8,530
Army / 5 Year	$1,210	$2,033	$2,869	$3,717	$4,576	$5,447	$6,329	$7,223	$8,127
Army / 6 Year	$1,112	$1,863	$2,624	$3,392	$4,169	$4,953	$5,746	$6,545	$7,352
Navy / 4 Year	$1,654	$2,778	$3,918	$5,074	$6,245	$7,431	$8,632	$9,846	$11,074
Marine Corps / 4 Year	$1,383	$2,327	$3,287	$4,264	$5,258	$6,267	$7,291	$8,331	$9,385
Marine Corps / 5 Year	$1,335	$2,245	$3,170	$4,111	$5,067	$6,037	$7,021	$8,019	$9,030
Marine Corps / 6 Year	$1,243	$2,082	$2,927	$3,780	$4,640	$5,507	$6,380	$7,259	$8,144
Coast Guard / 4 Year	$1,302	$2,189	$3,092	$4,010	$4,943	$5,889	$6,850	$7,824	$8,811

Fiscal Year 2026

Service / Contract	$150	$250	$350	$450	$550	$650	$750	$850	$950
	Monthly Kicker Amount								
All Services / 2 Year	$1,449	$2,415	$3,381	$4,347	$5,313	$6,279	$7,245	$8,211	$9,177
All Services / 3 Year	$1,363	$2,272	$3,181	$4,090	$4,999	$5,908	$6,817	$7,726	$8,635
All Services / 4 Year	$1,322	$2,204	$3,085	$3,966	$4,848	$5,729	$6,611	$7,492	$8,374
All Services / 5 Year	$1,274	$2,123	$2,972	$3,821	$4,671	$5,520	$6,369	$7,218	$8,067
All Services / 6 Year	$1,207	$2,011	$2,816	$3,620	$4,425	$5,229	$6,033	$6,838	$7,642

Chapter 1606 Results - Determination of October 1, 2025
Amortization Payments (Adjustments) for Chapter 1606 Basic & Kicker Programs

	Army National Guard	Army Reserve	Navy Reserve	Marine Corps Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	TOTAL
Fund Balance on September 30, 2023	$292,467,854	$107,501,792	$17,096,162	$33,563,789	$38,455,327	$51,642,237	$4,038,182	$544,765,342
Present Value of Benefits	$148,515,595	$53,394,107	$3,401,572	$13,113,602	$56,874,346	$20,634,456	$106,527	$296,040,204
Unfunded Liability (Surplus)	($143,952,259)	($54,107,684)	($13,694,590)	($20,450,187)	$18,419,019	($31,007,781)	($3,931,656)	($248,725,138)
Amortization Payment on October 1, 2023	$0	$0	$0	$0	$2,875,554	$0	$0	$2,875,554
Projected Net Cash Flow (Contributions - Benefit Payments + Interest)	($49,166,662)	($7,700,983)	$260,021	($1,045,656)	($7,808,824)	($1,170,411)	$36,767	($66,595,748)
Projected Fund Balance on September 30, 2024	$243,301,192	$99,800,808	$17,356,183	$32,518,133	$33,522,057	$50,471,826	$4,074,949	$481,045,149
Projected Present Value of Benefits	$161,136,547	$55,683,437	$3,842,406	$11,915,538	$52,210,182	$19,784,611	$81,146	$304,653,868
Projected Unfunded Liability (Surplus)	($82,164,644)	($44,117,371)	($13,513,777)	($20,602,595)	$18,688,125	($30,687,215)	($3,993,803)	($176,391,281)
Scheduled Amortization Payment on October 1, 2024	$0	$0	$0	$0	$1,852,548	$0	$0	$1,852,548
Projected Net Cash Flow (Contributions - Benefit Payments + Interest)	($12,911,147)	($7,219,849)	($568,714)	($999,598)	($3,434,496)	($802,037)	$109,169	($25,826,673)
Projected Fund Balance on September 30, 2025	$230,390,044	$92,580,960	$16,787,469	$31,518,535	$31,940,109	$49,669,789	$4,184,118	$457,071,023
Projected Present Value of Benefits	$181,964,726	$57,626,461	$5,980,702	$13,254,428	$51,615,874	$20,029,336	$67,235	$330,538,761
Projected Unfunded Liability (Surplus)	($48,425,318)	($34,954,499)	($10,806,767)	($18,264,107)	$19,675,765	($29,640,453)	($4,116,883)	($126,532,263)
Amortization Payment on Oct 1, 2025	**$0**	**$0**	**$0**	**$0**	**$4,210,450**	**$0**	**$0**	**$4,210,450**
Adjustment to FY 2026 Basic Benefit Normal Costs	**($10,527,816)**	**($7,599,217)**	**($2,349,425)**	**($3,970,674)**	**$0**	**($6,443,927)**	**($895,023)**	**($31,786,082)**

Note: Surpluses and deficits are amortized over 5 years. The interest rate is assumed to be 3.5%

For additional detail, see Chapter 1606 Basic & Kicker Projected Fund Activity in Appendix, page 50

Chapter 1606 Offsets to FY 2026 Basic Benefit Normal Costs

	Army National Guard	Army Reserve	Navy Reserve	Marine Corps Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve
Projected Basic Normal Cost Contributions Before Offset	$55,345,710	$12,314,062	$3,474,971	$5,359,806	$8,979,432	$1,498,053	$17,883
Total Amount to be Offset	$10,527,816	$7,599,217	$2,349,425	$3,970,674	$0	$6,443,927	$895,023
% of Normal Costs Being Offset	19.0%	61.7%	67.6%	74.1%	0.0%	100.0%	100.0%
Projected FY 2026 New Entrants[1]	31,006	11,639	2,671	4,079	3,164	1,943	9
Offset Per New Entrant for FY 2026	$340	$653	$880	$973	$0	$671	$1,887
Offset to Basic Benefit Normal Costs[2]	Partial Offset	Partial Offset	Partial Offset	Partial Offset	No Offset	Full Offset	Full Offset

[1]From DoD Program Budget/Military Personnel and Construction
[2]A "Full Offset" means that the Normal Cost is offset to the minimum $100 Per Capita Amount

Chapter 1606 Results - Per Capita Contribution Amounts

Item	Fiscal Year	Army National Guard Basic	Army Reserve Basic	Navy Reserve Basic	Marine Corps Reserve Basic	Air National Guard Basic	Air Force Reserve Basic	Coast Guard Reserve Basic
Projected Monthly	2025	$513	$516	$519	$515	$514	$520	$515
Benefit	2026	$522	$523	$530	$525	$522	$526	$524
% Benefit	2025	9.0%	5.2%	5.0%	8.1%	14.2%	3.7%	11.2%
Used	2026	10.4%	6.1%	7.6%	7.7%	16.5%	4.5%	11.6%
Discount	2025	0.926	0.918	0.912	0.920	0.924	0.908	0.922
Factor	2026	0.918	0.914	0.893	0.907	0.917	0.904	0.912
Normal	2025	$1,532	$891	$854	$1,386	$2,432	$626	$1,918
Cost	2026	$1,785	$1,058	$1,301	$1,314	$2,838	$771	$1,987
Normal Cost	2025	$820	$572	$754	$860	$0	$526	$1,818
Offset	2026	$340	$653	$880	$973	$0	$671	$1,887
Per Capita	**2025**	**$712**	**$319**	**$100**	**$526**	**$2,432**	**$100**	**$100**
Amount	**2026**	**$1,445**	**$405**	**$421**	**$341**	**$2,838**	**$100**	**$100**

Normal Cost = Projected Monthly Benefit X % Benefit Used X Discount Factor X 36 Months
Per Capita Amount = Normal Cost - Offset
A minimum Per Capita Amount of $100 is required

Chapter 1606 Results - Per Capita Contribution Amounts

Item	Fiscal Year	Army National Guard $100 Kicker	Army Reserve $100 Kicker	Navy Reserve $100 Kicker	Marine Corps Reserve $100 Kicker	Air National Guard $100 Kicker	Air Force Reserve $100 Kicker	Coast Guard Reserve $100 Kicker
Monthly	2025	$100	$100	$100	$100	$100	$100	$100
Benefit	2026	$100	$100	$100	$100	$100	$100	$100
% Benefit	2025	19.5%	10.3%	12.1%	13.2%	28.7%	25.4%	21.8%
Used	2026	24.4%	13.6%	22.8%	10.3%	36.5%	43.8%	21.4%
Discount	2025	0.922	0.911	0.897	0.890	0.900	0.892	0.878
Factor	2026	0.899	0.888	0.888	0.885	0.872	0.846	0.856
Normal	2025	$646	$339	$390	$424	$930	$816	$689
Cost	2026	$791	$436	$729	$330	$1,145	$1,334	$659
Normal Cost	2025	$0	$0	$0	$0	$0	$0	$0
Offset	2026	$0	$0	$0	$0	$0	$0	$0
Per Capita	**2025**	**$646**	**$339**	**$390**	**$424**	**$930**	**$816**	**$689**
Amount	**2026**	**$791**	**$436**	**$729**	**$330**	**$1,145**	**$1,334**	**$659**

Normal Cost = Monthly Benefit X % Benefit Used X Discount Factor X 36 Months
Per Capita Amount = Normal Cost - Offset
A boxed variable means that this kicker amount is currently offered by the component.

Chapter 1606 Results - Per Capita Contribution Amounts

Item	Fiscal Year	Army National Guard $200 Kicker	Army Reserve $200 Kicker	Navy Reserve $200 Kicker	Marine Corps Reserve $200 Kicker	Air National Guard $200 Kicker	Air Force Reserve $200 Kicker	Coast Guard Reserve $200 Kicker
Monthly Benefit	2025	$200	$200	$200	$200	$200	$200	$200
	2026	$200	$200	$200	$200	$200	$200	$200
% Benefit Used	2025	13.4%	16.0%	9.3%	9.0%	27.5%	19.9%	20.2%
	2026	20.3%	21.6%	20.3%	8.2%	34.1%	32.4%	26.5%
Discount Factor	2025	0.921	0.907	0.899	0.915	0.903	0.891	0.920
	2026	0.906	0.882	0.897	0.901	0.877	0.848	0.892
Normal Cost	2025	$892	$1,044	$604	$596	$1,787	$1,275	$1,341
	2026	$1,326	$1,372	$1,308	$530	$2,153	$1,978	$1,703
Normal Cost Offset	2025	$0	$0	$0	$0	$0	$0	$0
	2026	$0	$0	$0	$0	$0	$0	$0
Per Capita Amount	**2025**	**$892**	**$1,044**	**$604**	**$596**	**$1,787**	**$1,275**	**$1,341**
	2026	**$1,326**	**$1,372**	**$1,308**	**$530**	**$2,153**	**$1,978**	**$1,703**

Normal Cost = Monthly Benefit X % Benefit Used X Discount Factor X 36 Months
Per Capita Amount = Normal Cost - Offset
A boxed variable means that this kicker amount is currently offered by the component.

Chapter 1606 Results - Per Capita Contribution Amounts

Item	Fiscal Year	Army National Guard $350 Kicker	Army Reserve $350 Kicker	Navy Reserve $350 Kicker	Marine Corps Reserve $350 Kicker	Air National Guard $350 Kicker	Air Force Reserve $350 Kicker	Coast Guard Reserve $350 Kicker
Monthly	2025	$350	$350	$350	$350	$350	$350	$350
Benefit	2026	$350	$350	$350	$350	$350	$350	$350
% Benefit	2025	18.4%	17.8%	8.3%	8.9%	27.6%	29.8%	23.2%
Used	2026	24.5%	25.1%	14.3%	7.5%	33.6%	44.9%	38.4%
Discount	2025	0.916	0.909	0.888	0.912	0.899	0.882	0.907
Factor	2026	0.890	0.880	0.890	0.900	0.879	0.830	0.902
Normal	2025	$2,128	$2,038	$932	$1,017	$3,131	$3,315	$2,652
Cost	2026	$2,745	$2,783	$1,607	$851	$3,727	$4,697	$4,364
Normal Cost	2025	$0	$0	$0	$0	$0	$0	$0
Offset	2026	$0	$0	$0	$0	$0	$0	$0
Per Capita	**2025**	**$2,128**	**$2,038**	**$932**	**$1,017**	**$3,131**	**$3,315**	**$2,652**
Amount	**2026**	**$2,745**	**$2,783**	**$1,607**	**$851**	**$3,727**	**$4,697**	**$4,364**

Normal Cost = Monthly Benefit X % Benefit Used X Discount Factor X 36 Months
Per Capita Amount = Normal Cost - Offset
A boxed variable means that this kicker amount is currently offered by the component.

Chapter 1606 Results - Per Capita Contribution Amounts

Fiscal Year 2025

Component	Basic Only	Kicker $100	Kicker $200	Kicker $350
Army National Guard	$712	$646	$892	$2,128
Army Reserve	$319	$339	$1,044	$2,038
Navy Reserve	$100	$390	$604	$932
Marine Corps Reserve	$526	$424	$596	$1,017
Air National Guard	$2,432	$930	$1,787	$3,131
Air Force Reserve	$100	$816	$1,275	$3,315
Coast Guard Reserve	$100	$689	$1,341	$2,652

Fiscal Year 2026

Component	Basic Only	Kicker $100	Kicker $200	Kicker $350
Army National Guard	$1,445	$791	$1,326	$2,745
Army Reserve	$405	$436	$1,372	$2,783
Navy Reserve	$421	$729	$1,308	$1,607
Marine Corps Reserve	$341	$330	$530	$851
Air National Guard	$2,838	$1,145	$2,153	$3,727
Air Force Reserve	$100	$1,334	$1,978	$4,697
Coast Guard Reserve	$100	$659	$1,703	$4,364

Cat III Methodology

- Determine beginning of year fund balance for each service.
- Subtract Cat III payment due October 1, which was set at previous year's Board of Actuaries meeting.
- Get benefit payments through most recent month (April, 2024) for current fiscal year (from DFAS Trial Balance).
- Project full year spending by using ratio of 10-year average of benefit payments through most recent month to end of fiscal year. Varies by service.
- Add projected full year spending amount.
- Assess interest at combination of year to date interest earnings and Board approved rate.
- Projected end of year balance and payment to charge is the sum of the beginning of year balance, projected full year of benefits, and interest assessed, less October 1 payment.

Post Vietnam Veterans' Educational Assistance Program (Cat III)
Fund Activity and Annual Payments For Fiscal Year 2024

FY 2024	Army	Navy	Marine Corps	Air Force	Coast Guard	Total
Fund Balance as of September 30, 2023	-$34,287	$16,151	$508	-$3,272	$1,640	-$19,260
October 1, 2023 Receipts	$34,355	$0	$0	$0	$0	$34,355
Balance as of October 1, 2023	$68	$16,151	$508	-$3,272	$1,640	$15,095
Benefit Payments (Thru April, 2024)	$0	-$589	$0	$0	$0	-$589
Benefit Payments (Projected Full Year)	$0	-$589	$0	$0	$0	-$589
Interest Earned (Owed)	$2	$503	$16	-$100	$50	$471
Projected Fund Balance on October 1, 2024	**$71**	**$17,243**	**$524**	**-$3,372**	**$1,690**	**$16,155**
Amount Due on October 1, 2024[1]	**$0**	**$0**	**$0**	**$3,372**	**$0**	**$0**

[1]No Contribution required at this time

Appendix - Chapter 30 Kicker

1. FY 2026 Normal Cost Calculations
2. Eligible Members as of September 30, 2023
3. FY 2023 Fund Activity
4. FY 2024 - 2025 Projected Fund Activity
5. FY 1985 - 2023 Per Capita Amount Contributions
6. FY 1985 - 2023 Amortization Contributions
7. FY 1985 - 2023 Benefit Payments
8. FY 1985 - 2023 Interest Earnings
9. FY 1985 - 2023 Year End Balance
10. FY 2024 - 2029 Projected Per Capita Contributions, Amortization Contributions & Benefit Payments
11. FY 2024 - 2029 Projected Interest Earnings, Year End Fund Balance & Unfunded Liability (Surplus)

Chapter 30 Fiscal Year 2025 Normal Costs

Active Duty Kicker Program	Monthly Benefit	% Benefit Used	Discount Factor	Normal Cost
2-Year	$150	36.6%	0.732	$1,449
2-Year	$250	36.6%	0.732	$2,415
2-Year	$350	36.6%	0.732	$3,381
2-Year	$450	36.6%	0.732	$4,347
2-Year	$550	36.6%	0.732	$5,313
2-Year	$650	36.6%	0.732	$6,279
2-Year	$750	36.6%	0.732	$7,245
2-Year	$850	36.6%	0.732	$8,211
2-Year	$950	36.6%	0.732	$9,177
3-Year	$150	35.6%	0.709	$1,363
3-Year	$250	35.6%	0.709	$2,272
3-Year	$350	35.6%	0.709	$3,181
3-Year	$450	35.6%	0.709	$4,090
3-Year	$550	35.6%	0.709	$4,999
3-Year	$650	35.6%	0.709	$5,908
3-Year	$750	35.6%	0.709	$6,817
3-Year	$850	35.6%	0.709	$7,726
3-Year	$950	35.6%	0.709	$8,635
4-Year	$150	35.4%	0.691	$1,322
4-Year	$250	35.4%	0.691	$2,204
4-Year	$350	35.4%	0.691	$3,085
4-Year	$450	35.4%	0.691	$3,966
4-Year	$550	35.4%	0.691	$4,848
4-Year	$650	35.4%	0.691	$5,729
4-Year	$750	35.4%	0.691	$6,611
4-Year	$850	35.4%	0.691	$7,492
4-Year	$950	35.4%	0.691	$8,374
5-Year	$150	34.8%	0.679	$1,274
5-Year	$250	34.8%	0.679	$2,123
5-Year	$350	34.8%	0.679	$2,972
5-Year	$450	34.8%	0.679	$3,821
5-Year	$550	34.8%	0.679	$4,671
5-Year	$650	34.8%	0.679	$5,520
5-Year	$750	34.8%	0.679	$6,369
5-Year	$850	34.8%	0.679	$7,218
5-Year	$950	34.8%	0.679	$8,067

Normal Cost = Monthly Benefit X %Benefit Used X Discount Factor X 36 Months

Chapter 30 Fiscal Year 2025 Normal Costs

Active Duty Kicker Program	Monthly Benefit	% Benefit Used	Discount Factor	Normal Cost
6-Year	$150	33.4%	0.669	$1,207
6-Year	$250	33.4%	0.669	$2,011
6-Year	$350	33.4%	0.669	$2,816
6-Year	$450	33.4%	0.669	$3,620
6-Year	$550	33.4%	0.669	$4,425
6-Year	$650	33.4%	0.669	$5,229
6-Year	$750	33.4%	0.669	$6,033
6-Year	$850	33.4%	0.669	$6,838
6-Year	$950	33.4%	0.669	$7,642

Normal Cost = Monthly Benefit X %Benefit Used X Discount Factor X 36 Months

Chapter 30 Kicker Eligible Members
As Of September 30, 2023

Army 2-Year	**1,517**
Army 3-Year	**23,806**
Army 4-Year	**35,424**
Army 5-Year	**5,465**
Army 6-Year	**2,741**
Navy 2-Year	**156**
Navy 3-Year	**1,135**
Navy 4-Year	**24,891**
Marine 4-Year	**7,817**
Marine 5-Year	**4,595**
Marine 6-Year	**49**
Coast Guard 4-Year	**399**

Army	**68,953**
Navy	**26,182**
Marine Corps	**12,461**
Coast Guard	**399**
Total	**107,995**

Active vs Inactive

	Still on Active Duty	Separated From A.D.
Army	**8,744**	**60,209**
Navy	**4,903**	**21,279**
Marine Corps	**1,422**	**11,039**
Coast Guard	**125**	**274**
Total	**15,194**	**92,801**

*Number Who Have Used Benefit

	Has Used Benefit	Has Not Used Benefit
Army	**40,851**	**28,102**
Navy	**15,799**	**10,383**
Marine Corps	**8,900**	**3,561**
Coast Guard	**60**	**339**
Total	**65,610**	**42,385**

*Includes Dependents

FY 2023 Chapter 30 Kicker Fund Activity

(Dollars in Millions)

	Army	Navy	Marine Corps	Coast Guard	Total - Active
Starting Balance (Oct 22)	$261.6	$43.1	$28.9	$1.15	$334.8
Present Value of Benefits (Liability)	$136.8	$40.3	$14.3	$0.37	$191.8
Unfunded Liability (Surplus)	($124.8)	($2.8)	($14.6)	($0.78)	($143.0)
Amortization Payments	$0.0	$0.5	$0.0	$0.00	$0.5
Transfer To/From Other Programs	($0.1)	$0.0	$0.0	$0.00	($0.1)
Per Capita Amount Contributions	$0.0	$0.0	$0.0	$0.00	$0.0
Benefit Payments	($19.6)	($6.0)	($3.1)	($0.06)	($28.8)
Interest	$5.9	$0.9	$0.6	$0.03	$7.5
Net Receipts (Excludes Amortization)	($13.8)	($5.1)	($2.4)	($0.03)	($21.3)
Ending Balance (Sept 23)	$247.8	$38.6	$26.5	$1.12	$314.0

FY 2024 & 2025 Chapter 30 Kicker Projected Fund Activity

(Dollars in Millions)

	Army	Navy	Marine Corps	Coast Guard	Total - Active
FY 2024					
Starting Balance (Oct 23)	$247.8	$38.6	$26.5	$1.12	$314.0
Present Value of Benefits (Liability)	$103.5	$38.3	$15.1	$0.42	$157.3
Unfunded Liability (Surplus)	($144.3)	($0.3)	($11.4)	($0.70)	($156.7)
Amortization Payments	$0.0	$0.0	$0.0	$0.00	$0.0
Transfer To/From Other Programs	($0.1)	$0.0	$0.0	$0.00	($0.1)
Per Capita Amount Contributions	$0.0	$0.0	$0.0	$0.00	$0.0
Benefit Payments	($16.7)	($5.8)	($2.7)	($0.06)	($25.3)
Interest	$7.3	$1.1	$0.8	$0.03	$9.2
Net Receipts (Excludes Amortization)	($9.4)	($4.7)	($1.9)	($0.02)	($16.1)
Ending Balance (Sept 24)	$238.4	$33.9	$24.5	$1.10	$297.9
FY 2025					
Starting Balance (Oct 24)	$238.4	$33.9	$24.5	$1.10	$297.9
Present Value of Benefits (Liability)	$91.7	$33.8	$13.1	$0.38	$139.0
Unfunded Liability (Surplus)	($146.6)	($0.1)	($11.5)	($0.71)	($158.9)
Amortization Payments	$0.0	$0.0	$0.0	$0.00	$0.0
Transfer To/From Other Programs	($0.0)	$0.0	$0.0	$0.00	($0.0)
Per Capita Amount Contributions	$0.0	$0.0	$0.0	$0.00	$0.0
Benefit Payments	($13.0)	($5.5)	($2.2)	($0.05)	($20.7)
Interest	$8.1	$1.1	$0.8	$0.04	$10.1
Net Receipts (Excludes Amortization)	($4.9)	($4.4)	($1.4)	($0.01)	($10.6)
Ending Balance (Sept 25)	$233.5	$29.5	$23.2	$1.08	$287.2
FY 2026					
Starting Balance (Oct 25)	$233.5	$29.5	$23.2	$1.08	$287.3
Present Value of Benefits (Liability)	$81.8	$29.4	$11.3	$0.34	$122.9
Unfunded Liability (Surplus)	($151.7)	($0.1)	($11.9)	($0.74)	($164.4)

Chapter 30 Kicker Per Capita Amount Contributions

(Dollars in Millions)

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total - Active
1985	$52.0	$0.0	$0.0	$0.000	$52.0
1986	$114.8	$0.0	$0.0	$0.000	$114.8
1987	$74.3	$8.3	$0.0	$0.000	$82.6
1988	$36.3	$4.9	$0.0	$0.000	$41.2
1989	$54.4	$0.1	$0.0	$0.000	$54.5
1990	-$2.4	$2.3	$0.0	$0.000	-$0.2
1991	$0.0	$1.1	$0.0	$0.000	$1.1
1992	$0.0	$2.2	$0.0	$0.000	$2.2
1993	$7.0	$2.3	$0.8	$0.000	$10.1
1994	$25.2	$5.4	$1.8	$0.000	$32.5
1995	$31.0	$19.9	$2.2	$0.000	$53.1
1996	$39.5	$12.0	$2.9	$0.000	$54.4
1997	$35.5	$17.7	$4.2	$0.000	$57.4
1998	$41.6	$24.2	$4.5	$0.000	$70.3
1999	$51.8	$31.7	$17.7	$0.000	$101.2
2000	$74.9	$20.3	$17.4	$0.000	$112.6
2001	$76.6	$32.5	$19.6	$0.000	$128.7
2002	$55.4	$23.7	$12.7	$0.000	$91.7
2003	$20.7	$5.2	$7.9	$0.000	$33.9
2004	$10.5	$5.7	$5.9	$0.005	$22.2
2005	$46.4	$6.6	$6.1	$0.000	$59.1
2006	$35.0	$1.8	$8.6	$0.000	$45.4
2007	$44.0	$4.0	$17.9	$0.000	$65.8
2008	$80.7	$6.2	$10.5	$0.000	$97.3
2009	$84.5	$5.7	$10.8	$0.000	$101.0
2010	$127.3	$5.3	$0.9	$0.000	$133.4
2011	$6.0	$0.1	$7.5	$0.000	$13.6
2012	$1.6	$0.0	$0.0	$0.000	$1.6
2013	$0.0	$0.0	$0.0	$0.000	$0.0
2014	$0.0	$0.0	$0.0	$0.000	$0.0
2015	$0.0	$0.0	$0.0	$0.000	$0.0
2016	$0.0	$0.0	$0.0	$0.000	$0.0
2017	$0.0	$0.0	$0.0	$0.000	$0.0
2018	$0.0	$0.0	$0.0	$0.000	$0.0
2019	$0.0	$0.0	$0.0	$0.000	$0.0
2020	$0.0	$0.0	$0.0	$0.000	$0.0
2021	$0.0	$0.0	$0.0	$0.000	$0.0
2022	$0.0	$0.0	$0.0	$0.000	$0.0
2023	$0.0	$0.0	$0.0	$0.000	$0.0
Total	$1,224.6	$249.2	$159.8	$0.005	$1,633.5

Source: DFAS Education Benefits Fund Contributions & Disbursements

Chapter 30 Kicker Amortization Contributions

(Dollars in Millions)

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total - Active
1985	$0.0	$0.0	$0.0	$0.000	$0.0
1986	$0.0	$0.0	$0.0	$0.000	$0.0
1987	$0.0	$0.0	$0.0	$0.000	$0.0
1988	$0.0	$0.0	$0.0	$0.000	$0.0
1989	$0.0	$0.0	$0.0	$0.000	$0.0
1990	$0.0	$0.0	$0.0	$0.000	$0.0
1991	$0.0	$0.0	$0.0	$0.000	$0.0
1992	$0.0	$0.0	$0.0	$0.000	$0.0
1993	$0.0	$0.0	$0.0	$0.000	$0.0
1994	$1.1	$0.1	$0.0	$0.000	$1.2
1995	$19.8	$1.1	$0.2	$0.000	$21.1
1996	$18.4	$0.0	$0.1	$0.000	$18.5
1997	$23.6	$2.1	$0.2	$0.000	$25.9
1998	$16.3	$0.6	$0.1	$0.000	$17.1
1999	$15.8	$3.7	$0.5	$0.000	$20.0
2000	$16.0	$8.0	$0.2	$0.000	$24.1
2001	$16.8	$5.6	$0.8	$0.000	$23.2
2002	$20.3	$6.7	$2.4	$0.000	$29.4
2003	$15.5	$5.4	$1.1	$0.270	$22.2
2004	$0.6	$0.0	$2.1	$0.000	$2.7
2005	$0.0	$0.3	$0.3	$0.000	$0.5
2006	$0.0	$0.3	$0.0	$0.000	$0.3
2007	$0.0	$3.3	$0.5	$0.000	$3.9
2008	$0.0	$6.2	$0.0	$0.027	$6.2
2009	$1.9	$5.2	$0.0	$0.000	$7.1
2010	$44.4	$22.9	$3.7	$0.026	$71.1
2011	$29.9	$19.8	$4.1	$0.085	$53.9
2012	$12.0	$19.6	$4.9	$0.137	$36.7
2013	$0.0	$22.8	$3.2	$0.402	$26.5
2014	$0.0	$18.2	$2.4	$0.364	$20.9
2015	$0.0	$20.2	$7.0	$0.323	$27.5
2016	$4.4	$19.2	$9.6	$0.288	$33.5
2017	$0.3	$16.3	$7.1	$0.278	$23.9
2018	$15.9	$16.6	$8.6	$0.244	$41.3
2019	$0.8	$12.0	$4.7	$0.000	$17.5
2020	$5.9	$8.7	$3.6	$0.000	$18.2
2021	$0.0	$5.2	$0.1	$0.000	$5.3
2022	$0.0	$1.6	$0.0	$0.000	$1.6
2023	$0.0	$0.5	$0.0	$0.000	$0.5
Total	$279.8	$252.2	$67.6	$2.443	$602.0

Source: DFAS Education Benefits Fund Contributions & Disbursements

Chapter 30 Kicker Benefits Paid

(Dollars in Millions)

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total - Active
1985	$0.0	$0.0	$0.0	$0.000	$0.0
1986	$0.0	$0.0	$0.0	$0.000	$0.0
1987	$0.0	$0.0	$0.0	$0.000	$0.0
1988	$3.8	$0.1	$0.0	$0.000	$3.9
1989	$16.6	$0.2	$0.0	$0.000	$16.8
1990	$40.0	$2.7	$0.0	$0.000	$42.7
1991	$53.5	$4.5	$0.0	$0.000	$57.9
1992	$67.9	$4.0	$0.0	$0.000	$71.9
1993	$77.3	$3.3	$0.0	$0.000	$80.6
1994	$77.6	$2.2	$0.0	$0.000	$79.7
1995	$73.5	$2.7	$0.0	$0.000	$76.3
1996	$69.6	$3.7	$0.0	$0.000	$73.4
1997	$69.3	$5.1	$0.1	$0.000	$74.5
1998	$65.8	$9.3	$0.7	$0.000	$75.8
1999	$60.2	$13.6	$1.5	$0.000	$75.3
2000	$54.0	$15.0	$2.4	$0.000	$71.4
2001	$49.7	$16.7	$3.4	$0.000	$69.8
2002	$47.9	$20.3	$4.8	$0.000	$73.1
2003	$47.6	$25.2	$6.8	$0.000	$79.6
2004	$48.7	$29.1	$8.3	$0.015	$86.1
2005	$51.0	$32.4	$9.7	$0.059	$93.2
2006	$51.2	$34.0	$12.3	$0.055	$97.6
2007	$49.2	$34.0	$13.6	$0.057	$96.9
2008	$44.6	$33.2	$14.6	$0.058	$92.4
2009	$36.4	$31.6	$15.6	$0.075	$83.7
2010	$45.3	$37.4	$17.3	$0.133	$100.1
2011	$39.7	$28.0	$13.3	$0.120	$81.2
2012	$56.4	$30.1	$16.9	$0.141	$103.6
2013	$71.8	$27.8	$19.7	$0.156	$119.5
2014	$84.9	$24.8	$20.5	$0.146	$130.4
2015	$86.1	$21.9	$19.6	$0.111	$127.7
2016	$82.2	$18.7	$17.2	$0.104	$118.1
2017	$72.2	$14.7	$14.0	$0.079	$101.0
2018	$61.9	$12.9	$10.9	$0.082	$85.8
2019	$50.5	$11.3	$8.6	$0.078	$70.5
2020	$39.6	$9.4	$6.2	$0.058	$55.3
2021	$30.1	$7.7	$4.8	$0.050	$42.6
2022	$22.3	$6.2	$3.3	$0.044	$31.9
2023	$19.6	$6.0	$3.1	$0.059	$28.8
Total	$1,918.2	$579.8	$269.2	$1.680	$2,768.9

Source: DFAS Education Benefits Fund Contributions & Disbursements

Chapter 30 Kicker Interest Earnings

(Dollars in Millions)

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Coast Guard
1985	$0.5	$0.0	$0.0	$0.000	$0.5
1986	$8.2	$0.0	$0.0	$0.000	$8.2
1987	$17.3	$0.4	$0.0	$0.000	$17.6
1988	$22.6	$0.9	$0.0	$0.000	$23.5
1989	$27.8	$1.2	$0.0	$0.000	$28.9
1990	$30.5	$1.3	$0.0	$0.000	$31.7
1991	$28.7	$1.2	$0.0	$0.000	$29.9
1992	$25.8	$1.1	$0.0	$0.000	$26.9
1993	$21.5	$1.0	$0.0	$0.000	$22.5
1994	$17.8	$1.1	$0.1	$0.000	$19.1
1995	$16.8	$2.0	$0.3	$0.000	$19.1
1996	$15.3	$2.9	$0.5	$0.000	$18.7
1997	$16.3	$4.1	$0.8	$0.000	$21.1
1998	$16.1	$5.2	$1.1	$0.000	$22.4
1999	$15.6	$6.3	$1.7	$0.000	$23.7
2000	$18.4	$8.2	$2.9	$0.000	$29.5
2001	$21.2	$9.3	$3.9	$0.000	$34.4
2002	$20.8	$9.1	$4.2	$0.000	$34.1
2003	$18.9	$8.1	$4.1	$0.012	$31.1
2004	$14.6	$5.9	$3.4	$0.010	$23.9
2005	$14.3	$5.3	$3.4	$0.009	$23.1
2006	$19.0	$5.9	$4.5	$0.009	$29.4
2007	$19.9	$5.0	$4.9	$0.007	$29.8
2008	$23.7	$4.6	$5.6	$0.007	$33.9
2009	$7.5	$1.0	$1.6	$0.001	$10.1
2010	$18.1	$1.9	$2.9	$0.000	$23.0
2011	$29.2	$2.4	$4.1	-$0.002	$35.8
2012	$21.0	$1.6	$2.9	-$0.001	$25.5
2013	$21.9	$1.6	$2.8	$0.007	$26.3
2014	$17.9	$1.2	$2.1	$0.013	$21.2
2015	$13.0	$0.9	$1.4	$0.015	$15.4
2016	$12.5	$1.0	$1.4	$0.022	$15.0
2017	$12.4	$1.2	$1.4	$0.031	$15.0
2018	$12.7	$1.5	$1.5	$0.042	$15.7
2019	$9.2	$1.2	$1.1	$0.033	$11.5
2020	$5.6	$0.9	$0.7	$0.021	$7.3
2021	$8.2	$1.4	$0.9	$0.033	$10.5
2022	$13.0	$2.2	$1.5	$0.056	$16.7
2023	$5.9	$0.9	$0.6	$0.026	$7.5
Total	$659.7	$111.1	$68.3	$0.351	$839.6

Chapter 30 Kicker Year End Fund Balance

(Dollars in Millions)

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total - Active
1985	$52.5	$0.0	$0.0	$0.0	$52.5
1986	$175.4	$0.0	$0.0	$0.0	$175.4
1987	$266.9	$8.7	$0.0	$0.0	$275.6
1988	$322.0	$14.4	$0.0	$0.0	$336.3
1989	$387.5	$15.4	$0.0	$0.0	$403.0
1990	$375.5	$16.3	$0.0	$0.0	$391.8
1991	$350.8	$14.1	$0.0	$0.0	$364.9
1992	$308.6	$13.4	$0.0	$0.0	$322.0
1993	$259.8	$13.5	$0.9	$0.0	$274.1
1994	$226.3	$18.0	$2.8	$0.0	$247.1
1995	$220.4	$38.3	$5.5	$0.0	$264.2
1996	$223.9	$49.5	$9.0	$0.0	$282.3
1997	$230.1	$68.2	$14.0	$0.0	$312.4
1998	$238.3	$88.9	$19.1	$0.0	$346.3
1999	$261.4	$117.1	$37.4	$0.0	$415.9
2000	$316.7	$138.5	$55.5	$0.0	$510.7
2001	$381.6	$169.3	$76.4	$0.0	$627.2
2002	$430.1	$188.4	$90.9	$0.0	$709.3
2003	$437.6	$181.8	$97.2	$0.3	$716.9
2004	$414.7	$164.3	$100.4	$0.3	$679.6
2005	$424.5	$144.0	$100.5	$0.2	$669.2
2006	$427.3	$118.0	$101.2	$0.2	$646.7
2007	$442.0	$96.3	$111.0	$0.1	$649.4
2008	$501.8	$80.1	$112.5	$0.1	$694.5
2009	$559.3	$60.4	$109.2	$0.0	$729.0
2010	$703.9	$53.1	$99.4	-$0.1	$856.4
2011	$729.4	$47.4	$101.8	-$0.1	$878.5
2012	$707.6	$38.6	$92.7	-$0.1	$838.7
2013	$657.1	$35.2	$79.0	$0.1	$771.5
2014	$589.6	$29.9	$62.9	$0.4	$682.8
2015	$516.6	$29.1	$51.8	$0.6	$598.1
2016	$451.3	$30.7	$45.6	$0.8	$528.4
2017	$391.8	$33.5	$40.1	$1.0	$466.4
2018	$358.5	$38.6	$39.2	$1.2	$437.6
2019	$317.9	$40.5	$36.4	$1.2	$396.0
2020	$293.0	$46.6	$34.5	$1.2	$375.1
2021	$271.0	$45.5	$30.8	$1.1	$348.4
2022	$261.6	$43.1	$28.9	$1.2	$334.8
2023	$247.8	$38.6	$26.5	$1.1	$314.0

Chapter 30 Kicker Projections

Fiscal Years 2024 - 2029

(Dollars in Millions)

Per Capita Amount Contributions

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total
2024	$0.0	$0.0	$0.0	$0.0	$0.0
2025	$0.0	$0.0	$0.0	$0.0	$0.0
2026	$0.0	$0.0	$0.0	$0.0	$0.0
2027	$0.0	$0.0	$0.0	$0.0	$0.0
2028	$0.0	$0.0	$0.0	$0.0	$0.0
2029	$0.0	$0.0	$0.0	$0.0	$0.0

Amortization Contributions

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total
2024	$0.0	$0.0	$0.0	$0.0	$0.0
2025	$0.0	$0.0	$0.0	$0.0	$0.0
2026	$0.0	$0.0	$0.0	$0.0	$0.0
2027	$0.0	$0.0	$0.0	$0.0	$0.0
2028	$0.0	$0.0	$0.0	$0.0	$0.0
2029	$0.0	$0.0	$0.0	$0.0	$0.0

Benefit Payments

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total
2024	$16.7	$5.8	$2.7	$0.06	$25.3
2025	$13.0	$5.5	$2.2	$0.05	$20.7
2026	$11.3	$5.1	$1.9	$0.06	$18.4
2027	$10.0	$4.6	$1.6	$0.06	$16.3
2028	$9.1	$4.1	$1.4	$0.05	$14.6
2029	$8.5	$3.6	$1.3	$0.05	$13.5

Chapter 30 Kicker Projections
Fiscal Years 2024 - 2029
(Dollars in Millions)

Interest Earnings

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total
2024	$7.3	$1.1	$0.8	$0.0	$9.2
2025	$8.1	$1.1	$0.8	$0.0	$10.1
2026	$8.0	$1.0	$0.8	$0.0	$9.8
2027	$7.9	$0.8	$0.7	$0.0	$9.5
2028	$7.8	$0.7	$0.7	$0.0	$9.3
2029	$7.8	$0.6	$0.7	$0.0	$9.1

Year End Fund Balance

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total
2024	$238.4	$33.9	$24.5	$1.1	$297.9
2025	$233.5	$29.5	$23.2	$1.1	$287.3
2026	$230.2	$25.4	$22.0	$1.1	$278.6
2027	$228.0	$21.6	$21.1	$1.0	$271.8
2028	$226.8	$18.2	$20.4	$1.0	$266.4
2029	$226.1	$15.2	$19.8	$1.0	$262.1

Unfunded Liability (Surplus) at End of Year

Fiscal Year	Army	Navy	Marine Corps	Coast Guard	Total
2024	($146.6)	($0.1)	($11.5)	($0.7)	($158.9)
2025	($151.7)	($0.1)	($11.9)	($0.7)	($164.4)
2026	($157.0)	($0.1)	($12.3)	($0.8)	($170.2)
2027	($162.5)	($0.1)	($12.7)	($0.8)	($176.1)
2028	($168.2)	($0.1)	($13.2)	($0.8)	($182.3)
2029	($174.1)	($0.1)	($13.6)	($0.8)	($188.6)

Appendix - Chapter 1606 Basic & Kicker

1. Eligible Members as of September 30, 2023
2. FY 2023 Fund Activity
3. FY 2024 - 2025 Projected Fund Activity
4. FY 1985 - 2023 Per Capita Amount Contributions
5. FY 1985 - 2023 Amortization Contributions
6. FY 1985 - 2023 Benefit Payments
7. FY 1985 - 2023 Interest Earnings
8. FY 1985 - 2023 Year End Balance
9. FY 2024 - 2029 Projected Per Capita Contributions, Amortization Contributions & Benefit Payments
10. FY 2024 - 2029 Projected Interest Earnings, Year End Fund Balance & Unfunded Liability (Surplus)

Chapter 1606 Reservists
Eligible for Basic & Kicker Benefits
As of September 30, 2023

Eligible for the Basic Benefit	**357,321**
Army National Guard	176,970
Army Reserve	99,167
Navy Reserve	20,765
Marine Corps Reserve	21,862
Air National Guard	25,121
Air Force Reserve	12,992
Coast Guard Reserve	444
Eligible for the Kicker Benefit	**140,258**
Army National Guard	68,173
Army Reserve	41,935
Navy Reserve	345
Marine Corps Reserve	1,754
Air National Guard	22,170
Air Force Reserve	5,881
Coast Guard Reserve	0

FY 2023 Chapter 1606 Fund Activity for Basic and Kicker Combined

(Dollars in Millions)

	Army National Guard	Army Reserve	Navy Reserve	Marine Corps Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
Starting Balance (Oct 2022)	$352.9	$125.9	$18.4	$32.1	$56.2	$54.4	$4.0	$643.9
Present Value of Benefits	$165.8	$64.8	$4.9	$14.2	$60.1	$15.9	$0.2	$325.7
Unfunded Liability (Surplus)	($187.1)	($61.1)	($13.5)	($17.9)	$3.8	($38.6)	($3.8)	($318.2)
Amortization Payments	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Asset Transfer	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
PCA Contributions	$4.2	$2.7	$0.1	$5.9	$3.8	$0.7	$0.0	$17.4
Benefit Payments	($72.0)	($23.8)	($1.8)	($5.1)	($22.7)	($4.7)	($0.1)	($130.3)
Interest Earnings	$7.5	$2.7	$0.4	$0.8	$1.1	$1.2	$0.1	$13.8
Net Rec w/ Int	($60.4)	($18.4)	($1.3)	$1.5	($17.8)	($2.8)	$0.0	($99.1)
Ending Balance (Sept 2023)	$292.5	$107.5	$17.1	$33.6	$38.5	$51.6	$4.0	$544.8

Chapter 1606 Projected Fund Activity
Basic & Kicker Combined
(Dollars in Millions)

	Army National Guard	Army Reserve	Navy Reserve	Marine Corps Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
FY 2024								
Starting Balance (Oct 23)	$292.5	$107.5	$17.1	$33.6	$38.5	$51.6	$4.0	$544.8
Present Value of Benefits	$148.5	$53.4	$3.4	$13.1	$56.9	$20.6	$0.1	$296.0
Unfunded Liability (Surplus)	($144.0)	($54.1)	($13.7)	($20.5)	$18.4	($31.0)	($3.9)	($248.7)
Amortization Payments	$0.0	$0.0	$0.0	$0.0	$2.9	$0.0	$0.0	$2.9
Transfer To/From Other Programs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Per Capita Amount Contributions	$11.2	$10.2	$1.2	$3.1	$9.5	$0.9	$0.0	$36.1
Benefit Payments	($67.0)	($20.5)	($1.3)	($5.0)	($18.3)	($3.3)	($0.1)	($115.4)
Interest Earnings	$6.6	$2.6	$0.4	$0.8	$0.9	$1.2	$0.1	$12.7
Net Receipts (Excludes Amortization)	($49.2)	($7.7)	$0.3	($1.0)	($7.8)	($1.2)	$0.0	($66.6)
Ending Balance (Sept 24)	$243.3	$99.8	$17.4	$32.5	$33.5	$50.5	$4.1	$481.0
FY 2025								
Starting Balance (Oct 24)	$243.3	$99.8	$17.4	$32.5	$33.5	$50.5	$4.1	$481.0
Present Value of Benefits	$161.1	$55.7	$3.8	$11.9	$52.2	$19.8	$0.1	$304.7
Unfunded Liability (Surplus)	($82.2)	($44.1)	($13.5)	($20.6)	$18.7	($30.7)	($4.0)	($176.4)
Amortization Payments	$0.0	$0.0	$0.0	$0.0	$1.9	$0.0	$0.0	$1.9
Transfer To/From Other Programs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Per Capita Amount Contributions	$40.1	$9.7	$0.3	$2.4	$13.6	$2.2	$0.0	$68.2
Benefit Payments	($61.3)	($20.2)	($1.4)	($4.5)	($18.3)	($4.7)	($0.0)	($110.5)
Interest Earnings	$8.3	$3.4	$0.6	$1.1	$1.2	$1.7	$0.1	$16.4
Net Receipts (Excludes Amortization)	($12.9)	($7.2)	($0.6)	($1.0)	($3.4)	($0.8)	$0.1	($25.8)
Ending Balance (Sept 25)	$230.4	$92.6	$16.8	$31.5	$31.9	$49.7	$4.2	$457.1
FY 2026								
Starting Balance (Oct 25)	$230.4	$92.6	$16.8	$31.5	$31.9	$49.7	$4.2	$457.1
Present Value of Benefits	$182.0	$57.6	$6.0	$13.3	$51.6	$20.0	$0.1	$330.5
Unfunded Liability (Surplus)	($48.4)	($35.0)	($10.8)	($18.3)	$19.7	($29.6)	($4.1)	($126.5)

Chapter 1606 Basic & Kicker Per Capita Contributions

(Dollars in Millions)

Fiscal Year	Army Nat'l Guard	Army Reserve	Navy Reserve	Marines Reserve	Air Nat'l Guard	Air Force Reserve	Coast Guard Reserve	All Components
1985	$2.7	$3.4	$2.5	$3.3	$1.1	$0.5	$0.0	$13.6
1986	$64.4	$23.2	$11.0	$4.4	$7.9	$6.5	$0.0	$117.4
1987	$78.0	$34.5	$16.7	$6.2	$20.1	$12.5	$0.0	$167.8
1988	$35.5	$27.1	$13.8	$6.2	$8.9	$8.7	$0.0	$100.3
1989	$29.5	$12.3	$10.0	$5.5	$8.6	$8.9	$0.0	$74.8
1990	$31.4	$33.0	$9.6	$5.1	$11.6	$9.9	$0.0	$100.6
1991	$30.8	$18.7	$2.2	$6.5	$10.3	$10.6	$0.0	$79.2
1992	$0.0	$20.2	$2.6	$7.9	$6.6	$1.7	$0.0	$39.1
1993	$0.0	$14.2	$4.8	$8.3	-$2.1	$1.2	$0.0	$26.4
1994	$11.0	$10.8	$4.8	$5.7	$1.1	$2.9	$0.0	$36.2
1995	$16.0	$12.6	$2.9	$6.6	$1.7	$2.5	$0.0	$42.3
1996	$26.8	$17.2	$4.5	$6.9	$8.7	$4.0	$0.0	$68.2
1997	$29.4	$21.7	$5.9	$7.0	$8.4	$3.9	$0.0	$76.4
1998	$40.9	$20.3	$2.7	$8.3	$8.4	$0.5	$0.0	$81.1
1999	$38.0	$31.9	$2.5	$9.2	$8.3	$0.0	$0.0	$89.8
2000	$39.4	$31.3	$3.0	$14.5	$13.2	$2.0	$0.0	$103.4
2001	$38.7	$40.6	$4.1	$14.2	$12.4	$3.6	$0.0	$113.5
2002	$50.4	$53.6	$1.2	$13.8	$18.0	$9.9	$0.0	$146.9
2003	$81.7	$48.7	$0.4	$11.3	$17.0	$5.5	$0.0	$164.5
2004	$68.1	$32.1	$0.3	$10.6	$26.3	$5.4	$0.0	$142.8
2005	$78.2	$43.3	$1.0	$13.8	$27.7	$5.0	$0.0	$168.9
2006	$110.4	$49.5	$9.7	$20.9	$26.4	$8.0	$0.0	$224.9
2007	$129.7	$39.3	$4.0	$12.8	$33.3	$7.8	$0.7	$227.5
2008	$123.8	$72.9	$5.8	$9.3	$34.3	$7.5	$0.8	$254.3
2009	$113.7	$63.0	$4.4	$10.5	$25.6	$5.4	$0.6	$223.1
2010	$114.8	$54.1	$3.8	$18.1	$28.1	$10.5	$0.8	$230.3
2011	$62.6	$29.3	$2.3	$8.2	$27.6	$11.4	$1.0	$142.5
2012	$28.8	$22.8	$1.5	$6.6	$28.4	$14.6	$0.4	$103.1
2013	$49.3	$19.1	$0.7	$4.7	$29.9	$12.2	$0.0	$115.9
2014	$14.2	$6.7	$0.4	$1.2	$16.0	$3.4	$0.4	$42.2
2015	$13.0	$9.9	$0.0	$0.6	$21.3	$3.7	$0.0	$48.7
2016	$13.4	$8.9	$0.0	$0.4	$11.0	$2.4	$0.0	$36.1
2017	$1.3	$5.4	$0.2	$0.8	$10.3	$1.5	$0.0	$19.6
2018	$66.3	$32.4	$0.1	$3.9	$20.8	$2.9	$0.0	$126.3
2019	$113.9	$25.4	$0.0	$6.5	$21.2	$1.6	$0.0	$168.5
2020	$83.1	$23.5	$0.7	$2.9	$11.5	$2.0	$0.0	$123.7
2021	$39.4	$11.9	$0.5	$1.9	$9.0	$1.3	$0.0	$64.1
2022	$24.4	$9.9	$0.0	$3.3	$13.7	$0.7	$0.0	$52.0
2023	$4.2	$2.7	$0.1	$5.9	$3.8	$0.7	$0.0	$17.4
Total	$1,897.4	$1,037.4	$140.6	$293.8	$596.4	$203.2	$4.6	$4,173.3

Chapter 1606 Amortization Contributions

(Dollars in Millions)

Fiscal Year	Army Nat'l Guard	Army Reserve	Navy Reserve	Marines Reserve	Air Nat'l Guard	Air Force Reserve	Coast Guard Reserve	All Components
1985	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1986	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1987	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1988	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1989	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1990	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1991	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1992	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1993	$0.0	$0.0	$0.0	$1.2	$0.0	$0.0	$0.0	$1.2
1994	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
1995	$0.0	$0.0	$0.0	$1.6	$0.0	$0.0	$0.0	$1.6
1996	$1.4	$4.4	$0.0	$2.9	$1.4	$0.0	$0.0	$10.1
1997	$6.2	$4.0	$0.0	$2.8	$1.9	$0.0	$0.0	$14.9
1998	$3.3	$0.0	$0.0	$2.7	$1.6	$0.0	$0.0	$7.6
1999	$1.7	$0.0	$0.0	$3.4	$1.4	$0.0	$0.0	$6.5
2000	$3.8	$1.4	$0.0	$2.5	$0.0	$0.0	$0.0	$7.8
2001	$3.2	$0.4	$0.0	$1.9	$1.0	$0.0	$0.0	$6.5
2002	$0.0	$0.0	$0.0	$1.1	$1.9	$0.0	$0.0	$3.0
2003	$2.9	$0.0	$0.0	$2.2	$10.0	$0.0	$0.0	$15.1
2004	$15.7	$0.0	$0.0	$2.8	$8.8	$0.0	$0.0	$27.3
2005	$15.7	$0.0	$0.0	$2.8	$8.8	$0.0	$0.0	$27.3
2006	$27.6	$0.0	$0.0	$0.0	$17.3	$0.1	$0.0	$45.0
2007	$0.0	$0.0	$0.0	$0.0	$12.3	$0.0	$0.2	$12.5
2008	$0.0	$0.0	$0.0	$0.0	$12.3	$0.0	$0.1	$12.5
2009	$0.0	$0.0	$0.0	$0.0	$17.8	$0.0	$0.4	$18.1
2010	$0.0	$0.0	$0.0	$0.0	$10.1	$3.0	$0.0	$13.1
2011	$0.0	$0.0	$0.0	$0.0	$3.7	$0.0	$0.7	$4.4
2012	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2013	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2014	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2015	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2016	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2017	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2018	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2019	$0.0	$0.0	$0.0	$0.0	$1.7	$0.0	$0.0	$1.7
2020	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2021	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2022	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2023	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total	$81.6	$10.2	$0.0	$28.0	$111.9	$3.2	$1.4	$236.2

Chapter 1606 Basic & Kicker Benefit Payments

(Dollars in Millions)

Fiscal Year	Army Nat'l Guard	Army Reserve	Navy Reserve	Marines Reserve	Air Nat'l Guard	Air Force Reserve	Coast Guard Reserve	All Components
1985	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2
1986	$9.8	$6.3	$1.8	$0.6	$3.7	$1.9	$0.0	$24.0
1987	$18.8	$10.9	$4.3	$2.2	$6.2	$2.8	$0.0	$45.2
1988	$25.9	$15.8	$6.7	$4.5	$7.6	$3.7	$0.0	$64.2
1989	$30.8	$20.6	$8.5	$6.4	$7.5	$4.3	$0.0	$78.1
1990	$32.0	$22.6	$9.3	$7.6	$10.5	$5.3	$0.0	$87.3
1991	$33.9	$19.5	$8.0	$5.3	$7.4	$4.2	$0.0	$78.3
1992	$39.6	$26.0	$8.6	$10.0	$8.6	$5.6	$0.0	$98.4
1993	$38.6	$26.8	$8.1	$10.3	$9.4	$5.8	$0.0	$99.0
1994	$45.7	$30.9	$9.5	$12.0	$11.3	$6.6	$0.0	$115.9
1995	$42.0	$28.0	$8.7	$11.0	$10.3	$6.2	$0.0	$106.2
1996	$37.8	$24.1	$6.8	$10.4	$9.7	$5.6	$0.0	$94.4
1997	$34.7	$22.0	$5.5	$10.1	$8.9	$4.6	$0.0	$85.9
1998	$36.1	$21.3	$5.0	$10.4	$9.0	$4.2	$0.0	$86.0
1999	$41.9	$24.6	$4.7	$12.1	$10.4	$4.4	$0.0	$98.1
2000	$44.5	$27.0	$5.4	$13.1	$14.3	$4.8	$0.0	$109.1
2001	$56.7	$31.4	$5.2	$15.4	$19.8	$6.6	$0.0	$135.0
2002	$64.7	$36.0	$4.5	$14.1	$23.1	$7.4	$0.0	$149.9
2003	$76.2	$38.5	$5.4	$10.9	$29.8	$9.2	$0.0	$170.1
2004	$73.5	$34.1	$6.3	$13.6	$37.8	$11.7	$0.0	$176.9
2005	$72.2	$41.2	$6.1	$11.7	$39.8	$14.3	$0.0	$185.2
2006	$57.3	$29.5	$4.9	$6.9	$33.8	$14.1	$0.0	$146.6
2007	$38.9	$18.7	$3.9	$5.3	$24.1	$11.0	$0.7	$102.6
2008	$53.3	$23.7	$4.1	$7.0	$29.2	$9.4	$0.8	$127.6
2009	$66.7	$28.4	$5.0	$7.0	$27.3	$9.0	$0.8	$144.2
2010	$87.4	$42.7	$5.1	$6.7	$28.9	$8.8	$0.6	$180.2
2011	$89.7	$49.1	$4.5	$6.7	$28.7	$8.1	$0.4	$187.3
2012	$84.5	$50.0	$4.3	$6.2	$27.5	$8.7	$0.3	$181.5
2013	$79.8	$49.5	$4.5	$7.4	$25.9	$9.1	$0.3	$176.6
2014	$77.2	$45.5	$4.9	$8.3	$24.7	$9.8	$0.4	$170.9
2015	$75.4	$40.6	$5.2	$9.3	$24.5	$9.6	$0.5	$165.1
2016	$72.8	$34.9	$5.1	$9.6	$25.6	$8.5	$0.4	$156.8
2017	$67.8	$32.1	$4.9	$9.6	$25.4	$7.0	$0.3	$147.1
2018	$59.8	$27.5	$4.5	$9.2	$24.2	$6.0	$0.2	$131.4
2019	$57.6	$26.2	$4.1	$8.4	$24.1	$5.3	$0.2	$125.9
2020	$58.5	$26.2	$3.6	$7.7	$23.2	$5.3	$0.1	$124.6
2021	$54.0	$23.4	$2.6	$6.2	$21.0	$4.7	$0.1	$112.0
2022	$62.6	$22.5	$1.9	$5.1	$21.8	$4.6	$0.1	$118.6
2023	$72.0	$23.8	$1.8	$5.1	$22.7	$4.7	$0.1	$130.3
Total	$2,070.8	$1,101.9	$203.5	$323.1	$747.7	$263.0	$6.5	$4,716.6

Chapter 1606 Basic & Kicker Interest Earnings

(Dollars in Millions)

Fiscal Year	Army Nat'l Guard	Army Reserve	Navy Reserve	Marines Reserve	Air Nat'l Guard	Air Force Reserve	Coast Guard Reserve	All Components
1985	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1
1986	$2.3	$0.9	$0.5	$0.4	$0.2	$0.2	$0.0	$4.5
1987	$7.3	$2.7	$1.5	$0.8	$1.0	$0.8	$0.0	$14.2
1988	$10.4	$4.3	$2.4	$1.0	$1.7	$1.5	$0.0	$21.3
1989	$11.8	$4.8	$3.0	$1.2	$2.0	$2.0	$0.0	$24.7
1990	$13.1	$5.4	$3.4	$1.2	$2.3	$2.6	$0.0	$27.9
1991	$13.9	$6.2	$3.4	$1.2	$2.6	$3.3	$0.0	$30.5
1992	$13.0	$6.4	$3.1	$1.3	$2.8	$3.6	$0.0	$30.2
1993	$10.5	$5.8	$2.9	$1.2	$2.4	$3.4	$0.0	$26.3
1994	$8.2	$4.9	$2.7	$1.0	$1.7	$3.2	$0.0	$21.7
1995	$6.4	$3.8	$2.5	$0.8	$1.1	$3.1	$0.0	$17.7
1996	$5.1	$3.3	$2.2	$0.7	$0.8	$2.9	$0.0	$14.9
1997	$5.5	$3.7	$2.3	$0.7	$1.0	$3.1	$0.0	$16.2
1998	$5.9	$3.8	$2.4	$0.7	$1.1	$3.1	$0.0	$17.0
1999	$5.9	$3.8	$2.2	$0.8	$1.1	$2.8	$0.0	$16.5
2000	$6.4	$4.7	$2.2	$0.9	$1.1	$2.8	$0.0	$18.1
2001	$6.0	$5.1	$2.1	$1.1	$0.9	$2.7	$0.0	$17.9
2002	$4.4	$5.2	$1.8	$1.0	$0.6	$2.3	$0.0	$15.3
2003	$3.9	$5.3	$1.4	$1.0	$0.6	$2.1	$0.0	$14.2
2004	$3.8	$4.5	$1.0	$0.9	$0.3	$1.5	$0.0	$12.0
2005	$4.4	$4.7	$0.8	$1.0	$0.2	$1.3	$0.0	$12.5
2006	$9.0	$7.0	$1.1	$1.8	$0.8	$1.5	$0.0	$21.2
2007	$10.4	$6.9	$1.1	$1.8	$0.9	$1.2	$0.0	$22.3
2008	$16.1	$9.8	$1.3	$2.3	$2.1	$1.3	$0.0	$32.7
2009	$5.5	$3.4	$0.4	$0.7	$0.9	$0.3	$0.0	$11.2
2010	$12.1	$7.4	$0.7	$1.4	$2.0	$0.7	$0.1	$24.3
2011	$17.4	$10.4	$1.0	$2.3	$3.1	$1.2	$0.1	$35.6
2012	$11.8	$7.1	$0.8	$1.8	$3.1	$1.5	$0.1	$26.2
2013	$12.0	$7.2	$0.9	$2.0	$3.4	$1.9	$0.1	$27.6
2014	$9.7	$5.2	$0.8	$1.7	$2.6	$1.7	$0.1	$21.7
2015	$8.1	$3.5	$0.5	$1.2	$2.0	$1.2	$0.1	$16.8
2016	$8.1	$3.9	$0.9	$1.4	$2.4	$1.7	$0.1	$18.6
2017	$8.6	$4.1	$0.9	$1.4	$2.6	$1.9	$0.1	$19.7
2018	$9.2	$4.5	$1.0	$1.4	$2.7	$2.1	$0.1	$21.0
2019	$8.7	$3.8	$0.7	$1.1	$2.3	$1.6	$0.1	$18.3
2020	$6.6	$2.6	$0.4	$0.7	$1.4	$1.1	$0.1	$12.8
2021	$10.9	$4.0	$0.6	$1.0	$1.9	$1.6	$0.1	$20.1
2022	$17.8	$6.3	$0.9	$1.6	$2.9	$2.7	$0.2	$32.4
2023	$7.5	$2.7	$0.4	$0.8	$1.1	$1.2	$0.1	$13.8
Total	$337.7	$189.2	$58.2	$45.0	$63.6	$74.7	$1.6	$770.0

Chapter 1606 Basic & Kicker Year End Fund Balance

(Dollars in Millions)

Fiscal Year	Army Nat'l Guard	Army Reserve	Navy Reserve	Marines Reserve	Air Nat'l Guard	Air Force Reserve	Coast Guard Reserve	All Components
1985	$2.7	$3.4	$2.6	$3.3	$1.1	$0.5	$0.0	$13.5
1986	$59.6	$21.3	$12.3	$7.5	$5.6	$5.3	$0.0	$111.4
1987	$126.1	$47.5	$26.2	$12.2	$20.5	$15.8	$0.0	$248.3
1988	$146.2	$63.1	$35.7	$15.0	$23.5	$22.2	$0.0	$305.6
1989	$156.7	$59.5	$40.1	$15.3	$26.5	$28.8	$0.0	$327.0
1990	$169.1	$75.4	$43.8	$14.0	$29.9	$35.9	$0.0	$368.2
1991	$179.9	$80.7	$41.4	$16.5	$35.4	$45.6	$0.0	$399.5
1992	$153.3	$81.3	$38.6	$15.7	$36.2	$45.4	$0.0	$370.4
1993	$125.2	$74.5	$38.2	$16.2	$27.1	$44.2	$0.0	$325.4
1994	$98.7	$59.3	$36.2	$10.9	$18.6	$43.7	$0.0	$267.4
1995	$79.1	$47.7	$32.8	$9.0	$11.0	$43.1	$0.0	$222.8
1996	$74.7	$48.5	$32.7	$9.1	$12.3	$44.4	$0.0	$221.7
1997	$81.2	$55.9	$35.4	$9.5	$14.6	$46.8	$0.0	$243.4
1998	$95.3	$58.6	$35.4	$10.8	$16.8	$46.3	$0.0	$263.0
1999	$99.0	$69.7	$35.3	$12.1	$18.0	$44.7	$0.0	$278.7
2000	$104.2	$80.1	$35.1	$16.9	$18.0	$44.7	$0.0	$299.0
2001	$95.4	$94.8	$36.1	$18.7	$12.5	$44.4	$0.0	$301.9
2002	$85.5	$117.6	$34.6	$20.6	$9.7	$49.2	$0.0	$317.2
2003	$97.7	$133.1	$31.0	$24.2	$7.5	$47.5	$0.0	$340.9
2004	$111.7	$135.6	$26.0	$24.9	$5.1	$42.8	$0.0	$346.0
2005	$137.9	$142.5	$21.6	$30.7	$2.0	$34.8	$0.0	$369.5
2006	$227.5	$169.5	$27.5	$46.5	$12.8	$30.3	$0.0	$514.1
2007	$273.7	$163.6	$23.9	$42.6	$22.8	$24.8	-$0.2	$551.2
2008	$360.3	$222.6	$26.9	$47.1	$42.3	$24.1	-$0.2	$723.1
2009	$412.8	$260.7	$26.7	$51.2	$59.1	$20.9	-$0.1	$831.2
2010	$452.3	$273.6	$26.1	$55.9	$70.5	$26.4	$1.9	$906.6
2011	$424.4	$254.0	$25.0	$59.8	$76.1	$30.8	$3.2	$873.4
2012	$380.5	$234.0	$27.7	$62.0	$106.0	$55.0	$4.1	$869.2
2013	$362.0	$210.8	$28.0	$61.3	$107.8	$59.9	$4.4	$834.2
2014	$308.7	$163.3	$24.2	$55.9	$85.9	$55.1	$4.5	$697.6
2015	$317.5	$136.2	$19.6	$48.4	$84.7	$50.5	$4.0	$660.9
2016	$285.1	$138.0	$33.3	$51.2	$87.8	$65.1	$4.2	$664.8
2017	$262.4	$126.5	$30.4	$44.5	$80.6	$62.9	$4.1	$611.3
2018	$282.6	$137.4	$26.9	$40.6	$80.7	$61.8	$4.0	$634.0
2019	$348.4	$140.5	$23.6	$39.8	$81.9	$59.9	$3.9	$698.1
2020	$376.9	$139.7	$21.0	$35.6	$71.4	$57.4	$3.9	$705.8
2021	$373.3	$132.1	$19.4	$32.3	$61.4	$55.6	$3.9	$678.0
2022	$352.9	$125.9	$18.4	$32.1	$56.2	$54.4	$4.0	$643.9
2023	$292.5	$107.5	$17.1	$33.6	$38.5	$51.6	$4.0	$544.8

Chapter 1606 Basic & Kicker Projections
FY 2024 - 2029
(Dollars in Millions)

Per Capita Amount Contributions

Fiscal Year	Army Guard	Army Reserve	Navy Reserve	Marine Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
2024	$11.2	$10.2	$1.2	$3.1	$9.5	$0.9	$0.0	$36.1
2025	$40.1	$9.7	$0.3	$2.4	$13.6	$2.2	$0.0	$68.2
2026	$72.6	$12.4	$1.2	$1.6	$13.9	$3.0	$0.0	$104.6
2027	$75.8	$14.1	$1.7	$2.5	$14.1	$3.0	$0.0	$111.4
2028	$78.5	$15.8	$2.2	$3.4	$14.3	$3.0	$0.0	$117.3
2029	$87.3	$17.0	$2.7	$4.1	$14.5	$3.0	$0.0	$128.5

Amortization Contributions

Fiscal Year	Army Guard	Army Reserve	Navy Reserve	Marine Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
2024	$0.0	$0.0	$0.0	$0.0	$2.9	$0.0	$0.0	$2.9
2025	$0.0	$0.0	$0.0	$0.0	$1.9	$0.0	$0.0	$1.9
2026	$0.0	$0.0	$0.0	$0.0	$4.2	$0.0	$0.0	$4.2
2027	$0.0	$0.0	$0.0	$0.0	$3.4	$0.0	$0.0	$3.4
2028	$0.0	$0.0	$0.0	$0.0	$2.8	$0.0	$0.0	$2.8
2029	$0.0	$0.0	$0.0	$0.0	$2.3	$0.0	$0.0	$2.3

Benefit Payments

Fiscal Year	Army Guard	Army Reserve	Navy Reserve	Marine Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
2024	$67.0	$20.5	$1.3	$5.0	$18.3	$3.3	$0.1	$115.4
2025	$61.3	$20.2	$1.4	$4.5	$18.3	$4.7	$0.0	$110.5
2026	$67.6	$20.3	$2.0	$4.8	$17.8	$4.7	$0.0	$117.3
2027	$75.0	$20.7	$2.5	$5.2	$17.3	$4.7	$0.0	$125.4
2028	$81.2	$21.4	$2.9	$5.6	$17.0	$4.7	$0.0	$132.7
2029	$87.2	$22.3	$3.4	$6.0	$16.6	$4.7	$0.0	$140.2

Chapter 1606 Basic & Kicker Projections
FY 2024 - 2029
(Dollars in Millions)

Interest Earnings

Fiscal Year	Army Guard	Army Reserve	Navy Reserve	Marine Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
2024	$6.6	$2.6	$0.4	$0.8	$0.9	$1.2	$0.1	$12.7
2025	$8.3	$3.4	$0.6	$1.1	$1.2	$1.7	$0.1	$16.4
2026	$8.4	$3.1	$0.6	$1.1	$1.2	$1.7	$0.1	$16.2
2027	$8.8	$3.0	$0.6	$1.0	$1.3	$1.7	$0.2	$16.5
2028	$9.1	$2.9	$0.6	$0.9	$1.3	$1.7	$0.2	$16.7
2029	$9.3	$2.8	$0.6	$0.9	$1.4	$1.7	$0.2	$16.9

Year End Fund Balance

Fiscal Year	Army Guard	Army Reserve	Navy Reserve	Marine Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
2024	$243.3	$99.8	$17.4	$32.5	$33.5	$50.5	$4.1	$481.0
2025	$230.4	$92.6	$16.8	$31.5	$31.9	$49.7	$4.2	$457.1
2026	$243.7	$87.8	$16.6	$29.3	$33.5	$49.6	$4.3	$464.8
2027	$253.4	$84.2	$16.4	$27.6	$35.1	$49.7	$4.4	$470.8
2028	$259.8	$81.5	$16.3	$26.3	$36.6	$49.7	$4.6	$474.7
2029	$269.2	$79.0	$16.2	$25.3	$38.1	$49.7	$4.7	$482.2

Unfunded Liability (Surplus) at End of Year

Fiscal Year	Army Guard	Army Reserve	Navy Reserve	Marine Reserve	Air National Guard	Air Force Reserve	Coast Guard Reserve	Total
2024	($82.2)	($44.1)	($13.5)	($20.6)	$18.7	($30.7)	($4.0)	($176.4)
2025	($48.4)	($35.0)	($10.8)	($18.3)	$19.7	($29.6)	($4.1)	($126.5)
2026	($39.4)	($28.4)	($8.8)	($14.9)	$16.0	($29.3)	($4.2)	($109.1)
2027	($32.0)	($23.1)	($7.2)	($12.1)	$13.0	($29.0)	($4.4)	($94.8)
2028	($26.1)	($18.8)	($5.8)	($9.8)	$10.6	($28.6)	($4.5)	($83.1)
2029	($21.2)	($15.3)	($4.7)	($8.0)	$8.6	($28.2)	($4.6)	($73.5)

ATTACHMENT 4

Transcript of the
Department of Defense Board of Actuaries Meeting

UNITED STATES DEPARTMENT OF DEFENSE

DEFENSE HUMAN RESOURCE ACTIVITY

BOARD OF ACTUARIES

VIRTUAL MEETING (MS TEAMS)

FEDERAL ADVISORY COMMITTEE MEETING

Washington, D.C.

Tuesday, July 24, 2024

PARTICIPANTS:

MARCIA DUSH, Chair

JOHN MOORE, Education Benefits Fund Chair

MIKE CLARK, Member

INGER PETTYGROVE, Designated Federal Officer,

RICHARD ALLEN, Office of the Actuary

PHILIP DAVIS, Office of the Actuary

ETHAN W. FIELD, Office of the Actuary

COLLEEN HARTMAN, OSD Comptroller

AUSTIN KEIB, Office of the Actuary

DREW MAY, Office of the Actuary

STEVE PAGOAGA, Investment Advisory Committee

JONATHAN POE, Defense Finance and Accounting

JEFFREY REGISTER, Director, DHRA

JONATHAN WONG, Office of the Actuary

PETER ZOURAS, Chief Actuary, DoD

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C O N T E N T S

ii. VA offset parameters

iii. Mortality improvement factors

iv. New entrant distribution

v. Disability factors

vi. Survivor mortality rates

MILITARY SEPARATION INCENTIVE FUND

3. September 30, 2023, VSI Fund Valuation, Proposed Methods and Assumptions

a. Introduction

b. Interest rate

c. Valuation update and other Assumptions

d. Unfunded liability amortization payments

EDUCATION BENEFITS FUND

4. Fund Overview

5. September 30, 2023, Valuation Proposed Methods and Non-Economic Assumptions

6. September 30, 2023, Valuation Proposed Economic Assumptions

7. September 30, 2023, Valuation of the Education Benefits Fund

a. Chapter 30

b. Chapter 1606

c. Category III

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P R O C E E D I N G S

(10:00 a.m.)

CHAIR DUSH: Good morning. This is Marcia Dush. I would like to convene the 2024 meeting of the Department of Defense, Board of Actuaries. My name again is Marcia Dush. I'm the chair of this board. I'd like to introduce my other co-board members or ask them to introduce themselves. John?

MR. MOORE: S. John Moore, board member.

CHAIR DUSH: Mike?

MR. CLARK: Mike Clark, board member.

CHAIR DUSH: As Inger said, I'd like to remind you to keep your audio muted when you are not actively participating in the meeting. Also, please identify yourself before asking the question. Leave your camera off unless you are speaking. And if you are calling in, please email Inger Pettygrove, and I'm going to give you her email address. It is inger.m.pettygrove.civ@mail.mil. Inger, did I get that correct?

MS. PETTYGROVE: You did really well considering the ridiculously long name I have. Thank you.

CHAIR DUSH: All right. So please do email in if you're calling in and that allows Inger to record you as a participant in this meeting and give her your name and your organization, please. So, with that --

MR. ZOURAS: Marcia, can I interrupt you before we get down to business?

CHAIR DUSH: Please.

MR. ZOURAS: We have the director of the Defense Human Resources Activity on the line. This is an item that's not on the agenda, and he'd like to say a few words. Mr. Jeff Register.

MR. REGISTER: Thanks, Pete. Can you hear me okay?

CHAIR DUSH: Yes.

MR. REGISTER: Okay, great. Thanks for letting me steal a couple of moments here. Good morning board members and colleagues. Again, I'm

Jeff Register, director of DHRA. Our DHRA actuarial team falls under my umbrella. Marcia, I understand your time with the board is coming to a close here in the near future. So, again, I want to take a quick minute to thank you.

I'm going to embarrass you for a quick second. First, I know most of you are very familiar with her background, but I just want to reiterate on a few high points. Marcia was consulting retirement benefits actuary for over 35 years, recognized as an innovative human resources consultant with board-level presence, and that is obvious from the way you have kicked off this board today.

She managed the Washington Office of Towers Perrin, and was a principal of Buck Consultants where clients included Duke University and Baltimore County. In addition to her professional career, Marcia served on the pension and investment committee of the board of directors for the Bon Secours Health System, 2.6 billion not for profit health care system with 20,000 employees in seven states, which is remarkable.

She's currently a member of the Texas Pension Review Board for the state, which oversees all retirement systems for actuarial soundness and the Committee of Actuaries for United Nations Joint Staff Pension Fund, a 92 billion fund that ensures pension security for international civil servants.

Marcia graduated from Drake University with a degree in business administration and actuarial science. She's a fellow of the Society of Actuaries, a member of the American Academy of Actuaries and fellow of the Conference of Consulting Actuaries.

So, as you all know, Marcia was appointed to the DoD Board of Actuaries in 2009 and was named as chairperson in 2019. And this 15 year term is expiring later this year. So Marcia, I understand your fellow board members describe you as sharp, curious, accommodating and patient, but also tough when the situation calls for it. All attributes that we certainly appreciate. And

I also understand you and your husband, Mark, are enjoying, which is obvious, a very active retirement in Austin, Texas.

So for everyone, Marcia is being presented with the Office of the Secretary of Defense medal for Exceptional Public Service Award. It is the highest OSD honorary award established to recognize non-career federal employees, private citizens and foreign nationals whose contribution, assistance, or support to duty functions reflect exceptional service to the OSD or an OSD component.

So if you'll bear with me for a second, I'm going to read the citation that accompanies this award. Ms. Marcia A. Dush is recognized for exceptional public service as a member and chairperson Department of Defense Board of Actuaries from November 2009 to September 2024. Ms. Dush played an invaluable role in maintaining the actuarial soundness of the Military Retirement Fund, the Education Benefits Fund, and the Voluntary Separation Incentive Fund.

Ms. Dush provided key review of methods and assumptions used to determine costs of the blended retirement system, which is one of the most significant changes to military retirement in 70 years. As chairperson, she directed an assessment of the Education Benefits Fund valuation model that resulted in approved forecasting and accuracy.

Ms. Dush led efforts to promulgate actuarial sound contributions and unfunded liabilities related to the inclusion of the U.S. Coast Guard in the Military Retirement Fund. She contributed to consecutive unqualified audit opinions on the Military Retirements Fund financial statements, which represent 2.6 trillion in actuarial liability, a significant achievement in the Department's financial improvement and audit readiness efforts.

She faithfully discharged her duty to advise the Secretary of Defense on actuarial matters related to the funds and demonstrated genuine concern for the welfare of military members and their families. The distinctive accomplishments of Ms. Dush reflect great credit upon herself and the Department of Defense.

So with that, Ms. Dush, Marcia, congratulate you on your many accomplishments. Thank you for your selfless service to the service members and the Department of Defense. And I finally wish you a long and happy retirement. And here's where we would all clap. Congratulations. And with that, Pete, I'll turn it back over to you.

CHAIR DUSH: Thank you very much. It has been an honor to serve on this board. Thank you.

MR. REGISTER: You're quite welcome.

MR. CLARK: Thanks, Jeff.

MS. PETTYGROVE: Marcia, I think we're kicking it back to you.

CHAIR DUSH: Okay. All right. So we're going to begin this morning's meeting with a discussion of the Military Retirement Fund. And so I will leave it. Is it Phil, I believe, who is kicking us off here?

MR. MAY: I believe.

CHAIR DUSH: Okay.

MR. MAY: Thank you. Could we go to page 3 for the meeting objectives? Thank you. The DoD Board of Actuaries meeting objectives for the Military Retirement Fund and Voluntary Separation Incentive Fund are, first, review the September 30, 2023 closed group valuation results and approve the methods used to compute the unfunded liability as of September 30, 2023, as well as the October 1st, 2024 Treasury amortization payment.

This includes reviewing the population as of September 30, 2023, the actuarial status information as of September 30, 2023, a change in unfunded liability, and the resulting October 1st, 2024 Treasury amortization payment and normal cost payment.

Second, set the long-term economic assumptions for the September 30, 2024 valuation and the fiscal year 2026 normal cost percentage, or NCPs. Third, review and approve the proposed non-economic actuarial assumptions for the September 30, 2024 valuation and the fiscal year 2026 normal cost percentages. This year, we have five proposals, which would update VA offset parameters, mortality improvement scales, new interim distributions, disability factors, and survivor mortality rates.

Fourth, formally declare the fiscal year 2026 DoD Normal Cost percentages to be sent in a letter to the DoD Comptroller and Secretary of Homeland Security. Lastly, the board will review and approve the September 30, 2023 VSI valuation. Could we continue to the initial accounting figures?

CHAIR DUSH: Yes. Thank you, Phil. Just to let everyone know, we will take a short break after discussing VSI before we begin to discuss the employee benefits results. Please go ahead.

MR. MAY: Thank you. We will begin the closed group valuation results with the starting population as of September 30, 2023. And I will note that all of the 2023 data was produced in ADVANA. The pre-retirement population is active duty, which includes full- time reservists, part-time selected reservists, and non-selected reservists with 20 good years, also referred to as gray area.

We are experiencing a decrease in both the active duty and drilling reservist population due to recruiting. Specifically, there is a 2.2 percent decrease in the active personnel and a 1 percent decrease in the reserve personnel. We are expecting recruiting difficulty to continue into fiscal year 2024. However, there has been better retention for both actives and reserves.

The BRS populations are seeing a higher percent increase in pay compared to the increase in personnel. This may be due to a higher than normal annual salary increase of 5.2 percent, as well as possible increased pay and merit recruiting and retention incentives. Lastly, there was a decrease in gray area reservists.

Next is the retirement population, which includes non-disabled retirees, disabled retirees, and surviving families. There is a 0.4 percent increase in the total number of non-disabled retirees and a 1.4 percent increase in the total number of disabled retirees, which can be partially attributed to the PACT Act. Both retiree population and the survivor population saw a large increase in pay due to the 8.7 percent COLA adjustment on January 1st, 2023.

And lastly, the survivor population saw a 2.1 percent decrease. Most of this decrease can be attributed to the DIC offset repeal being fully implemented in 2023.

Child SBP elections were not subject to DIC offset. So, in the case where DIC would offset SBP, a child election would be taken. When the child reaches 18 or 22, if they're continuing education, the SBP benefit would end. With the repeal of the DIC offset, child elections were moved to spouse so that payments would continue regardless of the child age.

If the SBP election was split between multiple children, they would be consolidated into one spouse election with the same total benefit, and this results in fewer survivors. Are there any questions or comments on this page?

CHAIR DUSH: None from me. Please go on.

MR. MAY: On this page, we have the actuarial status as of September 30, 2023, with the prior year for comparison purpose. The present value of future benefits has increased 1 percent to 2.5597 trillion. The present value of future normal cost contributions has increased 30 percent to 430.1 billion. And the fund has increased 11 percent to 1.4187 trillion. If anyone is interested, changes in the fund are outlined in more detail in footnote 2.

Calculating the unfunded accrued liability as present value of future benefits minus present value of future normal cost contributions minus the fund value results in an unfunded liability of 710.9 billion. We will go over the reconciliation of the 14 percent decrease in unfunded liability on the next page.

Item 6 is the DoD Normal Cost percentages based on the 2023 valuation. Items 7 and 8 are the DoD and Treasury NCPs, respectively, which were approved at last year's meeting and applied to basic pay. As a result of the parameters related to the PACT Act approved last year, the allocation of the total NCP has shifted toward Treasury, as shown with the decrease in the DoD NCPs and the increase in the Treasury NCPs.

Lastly, scroll down a little bit. On this page, we have the long-term economic assumptions used for the valuation. With COLA at 2.5 percent, salary at 2.75 percent, and interest at 4 percent, there was no change from the September 30, 2022 valuation. Are there any questions or comments on this page?

CHAIR DUSH: The only comment I'd like to make is that I'm going out on a year when the unfunded liability did decrease. So that makes me feel good. Please continue.

MR. MAY: On this page, we are breaking out the change in unfunded liability. Scrolling forward, the September 30, 2022 unfunded liability and the fiscal year 2023 amortization payment at the long-term interest assumption of 4 percent gives us an expected unfunded liability of 737.2 billion. As mentioned on the previous page, the actual unfunded liability was 710.9 billion. So we have a gain of 26.2 billion.

This gain can be broken into three components. First is the experience. The fund yield was 3.98 percent compared to the valuation assumption of 4 percent, leading to a loss of 2.7 billion. The January 1st, 2024 salary increase was 5.2 percent compared to the valuation assumption of 2.75 percent, leading to a loss of 12.7 billion. And the January 1st, 2024 COLA was 3.2 percent compared to the valuation assumption of 2.5 percent, resulting in a loss of 9.6 billion.

There was a non-economic experience gain of 1.3 billion, which is broken out in footnote 4 if anyone is interested. Combined, this results in experience loss of 23.7 billion. Sequestration of the 10/1/2023 Treasury concurrent receipt normal cost contribution led to a loss of 1.8 billion. There were no plan or benefit changes.

Lastly, new assumptions resulted in a gain of 51.7 billion. This is consistent with a decrease in September 30, 2022 liability of 55 billion calculated last year when the assumptions were approved. Are there any questions or comments on this page?

CHAIR DUSH: Again, the only comment I would make is that I would commend OACT for doing a very good job of setting demographic assumptions. I think consistently through my tenure, the non-economic experience gains or losses have been extremely minimal. To see 0.1 percent difference there is really extraordinary for a fund that is so large.

And also, they have done a really good job on predicting what the assumption change gains and losses are. And again, as Phil mentioned, these came in very close to what they had proposed to us last year. So again, my thanks to OACT on these numbers.

MR. MAY: Thank you.

MR. CLARK: I would just add that the major contributor to the reduction in the unfunded has been the Treasury payment on the initial unfunded, which we're going to see soon I think is running out. The amortization period is running out. So during John Moore's tenure as chair, he may not have as much good luck with the unfunded liability as you did this year, Marcia.

CHAIR DUSH: Thank you. Yeah. Okay, go ahead.

MR. MAY: On this page, we have the amortization payments for the initial unfunded liability, benefit change, assumption change, experience gain and loss, and the prior year unpaid contributions. The initial unfunded liability and the initial unfunded liability for Coast Guard are 111.282 billion and 21.53 billion, respectively, and have a remaining period of only two years.

The amortization period for the benefit change, assumption change, and experience gain loss is 17.7 years, which is the liability weighted average, the old basis, and the new basis, which will be amortized in 20 years. Combined with the prior year unpaid contribution results in a total amortization payment of 154.387 billion.

The normal cost payment is 24.633 billion. The increased normal cost payment is, as mentioned earlier, due to the shift in allocation of the NCPs from DoD to Treasury due to PACT Act disability parameters. Combined, this results in an October 1st, 2024 total Treasury payment of 179.02 billion. Are there any questions or comments on this page?

CHAIR DUSH: At this point, I would like to have a motion to approve the method used to calculate the 10/1/24 Treasury amortization payment.

MR. MOORE: So moved, Chair.

MR. CLARK: I'll second that motion.

CHAIR DUSH: All in favor?

(Chorus of aye.)

CHAIR DUSH: The motion passes unanimously. All right. So we move on.

MR. MAY: Thank you. That concludes the closed group valuation results. Next, Phil Davis will start discussion on economic assumptions.

CHAIR DUSH: Thank you.

MR. DAVIS: On this page, we show the other systems, current economic assumptions in nominal and real terms, as well as the next page. So a little bit of what we show on this page are the current MRF assumptions set by the board last year of a 2.5 percent inflation rate, a 2.75 percent across-the-board salary increase, and a 4 percent interest rate.

We also have the similar assumptions for OPM, as well as from the Social Security Trustees report, their low-cost, intermediate, and high-cost assumptions, as well as the MRF financial state assumptions, the CBO inflation and

10-year Treasury note, as well as the Blue Chip consensus inflation and 10-year Treasury note from the December issue of Blue Chip. Are there any questions or comments for this page?

CHAIR DUSH: I think what I'd like to do is just remind everyone that when we talk about a salary increase, we are talking about the overall salary inflation, and we're not talking about promotion or merit increases here. We're really talking about just the increase in the pay scale attributable to mostly inflation.

And the only other observation I had is that we have seen Blue Chip slightly increase their projection on inflation from 2.1 percent to 2.2 percent. But again, I would remind everyone that Blue Chip is really a very short-term projection and that we are really focused on something much more long-term. And we have tended to kind of look to Social Security as well as to OPM when setting our assumptions. Mike and John, do you have any other comments?

MR. CLARK: No. I mean, I'm looking at

this chart, and it seems that the alignment of the OPM assumptions is very tight. So I'm very comfortable with what we're looking at here.

CHAIR DUSH: Agreed. John?

MR. MOORE: Agreed. Yeah.

CHAIR DUSH: Okay. I think we want to continue on. Let's see. Let's continue on before we take a motion on assumptions.

MR. DAVIS: On this page, we just do some quick subtraction for the board and put all of the previous numbers into real terms. And then in the box below, you can see we list out the Blue Chip assumptions for year-over- year going back to June 2021.

CHAIR DUSH: Okay. Thank you.

MR. DAVIS: Any questions? Nothing for this page, we can go to the next. We've mentioned Blue Chip, so here is the long-range survey results from Blue Chip in their December 1st, 2023 issue. Are there any questions or comments? I know it's a lot of numbers, but anything the board would like to point out specifically for this page?

CHAIR DUSH: Yeah. I would draw, I think, draw your attention to item number 11, the Treasury bond yield for 30-year. I mean, they're at 4.1 for this year. They expect it will stay at 4.1 for a couple of years and maybe increase to 4.2 at '28 and '29. But essentially, a very stable projection on the 30-year. And then also perhaps draw your attention to the short-term bills, maybe the three-month bill, which was at 3.7 and is expected to drop down to 3. So perhaps returning to a little bit more normal yield curve, but still very stable.

MR. CLARK: I would just add that there is talk of expectation of lower rates, but I think these projections are showing that they're mostly talking about the short-term rates, which are not integral to the valuation of the MRF. The long-term rates are quite stable. And this is consistent with other sources that I've seen in the industry.

CHAIR DUSH: Okay. John, anything else?

MR. MOORE: Nothing additional. Thank you.

CHAIR DUSH: Okay. All right. Let's go on to our fund projections.

MR. DAVIS: Here we have our first of two fund yield projections. This is based off of the 2024 Social Security Intermediate Assumptions that we saw previously. A little bit for how to read this chart. We list all the fiscal years from 2024 through 2067 plus, as well as the corresponding inflation rate, the projected real fund yield for that year, the nominal fund yield, as well as new investments on a cumulative basis and new investments on an annual basis.

And then to the right of that, in the top box, we have the 10, 20, 30, 50, and 75- year geometric averages. And then below that, we have fund-weighted averages for those same time periods. Now, this gives us the ultimate rates of 2.4 percent inflation, 2.25 percent real, 4.65 percent nominal, 4.65 percent new investments on a cumulative basis, and 4.7 percent new investments on an annual basis.

And just to reiterate, the current MRF assumptions are 2.5 percent inflation, 1.5 percent real fund yield, and 4 percent nominal fund yield, as well as not shown here, the 2.75 percent cross-board salary increase. Are there any questions or comments the board would like to make for this page?

CHAIR DUSH: Well, I'd like to make just a couple of comments. First, you know, I think we draw our attention to the 20, 30, and 50-year fund-weighted averages, which range from 395 to 447, as far as what we think the fund is going to yield over a fairly long period of time. I'd also make a comment that in the projection here, we don't see the fund yielding 4 percent until over 10 years from now. So I do think that it's -- personally, I think it's still time to be conservative.

The other comment I would make is that this model has been done assuming that purchases are invested in 27-year bonds. And I think what we heard the other day from the investment group was that they've really been purchasing bonds that are shorter in duration, in the 21- to 22-year arena. So perhaps for next year, you may want to check with them and reflect perhaps a shorter duration on new purchases. But again, I look at this one and say, you know, we're still in the 4 percent range conservatively. John and Mike, any comment before we look at the Blue Chip?

MR.   PAGOAGA: Hello, this is Lieutenant Colonel Steve Pagoaga. Can you hear me?

CHAIR DUSH: Yes.

MR. PAGOAGA: Hey, ma'am. I'm the incoming chair for the Investment Advisory Committee, and we've had a couple of rounds of discussion on this. I think the important thing to clarify is, you know, we are buying bonds. New purchases tend to be overwhelmingly at the far end of the maturity range. So we're looking at closer to, you know, 80, 90 percent of new purchases are at the 30-year mark.

I think the 21-year reference is not new purchases, but it's likely the average maturity of existing holdings in the portfolio. And just a comment on that is, with Treasury issuing nothing longer than 30 years, it's very difficult mathematically to give a portfolio that's average weighted anywhere above 20 years, to be honest, just because we're required to purchase and hold until maturity.

So if we're buying 30-year bonds and we're restricted from selling them, a 30-year portfolio when 30 years is the longest we can buy, you know, the math doesn't work. 15 to 20 years ends up being where the average is going to fall in a portfolio style like that. So we're restricted by the Treasury management, SFAS, and a couple of other things from redeeming early, and we have other discussions related to this over time.

So I just want to make that comment and say, you know, if the assumption for the portfolio is 27 years, we either need Treasury to issue longer bonds to allow us to get there, or we need Treasury financial manuals modified to allow us to be actively trading the portfolio to get there, which I don't think you or us or anyone wants. So those are my statements and comments.

CHAIR DUSH: And I may have misunderstood when we saw the information from the group, but based on the charts that we saw and discussed, it was commented that the average duration of the current portfolio was around 17 years and not longer than that, versus our liability duration of 22 years. And they did comment that the purchases for the last year were in the 21 to 22 range. And it had been our impression that purchases were primarily of the 30-year bonds. So that was kind of new information to us.

So all I would say is I don't recommend any changes in developing our forecast for this year, but perhaps, you know, in doing this forecast for the board next year, that at least there's some discussion about, are purchases expected to be in the 30-year range, 27- to 30-year range in the future? And based on what you're saying is even if maybe they were in the 21- to 22-year period last year, the expectation is that they would go back to be primarily 30-year purchases.

So I would encourage there to be just some discussion before this type of chart is prepared for next year.

MR. PAGOAGA: Yeah, and you make a good point, ma'am. I will address that from last October of '23, we did purchase a significant number of bonds in 2033 through 2044. And the reason for that is we're trying to fill a shortfall where bonds were not issued for a significant period of time in those maturities. So rather than putting the fund in a position to have to redeem early or sell from other parts of the portfolio, we wanted to fill up those buckets, if you will.

CHAIR DUSH: And that makes sense, yeah.

MR. PAGOAGA: Yeah. Assuming that that

shortfall has been covered, then all, you know, the residual purchases at that point were all put in 2053. So that's what pulled last year's maturity schedule down. But when we run the math this year, if those gaps look to have been filled, then I would be surprised if most of the purchases were not exclusively 2054. I'm not going to promise that at this point because we have to do our analysis, but that's where I would expect the vast majority of money to go next year.

CHAIR DUSH: Okay. Well, that's good information. Thank you.

MR. PAGOAGA: Yes, ma'am.

CHAIR DUSH: Mike and John, should we look at the next projection and then make a decision as to how to go forward?

MR. CLARK: Yeah, I always like looking at the Blue Chip as well. So let's do that.

MR. DAVIS: Here's the Blue Chip projection. I won't go through how to read it again, but I'll just reiterate the ultimate Blue Chip assumptions of 2.2 percent inflation, 1.98

percent real, 4.18 percent nominal fund yield, 4.18 percent new investments on a cumulative basis, and 4.18 percent new investments on an annual basis.

CHAIR DUSH: So Blue Chip is assuming a little less inflation than we are assuming. It's assuming a little higher real fund yield than we have been assuming. It does not reach a 4 percent nominal return until 2042. Looking at the 20, 30, and 50 year, it essentially circles around 4 percent. And so, you know, again, little different assumptions than we have had, but again, kind of narrowing in on that 4 percent return. Mike and John?

MR. CLARK: I'd like to look at that real fund yield column in the upper right for the 20 to 50 year weighted average. So that's 166 to 1.90. So we are a little bit below that on a real basis. So I think that next year we might be thinking about what direction these numbers are moving. I do like the Blue Chip results a little bit better for benchmarking just because I think the future 4.7 percent expected return on new investments is a little optimistic based off of what 30 year treasury yields have actually been for the last couple of years.

CHAIR DUSH: John, anything?

MR. MOORE: Nothing particular. Yeah. No, just the same thing. I think the numbers for now still look good. I think we're kind of watching again next year and see what little bit of tweaking we might want to do. But these are feeling still pretty solid.

CHAIR DUSH: I agree. Can I have a motion for our long term economic assumptions?

MR. CLARK: Sure. I will move to adopt the long term economic assumptions, including an inflation assumption of 2.5 percent, a nominal interest rate of 4 percent, resulting in a real rate of 1.5 percent, and a salary scale of 2.75 percent for the upcoming valuation.

CHAIR DUSH: John, will you second?

MR. MOORE: Yeah, I second that motion.

CHAIR DUSH: Okay. All in favor?

(Chorus of aye.)

CHAIR DUSH: The motion passes unanimously. All right. So that settles economic assumptions and we move on to a discussion of any changes in demographic assumptions for the 9/30/24 valuation of the MRF.

MR. MAY: I will start with a quick overview of all of the proposals we have. The first row in this --

MS. PETTYGROVE: Drew, I just want to make sure you introduce yourself since you've been doing a lot of the talking and there's a little confusion. And maybe everybody, the first time you speak, would you introduce yourself?

MR. MAY: Okay. Yes, this is Drew May from Office of the Actuary. And I will start with a quick overview of the proposals. The first row in this table is the fiscal year 2025 TOD implemented NCPs. The next row uses the same assumptions to obtain the NCPs for fiscal year 2026. And the third row applies an additional year of mortality improvement. The first proposed item is an update to VA offset parameters. Jonathan Wong will start discussion on this item.

Next is mortality improvement factors, which Jonathan will also cover in more detail. The third proposal is an update to the new entrant distributions. Austin Keib will cover this topic in more detail, and Austin will also cover a proposed update to disability factors. Our last proposal is an update to the survivor mortality rates, which I will cover.

And the last row in the table is the resulting fiscal year 2026 NCPs when using all the proposed changes. The proposals, namely the VA offset parameters, have decreased the percent of full-time total NCP paid by DoD to 42 percent. Are there any questions or comments on this page?

MR. CLARK: Drew, I'd like to comment that number 2-5 are not super material to changes in liabilities, but the proposed VA offset parameter change that we're going to talk about in a second, just point out to the group that it's knocking 2.4 percent off of the DoD full-time normal cost percentage, even though the overall cost is going up 0.2 percent. So this is another demonstration of the shifting of the normal cost from the DoD to Treasury due to concurrent receipt.

MR. MAY: Yes, that is correct.

CHAIR DUSH: We have registered our concerns about the process of concurrent receipt and its effect on the NCPs. We've registered our concerns in a letter directly to, and I'm forgetting who we directed the letter to, but we've also included our concerns in our 2024 quad report, quadrennial report, to the president and to Congress. All right. So, Jon, are you up then to start us off on the VA offsets?

MR. WONG: Yes. This is Jonathan Wong with the Office of Actuaries. So, as we've been discussing and as we've seen, this is the next proposal with the biggest impact. So, as Drew's shown earlier, the proposal will result in a 2.4 percent decrease to the FY26 full-time DoD NCP, a 0.4 percent increase in the part- time DoD NCP, and an increase in the accrued liability of 1.5 billion.

For proposal, we are proposing to update the experience period used to calculate the full and partial VA offset parameters. For new non-disabled retirees from active duty, we are proposing to update the experience period from FY2004-2005, and FY2018 and '19 to more recent FY18-19, and '22 and '23. For new non- disabled retirees from reserves, we propose updating the experience period from FY18, '19- 18, '19 and '22 and '23.

And for the total NCPs, we are using the FY18-19 experience and updating it to '22 and '23. And part of the rationale for using this experience is we're seeing an increase in VA disability benefits since the expansion of concurrent receipt in 2004.

From last year, due to nature of having the lack of emerging data, we included a margin to address the Promise To Address Comprehensive Toxics or the PACT Act. And this year's proposal would replace this margin with more recent military data and incorporate one full year of data under PACT. So --

CHAIR DUSH: Yeah, I -- go ahead, Jon.

MR. WONG: I was going to say that we have reached out to various agencies and discussed about how they're handling their assumptions with PACT. And because we are unsure about the impact on MRF, we are going with a more conservative approach of blending the experience of '18, '19, and '22, and '23. And we'll keep a close eye on how the data emerges in more recent years. So over to you, Marcia, for your comment.

CHAIR DUSH: Yeah, I know we struggled with this assumption last year after the PACT Act was passed. And I know there was a government agency that had done some projections. And so, that is why we, you know, tried to give some credibility to that projection, but also blended it with pre- concurrent receipt information. I think now is the time to start reflecting what we're actually experiencing. And again to comment to my other board members this is obviously an assumption that you'll have to watch closely over the years.

MR. CLARK: I agree with that. It's conservation, Marcia.

MR. MOORE: Yeah, and I'll just add, I mean, I think we not only will be watching. I think we expect this trend to continue. As this experience rolls in, it feels more likely that it's going to continue to shift the -- increase the significance of that offset. And again, we're just not there with the data yet to support it. But, you know, odds are this direction probably continues to shift more and more to Treasury.

CHAIR DUSH: Yeah, and I think we saw also that there were proposals to add additional disabled retirement benefits to be covered by concurrent receipt, which would mean even more benefits that are currently reducing VA disability benefits that reduce the MRF that essentially the concurrent receipt would apply to them. And so it would further change the assumptions if that sort of legislation is passed. Okay. All right. Jon, are you on for the mortality improvement factors as well?

MR. WONG: Yeah. Let's turn our attention to the next proposal. For the mortality improvement, let's go over those impacts first. The proposal would result in a 0.2 percent increase in the FY26 full-time DoD NCP, a 0.2 percent increase in the part-time NCP, and an increase in the accrued liability of 28.4 billion.

As for the proposal, we are updating the military mortality improvement factors with the following changes. It would incorporate 2023 military data for both retirees and survivors, as well as an increase to the ultimate female percentage from 15 percent to 20 percent in the male and female adjustment factors.

And one note I want to make about the adjustment factors is we have this factor to account for the expected increase in percentage of females in a projected retiree population. And they are constructed using differentials in male and female base rates from FY17-20, and assuming linear increasing percent of females in ultimate year.

Part of the rationale for including 2023 whole weight is this sort of view that we see in our results. We see a sort of return to pre-COVID levels of MI. Sorry, is there something there? So based on our comparison of actual unexpected mortality for military retirees, there were excess deaths in 2021 and 2022, but 2023 was closer to our expectation. The percentage of excess deaths correlates to the CDC data for the general population. And I think if you could scroll down to attachment 5, Austin, it might make it easier to follow.

So, yeah, as I was mentioning on the top graph, you can see the actual expected for military experience that we're observing. So, in 2023, the A over E ratio was a lot better than 2022, and somewhat more of a return to normal pre-COVID levels. And if you look at the graph underneath it, we have the provisional death count for COVID-19, and this was taken from CDC's statistics.

And you can see, in general, the total number of COVID deaths has been on a decline since 2021. And then the graph underneath it shows the relative percentage, just, I guess, to put more of a perspective on the number of death counts attributed to COVID.

CHAIR DUSH: Okay, thank you. Any further discussion on the mortality improvement factors?

MR. CLARK: Just to summarize, so based on the latest data, we're assuming people live a little bit longer due to the improvement scale, that's adding to liability. Is that accurate?

MR. WONG: I would say, just going off of what we're seeing in the data, there is definitely less deaths in 2023 compared to what we're expecting in 2022. As for whether they're living longer, there have been research saying that the effect of COVID and maybe some non-COVID-related cases have resulted in, I would say, a slower improvement during the next few years. But I think our overall view is that in 2023, and maybe the next two to five years, it will resume to pre-COVID levels of, I guess, improvement.

CHAIR DUSH: Yeah. I think a lot of the increase in cost is really associated with assuming that more retirees are going to be female in the future. And this is an issue that I think I've brought up in prior years, which is as the computer systems that you use for evaluation evolve, I would really like to be able to essentially not use unisex projections, but use sex-based mortality that reflects actual male and female mortality projections. But, again, recognizing that that's not where the computer system is right now. Okay.

MR. WONG: I'll keep that in mind. I'll turn it over to Austin Keib for the new entrant distribution.

CHAIR DUSH: Okay.

MR. KEIB: Okay. Thank you, Jon. This

is Austin Keib, also with the Office of the Actuary. So our new entrant distribution proposal would result in a 0.1 percent decrease to the full-time DoD NCP and a 0.4 percent increase to the part-time NCP, and an increase to the 9/30/23 accrued liability of 1.1 billion, which is less than 0.1 percent. So our proposal is an update to the experience period of the new entrant distribution from FYs '15-19 to FYs '21-23.

And just a quick overview of some of the statistics around those distributions. Other than the active officers, the average age for each other group increased, that being reserve officers, reserve enlisted, and active enlisted. And the overall increase for age among active new entrants increased slightly, and the reserve average age increased much more significantly.

Also, the probability of a new entrant reaching 20 years decreased slightly for the active population and increased more substantially for reserves. And a full summary of those statistics can be seen in attachment 6, if anyone's interested. And attachment 7 shows graphs comparing the current and proposed distributions.

One thing to note is that the full and part-time DoD NCPs moved in opposite directions under this proposal, with a decrease to full- time and an increase to part-time. And much of this is due to an adjustment that was made to our raw rates, such that in the steady state, the officer percentage in the population would match the officer percentage projected in the comptroller's projected end strengths.

And we feel that the new experience period, along with the adjustment for the comptroller's projection, is a better match with expectations for new entrants in FY26.

CHAIR DUSH: Okay. I have nothing to contribute on that.

MR. CLARK: No questions.

MR. KEIB: All right. Then I will move on to the proposed disability factors. So this proposal is going to result in a 0.1 percent increase to the full-time NCPs, a 0.3 percent increase in the part-time NCP, and an increase in the 9/30/23 accrued liability of 2.7 billion, or about 0.1 percent. And our proposal is an update to the experience period for the disability benefit multiplier factors.

These are the factors that are used to estimate the average benefit multipliers for new disabled retirees. And those retirees receive the greater of their disability rating, for which the multiplier is capped at 75 percent, or 2.5 percent times years of service for non-BRS service members and 2 percent times years of service for BRS service members.

Currently, the active factors are based on FYs 2010 and '11 experience, and the reserve factors are based on FYs 2009 and '10. And we are proposing an update to FYs '21-23 experience. And we are also proposing combining the factors for active and reserve and permanent and temporary disability. So, currently, the factors are split by active and reserve, permanent and temporary, BRS and non- BRS, and officer and enlisted.

So removing the distinction between active and reserve and between permanent and temporary would reduce the number of rates that need to be calculated. And the proposed changes increase the overall average benefit multiplier from 55 percent to 56 percent. And this updated experience period would better reflect the recent trends in disability ratings.

And as far as combining the rates, active and reserve factors are very similar before 20 years of service where many of the disability retirements take place. And there's very little experience on which to base reserve factors separately. So combining them would produce more credible rates by having a larger dataset. It would simplify the number of rates that need to be calculated, and there's no material impact on the results. All right, any comments or questions?

CHAIR DUSH: John?

MR. MOORE: Marcia, yeah, I have a question. Just, is there an overlapping impact of this assumption and the VA offset parameter? I'm guessing that, well, it seems like whether how the VA offset parameter impact is measured would be dependent on whether you make this disability change first or not. Unless I'm wrong about the interaction between these two assumptions. I would assume increased disability also means increased VA offset impact. Is that true?

CHAIR DUSH: Austin, can you speak to that, or?

MR. ZOURAS: Yeah, they're separate assumptions. So this assumption is applied to the gross retired pay before offset. And then we have the VA offset assumption that's applied to the result of this parameter.

MR. MOORE: So, Pete, in essence, you make this change kind of first and then measure the impact of the changing VA offset. Is that accurate?

MR. ZOURAS: Correct, yeah.

MR. MOORE: Okay. Thank you.

CHAIR DUSH: Good.

MR. MOORE: I was just getting at it because the VA offset is such a huge impact. You know, this is related to as well, you'll listen, it's the overall increase in disability is having an impact we're seeing in this factor. But it just has a much more amplified impact when we start looking at the impact of the concurrent receipt in that offset. So, anyway, that answered my question.

MR. ZOURAS: That's a good point. We thought about increasing this assumption for increased DoD ratings, but I don't think it would have a big effect. I think that's what we concluded.

MR. MOORE: Okay. Thank you.

CHAIR DUSH: All right. So, Drew, are we back to you for survivor mortality?

MR. MAY: Yes. Thank you. We are proposing updates to the survivor and spouse death rates. To clarify, survivor refers to SBP annuitants who are receiving benefits and spouse refers to those indicated by an SBP election of a living retiree. The rate is referred to as spouse due to SBP elections primarily being spouses, but the rate includes all ages to be used for all SBP elections.

The proposal results in a 0.1 percent increase in the full-time DoD NCP, no change to the part-time NCP, and an increase in accrued liability of 1 billion or less than 0.1 percent. The survivor death rate proposal will update the experience period from fiscal years '14 and '15 to fiscal years '20, '22 and '23, and it will also incorporate Coast Guard experience. Likely due to the age of the survivor population, the relative change in mortality in 2020 and 2022 is not significantly different from other years, so they're included, but 2021 was excluded due to elevated excess deaths.

Since mortality data for young survivor ages is sparse, we used the period of life table 2022 published in the SSA's 2023 trustee report. And initially, from ages 19 to 51 and 106 to 120, there were too few deaths to develop credible rates. In these ranges, we extended the rates using a standard table.

We did not conduct a study on the mortality of spouses of living retirees. Instead, our proposal assumes that spouse mortality is most closely related to survivor mortality due to their nature as cohorts in the SBP program. Using SOA's private sector 2012 mortality tables, we determined an age setback to apply to a survivor rate to produce the spouse rate.

The setback was determined by comparing the tables for healthy annuitants and continued survivors, and the mortality difference is assumed to be zero for juveniles and at above age 85. Both rates also use an ultimate age of 120. For anyone who is interested, attachment 8 has a comparison of the current and proposed rates. Are there any questions or comments on this proposal?

MR. CLARK: None here.

CHAIR DUSH: All right. So can we go to sum up where we're at?

MR. MAY: That is our final proposal.

So could we go to attachment 1 to get overview of the impact of all the proposals.

CHAIR DUSH: And this does outline the DoD, the total, and also gives the resulting treasury NCP. So we can see that the DoD full-time is resulting -- the projected '26 NCP for DoD for full-time is 24.3, but it is 33.5 for treasury, with a result of 57.8 in total. Just very different from where we were a couple of years ago. Any further discussion? If not, I would like a motion on the demographic assumptions and the final NCPs.

MR. MOORE: Chair, just to clarify, I think the motion will just be for the assumptions. The final NCPs will be the result. Correct me if I'm wrong.

CHAIR DUSH: Yes. Approve the changes in non-economic assumptions.

MR. MOORE: Great.

CHAIR DUSH: Okay.

MR. MOORE: I would say the board doesn't -- anyway, I'll do this motion. Like a motion to approve -- first of all, a comment. I really appreciate OACT's work on this. Always looking at these assumptions and tweaking them is why their gain-loss is so tight.

So I'll make a motion to accept their proposed changes for the non-economic assumptions for the 9/30/24 val, specifically as we talked about for VA offset parameters, mortality improvement factors, the new instrument distribution changes, disability factors, and survivor mortality rates.

MR. CLARK: I will second that motion.

CHAIR DUSH: All in favor?

(Chorus of aye.)

CHAIR DUSH: And the motion passes unanimously. With that, I believe we have concluded our discussion.

MS. PETTYGROVE: Marcia, just for the record, I know the board doesn't officially approve the NCPs, but could you just read them out so we have them in the transcript?

CHAIR DUSH: Very good. So, for the

fiscal year '26, DoD NCPs from the 9/30/24 valuation for full-time is 24.3 percent. For part-time, it is 22.6 percent. The total NCP for fiscal year 2026, total NCP from the 9/30/24 valuation is 57.8 percent and 32.2 percent. As a result, the fiscal year 2026 treasury NCPs from the 9/30/24 valuation are 33.5 percent for full-time and 9.6 percent for part-time. Inger, is that what you need?

MS. PETTYGROVE: Perfect. Thank you.

CHAIR DUSH: All right. Thank you. So, with that, I think we're ready to move on to VSI.

MR. WONG: This is Jon Wong. I'll be doing a high-level overview of VSI and then I'll turn it over to Austin Keib to handle the rest. So just a high-level overview. VSI was a program that started in 1992 in an effort to downsize the active military force. And to be eligible for VSI, members have to have six years of active duty service, five years of continued active service at the time of separation, being a rank that has more people than it is needed to maintain force readiness and continue military service in a reserve component. All that can be seen at the bottom of the page.

As for the benefit, VSI offers an annuity payable for twice as long as the members' years of service and equal to 2.5 percent base pay times years of service. And this annuity is offset by VA payments. And another thing I want to point out is that this is a closed program and I believe we don't have any members since 2001. And on that note, I'll turn it over to Austin Keib.

MR. KEIB: Thank you, Jon. This is Austin Keib speaking. So we'll start with the VSI fund yield projection and interest assumptions. So here in the tables at the top of the screen, we can see inflation, real fund yield, nominal fund yield, and Blue Chip return on new investments for FYs 2024-2043.

Beneath that on the left, we have a five-year geometric average of each of those values as well as a five-year fund weighted average. Down at the bottom, we show our asset and liability durations of 3.3 and 3, respectively. Our current interest assumption is 2.75 percent, and we are proposing an increase to 3.75 percent.

CHAIR DUSH: I believe that sort of increase is reasonable considering the short duration of this fund as well as the fact that there is no provision for what to do with any surplus assets once this program is wound down. So I do think we want to. The conservatism here is not trying to build up any sort of surplus asset provision. So I am comfortable with going with 3.75. Mike and John?

MR. CLARK: Yeah, I believe the 3.75, it's really capturing the fact that the big increase in interest rates in 2022 appears to be somewhat permanent. So I think we've just gotten ourselves back up to a different base level. So I'm good with it.

MR. MOORE: Same here.

CHAIR DUSH: Okay. Please go on.

MR. KEIB: All right. So next, we have a breakdown of the remaining VSI population. So we show the population separated by enlisted and officer and by with and without VA offsets and then give counts, VSI grower's pay, and VA pay based on or separated by number of remaining annual payments. And I'd just like to note the highest remaining number of annual payments is 17, after which the fund will no longer be active.

And some more notes. The table is including 1,913 VSI annuitants with remaining benefit payments. It is including 370 survivors who are receiving benefits from 288 deceased VSI members. And we are excluding 437 eligible VSI members who have a full VA offset and therefore are receiving no pay from VSI. Any comments on this page?

CHAIR DUSH: So my replacement still won't see the end of this table. All right.

MR. ZOURAS: Comment, or were you --

CHAIR DUSH: Yes.

MR. VIRGILE: Is a lay tied around

gifts?

MR. KEIB: Can you repeat that? I didn't catch that.

MR. ZOURAS: It might have been a hot mic, but just go ahead.

MR. KEIB: Okay. All right. Moving on to the VSI change in unfunded liability. And the numbers are based on a 3.75 percent interest rate, 2.2 percent COLA on VA offsets, and a 2 percent non-COLA increase on VA offsets. Let's start with our 10/1/2022 unfunded liability was 49.1 million. And then taking our January 1, 2023 amortization payment of 13 million and our prior interest rate assumption of 2.75 percent, that gave us an expected unfunded liability on 10/1/23 of 37.2 million.

And we have an actual unfunded liability on 10/1/23 of 30.2 million, giving us a $6.91 million gain. 2.04 million of that gain is due to assets, which 0.7 million of that is due to fund yield, as we assume 2.75 percent fund yield and had an actual yield of 4.12 percent. 1.3 million of the gain is due to benefit payments. We had projected benefit payments of 25.5 million and actual FY23 benefit payments of 24.2 million.

The remaining 4.86 million of the gain is due to liabilities, of which a slight gain rounded down to zero was due to COLA, with the projected COLA being 2.2 percent and the actual being 3.2 percent. $2.7 million of the gain is due to the 2022 VA update, and that being the actual '23 VA offsets being different than expected. 2 million of the gain is due to interest rate, 0.2 million is due to the VA increase assumption, and there's a remaining $0.1 million loss due to DFAS data changes and residual.

CHAIR DUSH: All right. Do you want to take us through the amortization payment? And then I will call for a motion to accept the assumptions as well as to approve the valuation.

MR. KEIB: Okay. All right. So here, looking at the amortization payment, again based on 3.75 percent interest, 2.2 percent COLA on VA offsets and a 2 percent non-COLA increase on the VA offsets. We had a 9/30/2023 present value of future benefits of 74.5 million and a 10/1/23 fund value of 44.3 million, giving us a 10/1/23 unfunded liability of 30.2 million.

There is an amortization payment of 7.8 million scheduled for January 1, 2025, and the proposed amortization schedule would be paying 31.3 percent of each FY's projected benefit payments from January 1, 2026 until expiration, and that 31.3 is calculated as the percent that would draw the fund down to zero by time of the last benefit payment, which we can see will take place in 2039. And that schedule would give us an unfunded liability payment of $4.1 million on January 1, 2026.

CHAIR DUSH: All right. I have --

MR. CLARK: I'll just make a quick comment on that projected contribution schedule that, you know, in several years, those numbers are going to be quite small. So maybe just for future consideration. There may come a time maybe we don't need to do an annual valuation if those numbers become immaterial.

CHAIR DUSH: We did put that into our quadrennial report. We did recommend that this go to less than an annual valuation, but I do believe that has to be legislated. So I totally agree. I wouldn't have a concern with going to a three-year valuation cycle on this or something even longer.

MR. MOORE: I think the way I think of it is that, I mean, in this plan, we're really trying not to end up with surplus at the end. So that's why we're -- normally it's nice to get things fully funded, but in this case, we don't want to overshoot.

So I think the way I look at it, the schedule kind of sets us on a path where at the end of the day, we'll hit it. But I think more than likely in another two or three years, you know, we won't actually be following that 31.3 percent as much as just probably even pausing for years to make sure we don't overshoot, but that'll still be just a few more years down the line while we still do our annual vow responsibility of coming up with a very small number.

CHAIR DUSH: So I need a motion to accept the three economic assumptions as well as the amortization policy, which results in the payment of 4.1 million on January 1, 2026, and to approve the valuation of the plan.

MR. CLARK: Very good. I will do that. So I will move to accept the 9/30/2023 VSI valuation, which includes an interest assumption of 3.75 percent, a cost of living increase inflation assumption of 2.2 percent, and a non-COLA VA increase of 2 percent per year. Also to approve the amortization methodology shown here, which results in a $4.1 million amortization payment for January 1, 2026.

MR. MOORE: I'll second.

CHAIR DUSH: All in favor?

(Chorus of aye.)

CHAIR DUSH: Motion passes unanimously. All right. That concludes our discussion of the retirement programs. We are now at 11:15. Could we take a 10-minute break and reconvene at 11:25 Eastern, to begin the discussion of the employee education benefit programs.

(Recess)

CHAIR DUSH: All right, I have 10:25. Why don't we go back to begin a discussion of the fiscal year '23 valuation of the employee benefits fund? And Phil, are you taking us?

MR. DAVIS: Yes, ma'am.

CHAIR DUSH: Okay.

MR. DAVIS: I'm Phil Davis. And I'll be starting off the education benefits fund valuation presentation. So there are three main objectives for this meeting. One, to review and improve the actuarial methods and assumptions we need for the September 30, 2023 actuarial valuation of the DoD education benefits fund or EBF. And this includes proposed model changes. The education benefit program is funded by the EBF or the Chapter 30 kicker, the Chapter 1606 Basic and Kicker Benefits, as well as Category III.

Additionally, the second meeting objective is to review the actuarial liability as of September 30, 2023 for each of the benefit plans by active duty and reserve component, which includes the Coast Guard. And thirdly, we will set the FY2026 per capita contribution amounts and the October 1, 2025 amortization payments for each of these benefit plans by active duty contract length and reserve component. And these amounts will then be sent in letters to the Secretary of Defense, the comptroller, as well as the Secretary of Homeland Security.

I won't cover this, but this is the table of contents for the presentation. So if anyone's interested looking afterwards, they can find everything nicely. Here, we lay out the specifics of the education benefits. I won't be covering these first two as they are not funded by the DoD, but I will be covering the rest.

So just to outline what we show, we have the program name, who they are funded by, the participants, active duty or reserve, the eligibility requirements, the FY2024 benefit amount, the per capita amount, the amortization schedule and methodology, as well as the transferability and dates.

So, to start off with the first DoD benefit, we have the Chapter 30 kicker, which is funded by the DoD, and participants are only active duty service members. The eligibility is offered at the time of the member's recruitment for contract periods of two to six years, and it corresponds with the Chapter 30 or the 33 basic above. The FY24 benefit amount ranges from $150 to $950 per month, and this is not indexed by inflation. The per capita amount is a net single premium paid at time of entry, and in the event of a surplus, the board can choose to offset this amount.

Additionally, the amortization is also determined by the Board of Actuaries, and currently the board's, I guess, plan is that unfunded liabilities by service are paid off in five years. Transferability requirements are the same as the 33 basic, and this program has been around since July of 1985 to the present. However, no new Chapter 30 kickers have been offered since 2012.

To then go on to the next page for other benefits, we have the Category III Post- Vietnam Veterans Educational Assistance Program. It's funded by both the DoD and VA. Participants are active duty, and the eligibility is at the members' service between January of 1977 and June of 1985, and they were involuntarily separated for certain reasons or separated under the VSI, which we just saw, the Voluntary Separation Incentive, or SSB.

The FY24 benefit amount is the same as Chapter 30. There is no per capita amount. The board decided amortization is that just the projected amount plus the interest included in the prior fiscal year is paid off, and the transferability is that survivors and dependents may become eligible, and as previously stated, this has been around since January of '77.

Now, the Chapter 1606 basic and kicker are both funded by the DoD reserve components. The participants are the selected reserves. The 1606 or the kicker is only offered to fill special skill positions as a recruiting incentive.

Additionally, the eligibility is that they agree to serve for six years, and it ends after 14 years of a member's separation or upon leaving the reserves. The FY24 benefit amount for the basic is up to $466 per month, and this is indexed by inflation. The 1606 kicker comes in three amounts, $100, $200, or $350 per month, and this is not indexed by inflation.

The per capita amounts is, again, a net single premium paid at the time of entry, and again, the board can choose to offset this in the event of a surplus. The amortization, again, is a five-year schedule determined by the Board of Actuaries, and there are no transferability that's currently offered. And the 1606 basic and kicker have been around since July of 1985. Are there any questions or comments regarding these last two pages or any of the specifics of the benefits?

CHAIR DUSH: No.

MR. DAVIS: So moving on, we have the executive summary. So we can see here, we list out the September 30, 2023 eligible members, as well as the balancing liability, the fund activity, and what it is at September 30, 2023. So, looking at the totals, we had 465,316 total eligible members, with a little less than 110,000 coming from the Chapter 30 kicker, and a little less than 360,000 coming from the 1606 basic and kicker.

As of September 30, 2022, there was a fund balance of $979.1 million, an actuarial liability of 517.5, giving us a surplus of $461.6 million.

So starting with that fund balance of 979.1, there was a small asset transfer between the Chapter 30 kicker and this other category, which includes Category III. There was a small amortization payment of half a million dollars from Chapter 30 kicker. There was $17.4 million in per capita contributions only from the 1606 basic and kicker because there have been no new entrants in Chapter 30 since 2012.

There was in total $159.1 million paid in benefit payments and $21.3 million earned in interest, giving us a September 30, 2023 fund balance of $859.3 million. Additionally, we had an actuarial liability of 453.4 million, giving us a September 30, 2023 surplus of $406 million. Are there any questions or comments for this page?

CHAIR DUSH: The only comment that I -- go ahead, Mike.

MR. CLARK: Sorry, Marcia. Yeah, I'll just point out that the surplus did increase for the Chapter 30 kicker, which you pointed out that it's been closed for points in time. So that could be a question before us in several years as to what to do with the surplus.

CHAIR DUSH: And my comment was, if you look at the very last footnote on this page, it outlines that the fund only earned 2.32 percent interest last year and which, in my mind, was somewhat surprising considering how the fund is invested. And I think what we heard was that they had to, because benefit payments were larger than expected, they had to sell some assets early and so that depressed the return somewhat. Okay.

MR. DAVIS: So moving on to the next page, this is a high-level look at our model and how we develop the usage rates. So we study each member as they enter into service and then record how they move from box to box through their eligibility period. These boxes are that a member continues in their service and does not use the benefit. They continue in their service and they use the benefit, they withdraw from service and not use, or they withdraw and use the benefit.

And as members move from box to box, going from non-user to user status or from continuing in the service and withdrawal status, we record how they move and calculate associated probability with that movement for each of the eligibility periods. So active duty members have an eligibility of 40 years. So there's 40 columns essentially, and reserves have 15. So there's 15 columns for the reserve version and model.

CHAIR DUSH: And I think one of the issues that we discussed last year was the fact that for Chapter 30 kicker benefits, because nothing has been offered since, I believe, 2012, you know, we've got 12 years where there's no experience. And that's why we requested kind of a new look at the model, how the model would operate for the Chapter 30.

And I know you'll get into that. But again, just looking at this table, just recognize for Chapter 30, there's nothing going on in the first 12 years now, because everybody is into the 12th or 13th year or beyond as far as what we're looking at for experience. Okay.

MR. DAVIS: So here, going into a little bit of how we develop these preliminary benefit usage and withdrawal rates. It involves taking weighted averages. So, for the active model, we give the most recent year, FY23, a weight of 100 percent. Then each preceding year, we give it a weight of 80 percent, an additional weight of 80 percent, to come up with these weighted averages. And there are some exceptions.

So as Marcia mentioned, we do have cells or boxes in the previous diagram where there hasn't been any activity since 2012. So we use the most current, I guess, version where we do have people in those boxes and activity in those circumstances. Reserves, we do a similar weighting process, but instead of 80 percent, we use 60 percent. And there are also exceptions.

And for the reserves, where their program does not offer a $100 kicker for many years, for instance, we will use historical weighted averages of $200 and $350 kickers, as well as the basic and applied utilization adjustment. Any questions or comments for this page? Okay.

So here is how we calculate the education normal cost factors. It involves a product of three ratios. This first ratio here is the discount factor and is a reflection of the assumed interest rate and the timing of when payments occur. The second ratio is the average monthly benefit amount. So for benefits that are flat and not indexed by inflation, for example, the kickers, this is a flat amount. But for CPI index benefits, like the 1606 basic, it gives the average benefit reflecting the effect of future COLAs.

And this third ratio is the percent of benefit used, and it reflects how many members become eligible, their usage rates, and how much of the potential total entitlement is ultimately used. And then additionally, we assume four years of college with nine months per year. And so that gives us the 36 months of usage. Any questions or comments for this page?

CHAIR DUSH: No.

MR. DAVIS: So now I'm turning it over to Rich Allen to discuss some of the model changes for the Chapter 30 kicker.

MR. ALLEN: Thank you very much, Phil. This is Richard Allen, also a member of Office of the Actuary. As mentioned by Phil, the services have not offered any Chapter 30 kickers for more than a decade, and that is expected to continue. As a result, the board tasked us with finding ways to simplify the Chapter 30 kicker valuation model, and we came up with the following three methodology changes which simplify the model without, we believe, sacrificing any accuracy.

I'll just read the first sentence of each proposed change and then make a comment. First, consolidate the data from all services into one set of usage and other decrement rates instead of producing a unique set of rates for each service, and use the same set of rates for liability calculations as for normal cost calculations. This simplifies the model since by using the same set of benefit usage rates for all services, OACT has fewer rates to derive.

Under this methodology, the usage rates are derived from historical activity from all the services combined. Another advantage is that the rates are derived from larger sample sizes, which improve the credibility of each rate. The only exception is we use different rates for members with different contract lengths. The end result is the per capita amounts being presented today are the same for each service, but vary based on the contract length.

The per capitas for members with shorter contract lengths are more expensive since our data shows this group is more likely to use the benefit and to use it sooner.

Second proposed change, no longer adjust the probability of usage rates for members with different benefit amounts. We have been applying an adjustment to assume members with larger kicker amounts would have a higher usage rate. The kicker benefit is not used by itself, but rather along with a basic benefit. We believe the adjustment made sense when the kicker was used in conjunction with the Chapter 30 basic benefit.

Since the kicker benefit which averages about $450 per month is used with the much more generous post 9-11 Chapter 33 basic benefit of full tuition, housing, and a stipend, the amount of the kicker is much less likely to affect the probability of using the benefit. This simplifies the model and the end result is the per capita amounts starting in FY2026 will be in proportion to the benefit amount.

The third proposed change is mortality is removed as a variable. It simplifies the model by having less variables and fewer calculations, and is not necessary since mortality can be embedded into a member's withdrawal rates and mortality doesn't necessarily end the possibility of benefit use. Members dependents may still be eligible even if the member has passed. Overall, this proposed change will have very little impact on the per capita amounts and liability. Any questions or comments on these proposals?

CHAIR DUSH: This seems very reasonable. And again, reminding everyone that we're just talking about Chapter 30 here, where the kicker benefit has not been offered for many years.

MR. ALLEN: Okay. I'll continue on page 11. We can see that. Here we can see the impact of the proposed changes. We calculated the liability under the current and proposed methods as of September 30, 2022. The Army's liability and the total liability is less while the liability of the other services is a little higher. It makes sense that some services liability would increase and some would decrease since all are now getting the combined historical rates instead of their individual service rates.

For example, the Army's rates were previously above the total average and now decreased to the overall average. The opposite is true for the other services. We also compared the FY23 benefits paid. Similarly, some services had a higher projection after these changes were applied and some were lower. In the end, the proposed methodology produced projections that were a little closer to the actual benefits paid.

Current methodology was 31.6 million, proposed was 30.4 million, and actual spending was

28.8 billion. Again, any questions or comments?

MR. CLARK: I'll just say with the uncertainty of guessing what the actual benefits paid are going to be, I think the proposed model does a nice job estimating that.

MR. ALLEN: All right, thank you. If no more, then I'll ask when you approve our methodology and assumptions, consider these changes as part of them.

CHAIR DUSH: John, I owe you an apology. I should have turned over running the meeting to you when we began here on EBF. You're on mute.

MR. MOORE: You can just go ahead and join us all the way to the end since it's your last one, or I'll take over, whichever you prefer.

CHAIR DUSH: Go ahead and take over.

MR. MOORE: All right. You know, Rich, I think let's go ahead and let's just do a separate motion on accepting the simplification of the Chapter 30 model. And I'll add the comment as well that I think the effort put in streamlining this is going to prove to be very worthwhile. But could I get a motion to accept the simplification of the Chapter 30 model?

CHAIR DUSH: So I'll go ahead and take that on. And I would move that we change the model for Chapter 30 and go with the simplified model, but retain the current model for valuation of Chapter 1606. And I think that's it.

MR. ALLEN: Yeah, so now --

MR. MOORE: Hold on, sorry. Can I get a second?

MR. CLARK: I'll second that.

MR. MOORE: Thank you. Rich, did you have another comment?

MR. ALLEN: No, it's the same. That's it for this part of the presentation. So back to the board or Phil.

MR. MOORE: Still me. I'm having trouble holding this chair today. Can I get all in favor? The motion's been made and seconded. All in favor of the motion, please say aye.

(Chorus of aye.)

MR. MOORE: All right. Motion carries. Phil, it sounds like it's back to you.

MR. DAVIS: So we have two primary data sources for this valuation, the first being the Defense Finance Accounting Service or DFAS trial balance, and the second being the Defense Manpower Center or DMDC file extracts.

The DFAS trial balance provides the EBF trust fund activity for each active duty service and reserve component by month. This includes the total per capita contributions, amortization payments made, total benefit payments as well. And additionally, it also provides the entire fund starting and end of year balance.

Then the DMDC file extracts provides us with the individual member data. This includes their cumulative lifetime benefits as of the file date, a code indicating their current service or reserve component, as well as a code indicating their monthly benefit amount, date of entry, first benefit use, and withdrawal, if so applicable.

Now, anyone that is familiar with the

EBF valuation knows a lot of our work comes with trying to reconcile these two data sources because they do not match up. And I'll leave it at that. We'll go in and see how these, I guess, sources differ in the next couple of pages. Any questions or comments for this page?

CHAIR DUSH: Well, the only comment I would make is that even though these data comes from two different sources, fundamentally, these sources are being fed by the Veterans Administration. And so, they really are coming from what should be the same place.

MR. DAVIS: Zoom in a little here. So here we have what DMDC reported to us, as well as what DFAS reported to us for the Chapter 30 kicker benefit payments. You can see DMDC in total reported $19 million in benefit payments, while DFAS reported to us a little less than $29 million, giving us almost a $10 million difference. Percentage terms, DMDC is 66.8 percent of what DFAS reports. And you can see, looking at the individual service components, these do differ as well, with some being better and some being worse.

And you can see we also include the previous three years' overall numbers. And there was hope in previous years of these data sources, I guess, getting better in their reconciliation. However, this year, you can see that is sadly not the case. Any questions or comments for the Chapter 30 kicker benefit payments, or would you like to see the 1606 stuff first?

MR. POE: Good afternoon. This is Jonathan Poe from DFAS. And I would just like to comment that for the trial balance itself, we do recon with the U.S. Treasury to confirm and verify that our bank account does match and balance with what Treasury is reporting on their end. So the numbers that you see here from DFAS's trial balance is accurate and does match with what the Treasury is reporting as well. That's all I wanted to add to that comment.

MR. MOORE: Thank you. Please proceed.

MR. DAVIS: So here, we have a similar

table, but now looking at the Chapter 1606 basic and kicker new insurance. And we get these numbers from the contributions, if so applicable, and then dividing the total contribution amounts by the appropriate per capita amount. Or for instances, for example, for the 1606 basic, where the normal cost for a particular year is zero, we will estimate the number of new entrants by using the recruiting target number provided to us by the DoD program budget and Military Personnel and Construction office.

You can see that DMDC has a little less than 25,000 basic benefit new entrants and a little more than 9,000 1606 kicker benefits or kicker benefit new entrants. And then DFAS has a little more than 23,000 for the basic and a little less than 8,000 for the kicker, giving DMDC being 107.1 percent of DFAS for the basic, 115.7 percent for the kicker benefits, and 109.3 percent for overall new entrants for basic and kicker combined. Any questions or comments for this page? Okay, hearing none.

Now we will go to the 1606 basic and kicker benefit payment comparison. And I won't read through everything again. I'm sure everyone's tired after the third version of this. You can see that overall, the 1606 basic benefits, DMDC is a little less than 95 percent of DFAS. However, they are less than 64 percent for the kicker benefits for an overall figure of 83.8 percent.

And additionally, specifically looking at some of the individual services for the kicker, you can see a wide discrepancy with Navy Reserve being 1.1 percent for DMDC and DFAS and Marine Corps Reserve being 2.6 percent. Are there any questions or comments for this page?

CHAIR DUSH: Rich, I would think it might be helpful for you to kind of take us through your experience with DMDC and trying to resolve why the kicker information had deteriorated so much, and then what you've recently uncovered in these discussions.

MR. ALLEN: Right. Well, we asked DMDC

and they said that the kicker benefits that are used with the Chapter 30 basic were not recorded correctly or not completely recorded, but the kicker benefits that were reported with the Chapter 33 basic were. So that's why there's a difference with the kicker, but the basic benefit coming in at about 95 percent is fairly close.

They've also told us that DMDC and VA are working on a fix and might send us a revised FY23 file. Won't be in time for the work we have to do today, but we could incorporate that into next year's valuation. So possibly when we show these numbers next year, the FY23 numbers that you see here would be closer in line and would go into when we do our 10-year averages.

CHAIR DUSH: Thanks, Rich.

MR. ALLEN: Sure.

MR. DAVIS: Nothing else for this page. I'll move to the next. We'll zoom out a little. So I won't read through all of these pages for the next couple, but this does go into how we reconcile these two data sources. And it involves taking a similar weighted average to what I did before or what I mentioned before with 80 percent being used for each 10-year period for actives and 60 percent for reserves. We do this for the benefit payments and the total contributions. And this helps us develop these true-up factors.

We split them up into three different sets of rates and then true-up the entire population by the census true-up factor, as well as all usage probabilities and projected months used by this split-up member rate and months used true-up factors. This is the same process that we've done in years past. Are there any questions or comments for this page?

MR. MOORE: Phil, this is John. I got one. So does this translate that so for like where we're getting far less data on the kickers, the true-up factor will come into play in a much stronger way than, you know, when the reporting is tighter?

MR. DAVIS: Yes, sir. So we true-up essentially the DMDC numbers to get to DFAS. And so for when that discrepancy is big, obviously it's going to have a larger true-up factor to reach the DFAS numbers.

MR. MOORE: So this factor here is very important. The worst that -- again, I think the thing we're wrestling with here is with the poor quality of data. This year on the kicker benefit, that's true. We've got to hope this true-up factor can accurately, you know, reasonably try to fill that hole. So, right, I think it's a really important part of the valuation.

CHAIR DUSH: Yeah, this methodology has done a pretty good job of predicting benefit payments in the past. And I think for the kicker programs, it will be really interesting for you to see next year whether or not this methodology did a good job of adjusting for the extremely poor data on kickers.

It was good to see that the basic benefit information was in much better shape. And that is a major portion of the liability for 1606. But, you know, I think it will be very interesting. And I would encourage the board to think carefully about the quality of data and remedies going forward if in fact the data does not improve.

MR. CLARK: All right. I'm definitely hopeful that the DMDC data will improve. But I'm also encouraged by Jonathan Poe's comment about the accuracy of the DFAS numbers. So I feel like that combined with this is doing a good job for now.

CHAIR DUSH: Yeah, that was good. That was really heartening.

MR. DAVIS: Yeah, that's a great. Thanks for calling that out, Mike. Just that this true-up anchors to the DFAS numbers in essence. So it's good to know the anchor's good.

MR. MOORE: At this point, I'll take a motion to approve the model and methodology presented for the 9/30/23 valuation. If anyone would like to make that motion.

CHAIR DUSH: I'll move that we accept the model and the methodology as presented for the

9/30/23 valuation.

MR. CLARK: I will second that motion.

MR. MOORE: Is there any further discussion? I'll add my own comment again. I know there's some hesitancy this year given the data. You know, learning some of the holes late in the game doesn't make our jobs any easier. But I think, again, we know there appears to be a fix in place. And so with that, I know I'll be voting in favor of this for this year. All in favor say aye.

(Chorus of aye.)

MR. MOORE: All right, motion carries. Phil, is it back to you or?

MR. DAVIS: I'm actually turning it over right now to Austin Keib.

MR. MOORE: Perfect, thank you. Austin, the floor is yours.

MR. KEIB: All right, thank you. So next we're going to be looking at the EBF fund yield projection and interest assumptions. So, again we have a fund yield table here showing inflation, real fund yield, nominal fund yield and Blue Chip return on new investments for fiscal years 2024 to 2033, as well as a 10 year geometric average of those four values and a 10 year fund weighted average.

To the right, we can see the results of a sensitivity analysis with plus or minus 0.25 percent on interest rate and that had liability impacts of plus or minus 0.81 percent. Below that, we can see our duration of 3.24, which is quite short and we have our current interest assumption of 2.75 percent, and we are proposing an increase to 3.5 percent interest. Any comments on this?

CHAIR DUSH: Again, I think we see that these programs appear to be in surplus. At least predominantly in surplus with no provision for recapture of surplus. Again, I think one of the issues here is that we don't have any need to worry about building up additional surplus to secure the programs. So I support the 3.5 percent.

MR. CLARK: I'll support that as well, just based on the generally higher level of shorter term interest rates.

MR. MOORE: Looks good to me as well. Austin, you want to continue?

MR. KEIB: Yep. All right. So next we're looking at the projection of the Chapter 1606 basic benefit using the Blue Chip financial forecast of CPI value. So in the table down here, the bolded CPI values are the actual CPIs from the Bureau of labor statistics and the non-molded numbers are OACT's projections using Blue Chip.

Over on the far right of the table, we can see the Chapter 1606 monthly basic benefits and the 439 and the 466 at the top are actual values and all further values are projected using Blue Chip. And those are obtained by multiplying or increasing the benefit from the prior year by the July to June CPI increase in the same row. And we are looking for Board approval to continue using Blue Chip to forecast the CPI numbers.

MR. CLARK: Very good. I'll offer a

motion to accept the Blue Chip method to project the inflation assumption for the Chapter 1606 basic benefit resulting in 2.2 percent here. And also to accept the discount rate of 3.5 percent for the overall EBF valuation.

CHAIR DUSH: I second.

MR. MOORE: Well, any further discussion? All right. All in favor, please say aye.

(Chorus of aye.)

MR. MOORE: Motion carries. On to amortization.

MR. KEIB: All right. Now I will turn it over to my colleague, Ethan Field.

MR. FIELD: Ethan Field here with OACT. On this page, we're taking a look at the amortization payments for the Chapter 30 kicker. The fund balance on September 30, 2023 was about 314 million, with a present value of 157 million and a surplus of 156.7 million. There were no amortization payments on October 1, 2023. And a projected net cash flow in fiscal year 2024 of

16.1 million.

The projected amount in the fund on September 30, 2024 is 297.8 million, with a projected present value of 139 million and a projected surplus of 159 million. There's also no scheduled amortization payments on October 1, 2024. And we have a projected net cash flow in fiscal year 2025 of 10.6 million.

We have a projected fund balance on September 30, 2025 of 287.2 million and a projected present value of 122.8 million, and a projected surplus of 164.4 million. As you can see, all of the branches are expected to be in a surplus. And therefore, we are recommending that no amortization payments on October 1, 2025. Are there any questions or comments?

CHAIR DUSH: Nope.

MR. CLARK: Doesn't sound like it.

MR. MOORE: Ethan, are we looking -- I'm sorry, I'm a little off on the page. But I think at this point, are we looking for the board to approve the amortization methodology?

MR. FIELD: Yes, I believe so, yes.

MR. MOORE: Okay.

MR. CLARK: I will move to approve the Chapter 30 kicker amortization methodology, which is resulting in no amortization for October 1, 2025.

CHAIR DUSH: I second.

MR. MOORE: Perfect. All right. All in favor, please say aye.

(Chorus of aye.)

MR. MOORE: All right, motion carries. Please continue.

MR. FIELD: All right. This page, we're looking at the per capita amounts for selected benefits for the Chapter 30 kicker. And so if we look at Army two-year $150 kicker, for example, we obtain the normal cost by taking the monthly benefit, multiplying it by the percent used, multiplying it by the discount factor, and then multiplying by 36. And so, if you take a look at Navy four-year $450 kicker and Marine four-year $450 kicker, you'll notice that in the 2026 rows, that they are equivalent as to the new methodology.

And you'll also notice that the offset to the normal cost is zero due to the fact that there is no new projected entrance into the program, which gives us a per capita amount that is equivalent to the normal cost. Are there any questions or comments on this page? If you feel if you want, you can also turn to page 35 to better demonstrate the new model. Yes, so here you can see that all of the two- year kickers have the same benefit usage rate and the same discount factor.

CHAIR DUSH: Yeah, I personally think that this has done a good job of simplifying for this plan. And I think, again when we were looking at the description of the program at the beginning of this presentation, if in fact the services were to start using the kickers, you certainly could discuss whether or not you want to use some of the surplus to offset the cost of the kickers.

MR. FIELD: Yes.

MR. MOORE: We need to actually have the board do a motion for the fact that we're not doing the offset this year. Maybe we're okay not actually having to do the motion since we're not putting anything in. We're not creating an offset, so maybe we can just proceed without a motion on that front, or do we actually need to document that zero? Maybe Inger, I'll just ask you that.

MS. PETTYGROVE: Yeah, where we've had a motion in the past and off the top of my head, I don't remember if we've had a motion in the past on this when it had dollar figures in. I think you would need to approve that it zeroes this year. That's information right there that there is no offset.

MR. MOORE: Okay. All right, so I think we're good. I think we can continue.

MR. FIELD: All right. Here we can see the per capita amounts for all of the kicker benefits. You'll notice that in fiscal year 2025 compared to fiscal year 2026, you can see the different methodologies. And I will point out that the per capita amount in fiscal year 2026 is proportional to the kicker amount, the monthly kicker amount. Are there any questions or comments? All right. Back to Phil.

MR. DAVIS: Awesome. Thank you, Ethan. So I'll be going through the Chapter 1606 version of the slides we just looked through for 30. So here we have the Chapter 1606 results and the termination of the October 1, 2025 amortization payment for the 1606 basic and kicker. So in total, as of September 30, 2023, there was a fund balance of $544.7 million, a present value of benefits of 296 million, giving us a surplus of 248.7 million.

And additionally, there was a scheduled amortization payment of $2.875 million for the Air National Guard, giving us a projected net cash flow of $66.595 million. And a projected fund balance on September 30, 2024 of 481 million, a projected present value of benefits of $304.6

million, and a surplus of 176.39.

Additionally, last year the board scheduled an amortization payment of $1.852 million, and there is a projected net cash flow of 25.8 million, giving us a projected fund balance on September 30, 2025 of $457 million, a projected present value of future benefits of $330.5 million, and a surplus of 126.53. Additionally, you can see that we project all of the components other than the Air National Guard to stay in a surplus.

And so we are, I guess, by the five-year amortization schedule and the 3.5 percent interest rate, we have an amortization payment of $4.21 million to be made for the Air National Guard, as well as for the other components in adjustment to the FY26 basic normal cost. Are there any questions or comments for this page?

CHAIR DUSH: We already noted that the funds returned only 2.3 something percent, but I think I also heard the comment that contributions were less than expected because of recruiting issues. Can you confirm that? I mean, because we had projected a larger surplus for 9/30/23, it is down about not quite $40 million from what we had projected. But it just seems that -- is it contributions that is mainly the issue, or also benefits were greater than expected?

MR. DAVIS: Both of those are true. We have had higher benefit payments this year than expected, as well as the recruiting struggles that the services are facing has led to lower contributions. So both of those are a factor. And I can see that Jonathan Poe has his hand up, and he might have something to comment regarding the, I guess, burn rate of the fund.

MR. POE: Yes, hi this is Jonathan. And like Phil had already mentioned and discussed, what I was actually going to comment on is, he is correct. Those are the two main reasons that this fund has been experiencing some challenges in regards to a cash flow perspective. It does continue as we see the trend happening for this fiscal year as well.

I did check the projection tool, and it does seem that we are expecting to hit roughly about $160 million total for benefits, while we're receiving about 27 million in contributions. So, of course that's more than half than what was expected for fiscal year '24.

MR. DAVIS: Thank you, Jonathan. Any other questions or comments regarding this page?

MR. CLARK: No, I think I need to make a motion here. Right, John?

MR. MOORE: I think we're going to wait until the normal costs on the next page, if I'm looking at it right.

MR. CLARK: Okay. Very good.

MR. DAVIS: So going to the next page, as John mentioned, we have the 1606 offsets and the basic normal cost. So it's calculated in, I guess, the same way for the 30 that we just saw, at least for the normal cost. So you can see that carried over the projected basic benefit normal cost contributions before the offset, as well as the total amount to be offset from the previous page. Dividing by those gives us the normal cost before the offset.

Then we look at the projected FY2026 new entrant numbers provided to us by the DoD program budget and Military Personnel and Construction. And these factors give us the offset per new entrant for FY2026. And see below, if the offset per new entrant is more than the total of normal costs, we're looking at a -- excuse me, I'm sorry. If it is less, we have a partial offset. If it is more, we have a full offset, as you can see for these. And if the program is not in a surplus, there is no offset for the Air National Guard.

Additionally, the board last year approved the use of a $100 minimum per capita amount so that we can better track our new entrants through their total contributions. And so you can see for these that are full offset, that just implies that there is the $100 minimum per capita there. Any questions or comments for this page?

MR. MOORE: All right. I think, Phil,

correct me if I'm wrong, I think this is probably a good spot to get a motion to cover these last two main issues, amortization and the offset.

MR. CLARK: Very good. So I will move to accept the methodology of five-year amortization at 3.5 percent of the deficit or surplus with the deficit resulting in a contribution as of October 1, 2025, and a surplus being used to offset normal cost for 1606.

MR. MOORE: Wonderful. Can I get a second?

CHAIR DUSH: Second.

MR. MOORE: Further discussion?

CHAIR DUSH: Inger, do we need to read into the account the 4.2, the number of the amortization for Air National Guard?

MS. PETTYGROVE: Yeah, I was going to say if it's one number, I think that can't hurt. I don't think we've made as big a point as like the NCPs on the retirement side, but I think it can't hurt to have it there.

MR. MOORE: I'll do Mike's motion. I

think it still stands as it is. As a comment, I'll add that, yeah, the Air National Guard amount is 4.210450 million, $4,210,450. With that, can I get all in favor?

(Chorus of aye.)

MR. MOORE: Motion carries. Okay.

MR. DAVIS: So now going on to the 1606 per capita amounts. And you can see the normal costs calculate the exact same way that Ethan explained for Chapter 30. So multiplying the projected monthly benefit by the benefit used, then by the discount factor, and then by 36 months to give us the normal costs. We then carry over the offsets we just saw on the previous page to give us the per capita amounts. You can see for the Air Force Reserve and the Coast Guard Reserve we have the $100 minimum per capita amounts.

And additionally, you can see for the Air National Guard there is no offset, so the normal costs and the per capita amounts are the same. I'd just like to point out that we did see an increase generally in the usage rates and a decrease in the discount factors. The board would like to discuss any of these basic per capita amounts or just go on and look at the kicker amounts as well?

CHAIR DUSH: Go ahead.

MR. MOORE: Looks like you can keep going.

MR. DAVIS: So here we have the $100 kickers, then the next page, the $200 and $350. I'll just point out that the ones in boxes are the kickers currently still being offered by the services. The ones not in boxes are not offered.

So for the $100 kicker, there's only the Army Reserve. For the $200 kicker, there's the Army National Guard, the Army Reserve, and the Navy Reserve. And then for the $350 kicker, it's all of the components other than the Navy Reserve and the Coast Guard Reserve. Are there any questions or comments regarding any of the previous three pages?

MR. CLARK: None here. We're good.

MR. DAVIS: So on this page, we just

list out all the per capita amounts for last year that was approved by the board as well as the ones we just saw for FY2026. Any questions or comments for this page? Okay. On that note, I will be handing it off to Rich Allen.

MR. ALLEN: All right.

CHAIR DUSH: Rich, before you get started, again to my fellow board members, I guess the one thing I would suggest is that this is complex. And the model has done a good job of producing forecasting benefit payments. You know, we've already talked about the simplification for 30.

I would encourage you to work with -- encourage OACT, encourage you, Rich, to continue to think about ways to simplify, especially in areas where there is very little exposure in determining rates. And so to see, you know, ongoing, to see if there are just ways to simplify this valuation.

MR. ALLEN: Yeah, will do. And I think with some of the modifications we did to Chapter

30, we can probably apply some of those to Chapter 1606 as well. So that gives us a good start on that.

CHAIR DUSH: Good.

MR. ALLEN: All right. Again, this is Richard Allen, Office of the Actuary. I'm going to talk about CAT III, the final program we're going to go over today. I'll start by saying the methodology for CAT III is the same as last year. It is presented here on page 32. And it is to project the end of the fiscal year balance for each service. I won't read each point. Rather, I'll show you the calculations on page 33. So if we can move to 33, please.

Okay. Before I do, let me just remind everyone that the members eligible for these benefits served in the 1970s and 1980s, and there's very little benefit activity now. The CAT III program is basically acting the way it would if it was being sunset. And please note, these are actual figures. They are not in millions or even thousands. Let me go over page 33, which shows the activity and the projected activity for fiscal year 2024.

The top line is the end of fiscal year 2023 balance by service. At last year's meeting, we only scheduled one service, the Army, to have any payment, and that was an internal transfer of 34,355 from their Chapter 30 funds on October 1st. That was our projection of what the balance would be at the end of fiscal year 2023, and turned out to be a small overpayment.

The third line is just the sum of the first two lines. The next line is activity this year through April of this year. Only the Navy had any, and that was a recoupment of $589. We did not project any more activity either in benefits paid or income received through the remainder of the fiscal year.

Based on the amount in the fund, we next show how much each service will earn or have to pay in interest for the full year. That leads to each service's end of fiscal year projected balance, which is the start of the -- I'm sorry, for next year's balance plus or minus any activity during the year and the interest. All but the Air Force are projected to have a positive balance, so no payment is required for those four services.

For the Air Force, we recommend that since the balance is so small and there was not any activity in FY24 to just skip the payment until their debt is larger or the program is fully sunset. So I would ask just for approval of what I said and no payment for any of the services.

CHAIR DUSH: Okay. John, then I would like to make a motion to accept the CAT III methodology that has been used to determine the October 1, 2024 costs, and to not require that Air Force make a payment of its expected very small deficiency as of that date.

MR. CLARK: I will second that motion.

MR. MOORE: Any further discussion? All right. All in favor, please say aye.

(Chorus of aye.)

MR. MOORE: Motion carries. Very good. And actually, does that wrap up our EBF presentation for today?

MR. ZOURAS: I have a question. Could Colleen speak to the board about any proposals to address the surplus, you know, moving money around, legislatively?

MS. HARTMAN: Yes, we have talked with OGC fiscal --

CHAIR DUSH: I'm sorry. Colleen, would you just introduce yourself?

MS. HARTMAN: Oh, I'm sorry. This is Colleen Hartman, OSD comptroller. And we have discussed possible COAs with our OGC fiscal. One would be, you know, various moving of the funds within the whole EBF, not specific to service. One would be a temporary general provision and one would be more of a permanent authority, transfer authority provision.

We are at this time not ready to recommend anything. But it gave us a lot to think about. And we've shared this with Rich and his team. So, you know, we'll keep everybody informed. But we have done some more work on this. So that's all I have.

CHAIR DUSH: The only comment I would make there is it would be nice to get the data in order and have a valuation with good data before anybody moves any surplus. It would be nice to know where we're at.

MS. HARTMAN: Yeah, this is Colleen again. And I appreciate that remark because, you know, there's going to be a lot going on. Chapter 30 is supposed to sunset in 2030. So, do we wait until then until it all shakes out? There's a lot going on with a court case that just went before the Supreme Court on education benefits. You know, there's a lot in the air. And, again, we have a recruiting issue. I really doubt that the active component is going to start offering the kickers. But at this point, we don't know.

So again, I think we have a really good foundation should we want to go further legislatively. But again, you've got 1606 too. I mean, at the end of the day, you know, there could be well beyond my time. But, you know, a surplus that we're going to have to deal with. So it's all good stuff.

CHAIR DUSH: Thank you.

MR. MOORE: Thank you. Any further general discussion? EBF issues? Then I will wrap up this part of the discussion and return the proper title of Chair to Marcia.

CHAIR DUSH: All right. And so I will adjourn the 2024 meeting of the Board of Actuaries for the Department of Defense. And, Inger, have we completed everything we need for documentation?

MS. PETTYGROVE: Yes, and I am going to request that board members and OACT stick around after you close the meeting.

CHAIR DUSH: All right. So I declare the meeting closed.

(Whereupon, at 12:25 p.m., the PROCEEDINGS were adjourned.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Board of Actuaries

Date: 07-24-24

Place: teleconference

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Neal R Gross

Court Reporter