



DEPARTMENT OF DEFENSE
BOARD OF ACTUARIES
4800 MARK CENTER DRIVE, SUITE 06E25
ALEXANDRIA, VA 22350

January 12, 2026

MEMORANDUM FOR THE RECORD

SUBJECT: Minutes of the September 15, 2025, Meeting of the DoD Board of Actuaries

The Military Retirement Fund (MRF) and Voluntary Separation Incentive (VSI) Fund were discussed from 11:00 AM to 12:11 PM (All times Eastern).

The Education Benefits Fund (EBF) was discussed from 12:18 PM to 1:05 PM (All times Eastern).

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. Please note that the meeting transcript is automatically generated by Microsoft Teams and, in its unedited form, may contain inaccuracies in capturing the meeting materials and related discussion.

A handwritten signature in black ink, appearing to read "J. H. Moore", is written above a horizontal line.

John H. Moore, Chairperson
DoD Board of Actuaries

A handwritten signature in black ink, appearing to read "Pete Zouras", is written above a horizontal line.

Pete M. Zouras
Acting Designated Federal Officer

DEPARTMENT OF DEFENSE BOARD OF ACTUARIES MEETING MINUTES

September 15, 2025

Virtual Meeting

MILITARY RETIREMENT FUND/VOLUNTARY SEPARATION INCENTIVE FUND

HIGHLIGHTS/KEY BOARD DECISIONS

Miscellaneous: The New Chairperson Opening Comments

- Transcript Page 1: The chairperson welcomed the newest Board member Margaret Berger and thanked the OACT staff for their hard work.

Agenda Item 1: September 30, 2024, Valuation of the Military Retirement Fund

- Transcript Pages 2-3: 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 3-4: The present value of future benefits was \$2.681 trillion, the present value of future normal cost contributions was \$450.3 billion, and the fund value was \$1.605 trillion. The Unfunded Accrued Liability (UFL) was \$626.2 billion. The Board commented that the Treasury portion of the FY 2026 full-time normal cost percentage (NCP), at 33.5%, significantly exceeds the full-time DoD NCP of 24.3%. More than half of the normal cost is being funded through Treasury rather than charged against the DoD budget, a result of the ongoing reflection of benefit provisions related to Concurrent Receipt.
- Transcript Pages 5-6: The total change in UFL was a loss of \$44.4 billion. Economic and noneconomic experience resulted in a loss of \$2.6 billion, sequestration resulted in a loss of \$2.0 billion, and new assumptions resulted in a loss of \$39.7 billion.
- Transcript Pages 6-9: The Treasury's FY 2026 UFL amortization payment is \$161.413 billion, and the normal cost payment is \$28.945 billion. This results in a total October 1, 2025, Treasury payment of \$190.358 billion. The Board commented that this Treasury payment, as scheduled, will fully extinguish the initial unfunded liability. The Board passed a motion to approve the methods used to calculate the October 1, 2025, Treasury amortization payment.

Agenda Item 2: September 30, 2025, Valuation of the Military Retirement Fund, Proposed Methods and Assumptions

- Transcript Pages 9-16: Considerations in setting long-term economic assumptions were presented. The Board approved long-term economic assumptions for the September 30, 2025, 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 16-25: The Board approved the proposed VA Offset Parameters and Retired Pay Weighting Factors (decreased full-time DoD NCP by 3.5%, and part-time DoD NCP by 2.8%), Proposed PAMS and New Entrant Pay Distribution (decreased full-time DoD NCP by 0.4%, and part-time DoD NCP by 0.6%), Proposed Mortality Improvement Factors and Member-Spouse Age Difference (no change to full-time and part-time DoD NCPs). The Board commented on the increase in Total NCP while the DoD NCP continues to decline due to the rise in disability benefits. The Board also noted the challenges in modeling the Total and DoD NCPs and that a simplification would be welcomed.
- Transcript Pages 25-27: The Board approved FY 2027 DoD NCPs of 20.2% for full-time and 19.1% for part-time and Treasury NCPs of 38.2% for full-time and 12.4% for part-time.

Agenda Item 3: September 30, 2024, VSI Fund Valuation, Proposed Methods and Assumptions

- Transcript Pages 27-36: The Board approved economic assumptions of 3.50% interest (0.25% decrease from last year), 2.2% COLA (unchanged from last year), and 2.0% VA increase (no change from last year) leading to a January 1, 2027, amortization payment of \$2.2 million.

EDUCATION BENEFITS FUND

HIGHLIGHTS/KEY BOARD DECISIONS

Agenda Item 4: Education Benefits Fund Overview

- Transcript Pages 37-39: Education benefit programs (Chapter 30 Kicker, Chapter 1606 Basic and Kicker, Cat III) were presented.

Agenda Item 5: September 30, 2024, Valuation Proposed Methods, Economic, and Non-Economic Assumptions

- Transcript Pages 40-45: Considerations in setting economic assumptions were presented. The Board approved using the Consensus Inflation Forecast with an ultimate CPI of 2.2% (no change from prior year) and an interest rate assumption of 3.50% (no change from last year).
- Transcript Page 45: Executive summary of the fund activity for each benefit program was presented.
- Transcript Pages 45-49: Discussion of EBF valuation methods. Following the discussion on the data changes and associated challenges, the Board noted an intention for next year to explore potential adjustments to the overall valuation methodology. The Board approved the model and methodology for the September 30, 2024, valuation.

Agenda Item 6: September 30, 2024, Valuation of the Education Benefits Fund

- Transcript Pages 50-54: The Board approved the Chapter 30 Kicker amortization methodology resulting in no amortization payment on October 1, 2026.
- Transcript Pages 54-57: The increase in reservists eligible for Chapter 1606 Basic and Kicker Benefits, along with the reconciliation between primary data sources from DFAS and DMDC file extracts, was discussed. It was explained that this rise in the eligible population was a contributing factor in the corresponding increases in the actuarial liabilities and the per capita contributions.
- Transcript Pages 57-62: 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 cost amounts. The amortization schedule results in an October 1, 2026, Army National Guard amortization payment of \$26.5 million, Army Reserve amortization payment of \$7.9 million, and Air National Guard amortization payment of \$6.3 million. The Board again reiterated the intention for next year to explore potential adjustment to the overall valuation methodology given the breadth and depth of data-related challenges.

Transcript Pages 62-64: The Board approved continued use of the Cat III methodology to determine October 1, 2025, costs (unchanged from last year). No payment is required for any of the Services this year due to the de minimis amount.

ATTACHMENT 1

DEPARTMENT OF DEFENSE BOARD OF ACTUARIES MEETING AGENDA

Monday, September 15th, 2025
11:00 AM—2:00 PM EST
Back-up Dial-in: (410) 874-6749
Conference ID: 691 993 607#

MILITARY RETIREMENT FUND

1. September 30, 2024, Valuation of the Military Retirement Fund
 - a. Starting population as of September 30, 2024 (Drew May, DoW Office of the Actuary)
 - b. Actuarial status information as of September 30, 2024 (Drew May)
 - c. Change in unfunded liability for FY 2024 (Drew May)
 - d. October 1, 2025, Treasury amortization payment and normal cost payment* (Drew May)

2. September 30, 2025, Valuation of the Military Retirement Fund, Proposed Methods and Assumptions*
 - a. Economic Assumptions – COLA, Interest Rate, and Across-the-Board Salary Increases (Pete Rossi, DoW Office of the Actuary)

 - b. Non-Economic Assumptions
 - i. Overall impact (Jonathan Wong, DoW Office of the Actuary)
 - ii. VA Offset Parameters and Retired Pay Weighting Factors (Jonathan Wong)
 - iii. PAMS and New Entrant Pay Distribution for Junior Enlisted Pay Update (Pete Rossi)
 - iv. Mortality Improvement Factors and Member-Survivor Age Difference (Pete Rossi)

VOLUNTARY SEPARATION INCENTIVE FUND

3. September 30, 2024, VSI Fund Valuation, Proposed Methods and Assumptions*
 - a. Introduction (Jonathan Wong)
 - b. Interest rate (Pete Rossi)
 - c. Valuation update and other Assumptions (Jonathan Wong)
 - d. Unfunded liability amortization payments (Jonathan Wong)

* Indicates Board approval required

EDUCATION BENEFITS FUND (*approximate start time 12:00 PM*)

4. Fund Overview (Pete Rossi)
5. September 30, 2024, Valuation Proposed Methods, Economic, and Non-Economic Assumptions*
(Pete Rossi)
6. September 30, 2024, Valuation of the Education Benefits Fund
 - a. Chapter 30 (Pete Rossi)
 - b. Chapter 1606 (Pete Rossi)
 - c. Category III (Pete Rossi)

* Indicates Board approval required

ATTACHMENT 2

Department of Defense Board of Actuaries Meeting Attendee List

| <u>Name</u> | <u>Position or Office</u> |
|-----------------------|---|
| John Moore | Chairperson |
| Mike Clark | Board Member |
| Margaret Berger | Board Member |
| Pete Zouras | DoD Chief Actuary, Executive Secretary and ADFO |
| Pete Rossi | OACT |
| Qian Magee | OACT |
| Drew May | OACT |
| Jonathan Wong | OACT |
| Michael Sorrento | Deputy Director, DHRA |
| Ashlea Klahr | Acting Director, DPAC |
| Jonathan Poe | Advisor, DFAS |
| Alicia Litts | Advisor, OUSD (C) |
| Ronald Garner | Advisor, OUSD (P-R) |
| Mark Phelan | OUSD (P-R) |
| Victoria Gulasarian | Advisor, General Counsel |
| Schileen Potter | DMDC |
| Matthew Torres | DMDC |
| Darlene Woodruff | Army |
| Horst Spiess | Army |
| Gayla Cummings | Army |
| Donald E. Sutton, III | ARNG |
| Julian Cheramie | ARNG |
| Matthew Norris | ARNG |
| Brandon Evans | ARNG |
| Jamine Herrera | ARNG |

| | |
|----------------------|-------------------|
| Kelene Naomi Harris | ARNG |
| Michael Green | ARNG |
| Kelly Chestnut | ARNG |
| Montreville Holcombe | USCG |
| David Haldeman | Navy |
| Craig Graby | GRS Consulting |
| Bryan Nelms | Kearney |
| Neil Thompson | VA |
| David Rafferty | CBO |
| Edith Smith | Military Survivor |
| Rich Allen | Former OACT |
| Richard Virgile | Former USCG |

ATTACHMENT 3

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



Military Retirement Fund Board of Actuaries Meeting

Defense Finance and Accounting Service

Jonathan Poe
Enterprise Accounting and Audit Support (EAAS)
Financial Reporting/Trust Funds
September 2025



AGENDA



- Overview
- Financial Data
- Fund Status





- **Short Term Liquidity**

- ✓ Invested approximately \$202B in October (Treas contrib \$177B)
 - ✓ Also invested \$72.8 in February (Due to a maturity)
- ✓ Inflows exceeding outflows
 - ✓ FY 2025 payments through July \$66.9B
 - ✓ FY 2025 receipts through July \$308.3B
 - ✓ FY 2025 overnights/cash as of July 31st \$5.7B

- **Long Term Liquidity**

- ✓ New investing for FY 2026
 - ✓ As of EOM July, \$185B (October) and \$19.8B (February)
 - ✓ Average to maturity for FY 25 investments is 26.06 years
- ✓ Mix Ratio and Average to maturity (60-80% TIPS, 20-40% nominal and 15 years average to maturity)
- ✓ FY 2026-2029 projected investments of \$464.5B





Summary Financial Analysis

Year Ended September 30

(In Billions)

| | FY 2024 | FY 2023 | % Change |
|----------------------------------|-----------------|-----------------|----------|
| Service Contributions | \$24.20 | \$28.10 | -14% |
| Unfunded Liability Contribution | 151.5 | 120.4 | 26% |
| Concurrent Receipts Contribution | 19.9 | 10.6 | 88% |
| Interest Income | 62.5 | 55.1 | 13% |
| Total Revenue | <u>\$258.10</u> | <u>\$214.20</u> | 20% |
| Benefit Payments | <u>\$78.20</u> | <u>\$74.70</u> | 5% |
| Total Expense | <u>\$78.20</u> | <u>\$74.70</u> | 5% |





Summary Financial Analysis

Year Ended September 30

(In Billions)

Interest Income

| | FY 2024 | FY 2023 | \$Change |
|-----------------------------|----------------|----------------|----------|
| Interest Revenue--Par | \$29.90 | \$25.50 | \$4.40 |
| Interest Revenue--Inflation | 34.4 | 33.3 | \$1.10 |
| Interest Revenue--Discount | 4.8 | 3.1 | \$1.70 |
| Interest Revenue--Premium | <u>-7.2</u> | <u>-7.3</u> | \$0.10 |
| | <u>\$61.90</u> | <u>\$54.60</u> | \$7.30 |





Military Retirement Fund For the Year Ending September 30, 2024

(in millions)

| | |
|--|------------------------|
| Assets | |
| Fund Balance with Treasury | \$47.89 |
| Investments | |
| Overnight | \$49,676.27 |
| Long term | |
| Par | \$1,224,331.47 |
| Inflation purchased | \$60,339.02 |
| Inflation earned | \$264,794.14 |
| Premium outstanding | \$78,019.53 |
| Discount outstanding | -\$80,332.95 |
| Interest receivable | <u>\$7,602.43</u> |
| Total Long-Term Investments | <u>\$1,554,753.61</u> |
| Total Investments | \$1,604,429.89 |
| Accounts Receivable, net | <u>\$195.28</u> |
| Total Assets | <u>\$1,604,673.09</u> |
| Liabilities | |
| Military Retirement and Other Federal Employment Benefits | |
| Benefits Payable to Beneficiaries | \$6,475.80 |
| Actuarial Liability | <u>\$2,808,441.36</u> |
| Total Military and Other Federal Employment Benefits | \$2,814,917.16 |
| Other Liabilities | <u>\$.40</u> |
| Total Liabilities | <u>\$2,814,917.56</u> |
| Net Position | |
| Cumulative Results of Operations | <u>-\$1,210,244.47</u> |
| Total Liabilities and Net Position | <u>\$1,604,673.09</u> |





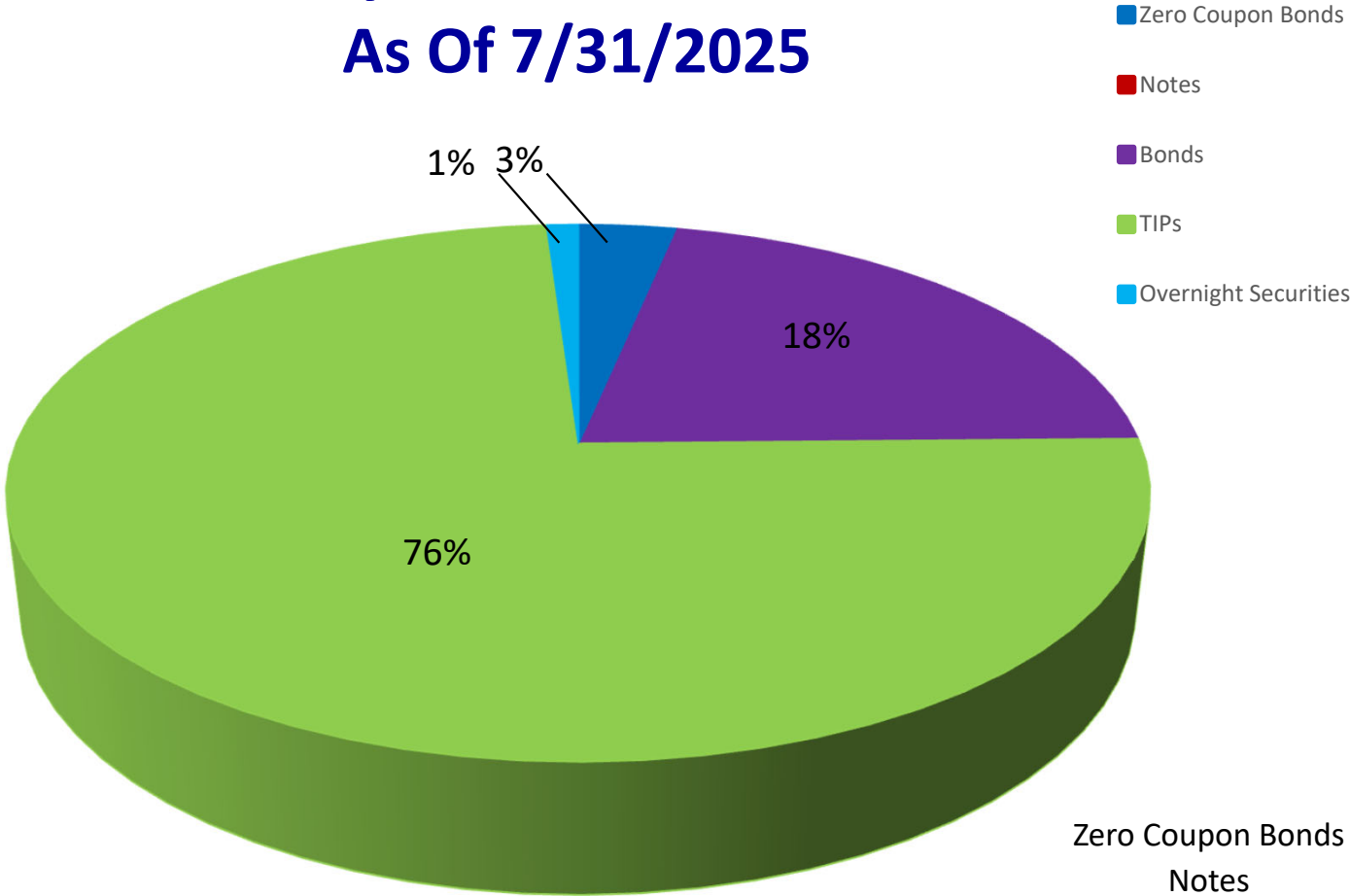
Effective Fund Yields

| 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% |
| 2024 | 4.00% |





Military Retirement Portfolio As Of 7/31/2025



| | |
|----------------------|-----------|
| Zero Coupon Bonds | \$49.3 |
| Notes | \$0 |
| Bonds | \$320.9 |
| TIPs | \$1,112.2 |
| Overnight Securities | \$16.1 |
| Total (in Billions) | \$1,498.5 |



FUND STATUS



| Security Description | Shares Par | Inflation Compensation | Book Value | Market Value |
|-------------------------------|--------------------------|------------------------|--------------------------|--------------------------|
| INTEREST ZCB 08/15/33 | 12,949,000,000.00 | - | 11,147,660,396.97 | 9,118,496,615.11 |
| INTEREST ZCB 02/15/34 | 16,574,000,000.00 | - | 10,931,734,601.56 | 11,368,010,636.54 |
| INTEREST ZCB 08/15/34 | 13,268,000,000.00 | - | 11,172,336,447.58 | 8,860,957,243.64 |
| INTEREST ZCB 08/15/35 | 31,552,000,000.00 | - | 22,137,635,619.43 | 19,958,734,421.76 |
| Zero Coupon Bond Total | 74,343,000,000.00 | - | 55,389,367,065.54 | 49,306,198,917.05 |
| MK BOND 1.875% 02/15/2051 | 2,233,238,900.08 | - | 2,039,203,121.00 | 1,235,958,153.76 |
| MK BOND 2.250% 08/15/2046 | 26,159,587,702.15 | - | 19,366,947,169.52 | 16,921,983,294.83 |
| MK BOND 2.500% 02/15/2045 | 28,804,528,306.57 | - | 23,452,163,667.76 | 20,028,148,588.16 |
| MK BOND 2.750% 08/15/2042 | 13,725,197,672.68 | - | 10,355,394,481.28 | 10,383,969,864.24 |
| MK BOND 2.750% 08/15/2047 | 24,000,892,481.70 | - | 19,331,295,934.33 | 16,890,628,084.00 |
| MK BOND 2.750% 11/15/2042 | 30,591,584,611.59 | - | 26,922,568,617.23 | 23,048,847,030.79 |
| MK BOND 3.000% 05/15/2042 | 6,695,039,147.53 | - | 6,900,555,796.77 | 5,286,988,726.82 |
| MK BOND 3.000% 08/15/2048 | 23,089,242,962.11 | - | 19,315,849,069.37 | 16,855,147,362.34 |
| MK BOND 3.125% 02/15/2042 | 2,864,461,876.61 | - | 3,029,000,232.43 | 2,313,948,109.70 |
| MK BOND 3.125% 02/15/2043 | 3,349,775,799.13 | - | 3,533,279,271.69 | 2,662,024,955.37 |
| MK BOND 3.125% 08/15/2044 | 13,149,549,324.21 | - | 10,302,558,906.20 | 10,244,320,770.39 |
| MK BOND 3.125% 11/15/2041 | 2,818,271,057.13 | - | 2,961,804,139.78 | 2,284,560,975.69 |
| MK BOND 3.500% 02/15/2039 | 6,039,034,048.35 | - | 6,173,946,079.11 | 5,395,499,482.57 |
| MK BOND 3.625% 02/15/2044 | 3,321,324,845.08 | - | 3,766,623,964.87 | 2,808,595,322.12 |
| MK BOND 3.625% 02/15/2053 | 10,826,116,535.20 | - | 10,143,755,624.01 | 8,711,640,649.42 |
| MK BOND 3.625% 08/15/2043 | 27,751,381,194.62 | - | 25,520,261,341.70 | 23,597,346,322.05 |
| MK BOND 4.250% 05/15/2039 | 6,479,267,826.79 | - | 7,423,641,646.07 | 6,238,320,054.48 |
| MK BOND 4.250% 11/15/2040 | 5,520,767,853.28 | - | 6,594,834,712.52 | 5,237,828,500.80 |
| MK BOND 4.375% 02/15/2038 | 25,572,851,817.21 | - | 29,056,639,875.15 | 25,245,199,653.30 |
| MK BOND 4.375% 05/15/2040 | 4,793,071,508.45 | - | 5,788,422,823.10 | 4,635,798,849.58 |
| MK BOND 4.375% 11/15/2039 | 6,831,664,626.58 | - | 7,951,867,010.76 | 6,626,714,687.78 |
| MK BOND 4.500% 02/15/2036 | 24,127,295,618.01 | - | 28,541,894,606.89 | 24,443,966,373.00 |
| MK BOND 4.500% 05/15/2038 | 4,396,913,844.83 | - | 5,130,323,776.14 | 4,402,409,987.14 |



FUND STATUS cont.



| Security Description | Shares Par | Inflation Compensation | Book Value | Market Value |
|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|
| MK BOND 4.500% 08/15/2039 | 11,047,121,094.16 | - | 12,056,907,951.55 | 10,888,318,728.43 |
| MK BOND 4.625% 02/15/2040 | 2,399,775,551.83 | - | 2,996,837,286.12 | 2,388,526,603.93 |
| MK BOND 4.750% 02/15/2037 | 9,697,894,474.30 | - | 11,395,905,901.59 | 9,985,800,716.51 |
| MK BOND 5.000% 05/15/2037 | 14,449,874,166.16 | - | 15,845,672,586.09 | 15,190,430,217.18 |
| MK BOND 5.375% 02/15/2031 | 18,948,966,774.83 | - | 23,189,791,958.70 | 20,180,649,615.19 |
| MK BOND 6.000% 02/15/2026 | 1,400,000,000.00 | - | 1,453,948,448.94 | 1,410,500,000.00 |
| MK BOND 6.250% 05/15/2030 | 9,225,255,976.51 | - | 10,795,155,604.38 | 10,118,952,649.23 |
| MK BOND 6.625% 02/15/2027 | 1,400,000,000.00 | - | 1,498,232,335.99 | 1,456,000,000.00 |
| MK BOND 6.875% 08/15/2025 | 3,800,000,000.00 | - | 3,925,350,240.11 | 3,791,687,500.00 |
| Bond Total | 375,509,947,597.68 | - | 366,760,634,181.15 | 320,910,711,828.80 |



FUND STATUS cont.

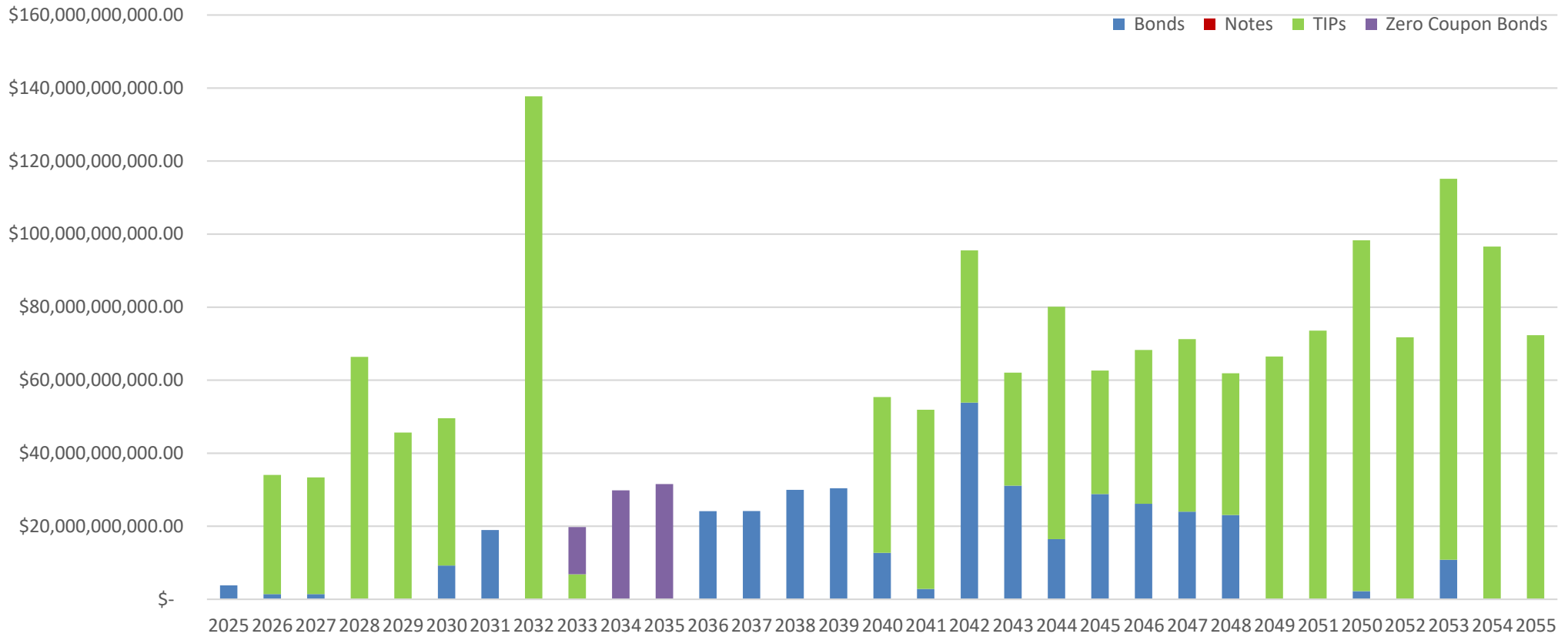


| Security Description | Shares Par | Inflation Compensation | Book Value | Market Value |
|---------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| MK TIPS 0.125% 01/15/2030 | 32,292,714,800.06 | 8,052,834,289.69 | 33,451,594,690.31 | 38,113,935,905.72 |
| MK TIPS 0.125% 02/15/2051 | 77,794,558,985.50 | 18,254,493,265.95 | 85,131,408,365.20 | 51,326,212,296.87 |
| MK TIPS 0.125% 02/15/2052 | 62,154,343,965.27 | 9,615,898,554.86 | 42,385,708,545.52 | 37,499,951,716.77 |
| MK TIPS 0.250% 02/15/2050 | 58,854,771,145.64 | 14,730,760,670.04 | 67,777,574,601.01 | 41,943,753,134.94 |
| MK TIPS 0.625% 02/15/2043 | 22,156,985,598.00 | 8,821,139,106.28 | 20,032,196,671.34 | 22,836,686,305.43 |
| MK TIPS 0.750% 02/15/2042 | 29,278,329,999.00 | 12,371,851,124.38 | 28,763,108,189.82 | 32,109,686,509.80 |
| MK TIPS 0.750% 02/15/2045 | 24,791,139,787.00 | 9,050,005,579.24 | 24,496,348,093.72 | 24,450,227,527.11 |
| MK TIPS 0.875% 02/15/2047 | 35,491,724,098.11 | 11,769,765,545.42 | 35,154,540,480.61 | 33,821,503,526.15 |
| MK TIPS 1.000% 02/15/2046 | 31,047,295,342.32 | 11,072,086,464.97 | 32,694,479,563.68 | 31,536,887,128.21 |
| MK TIPS 1.000% 02/15/2048 | 29,787,977,975.60 | 9,041,247,075.15 | 29,584,420,673.90 | 28,187,590,560.28 |
| MK TIPS 1.000% 02/15/2049 | 52,067,680,448.21 | 14,444,615,909.94 | 57,938,300,229.53 | 47,556,291,896.08 |
| MK TIPS 1.125% 01/15/2033 | 1,045,800,093.45 | 82,743,703.39 | 1,012,924,090.47 | 1,076,701,316.18 |
| MK TIPS 1.375% 02/15/2044 | 46,155,502,234.58 | 17,504,012,667.44 | 46,259,522,260.89 | 52,996,546,155.93 |
| MK TIPS 1.375% 07/15/2033 | 5,393,376,391.00 | 314,973,181.23 | 5,027,301,153.96 | 5,529,963,648.10 |
| MK TIPS 1.500% 02/15/2053 | 96,453,584,154.74 | 7,849,392,678.51 | 79,579,556,154.72 | 81,062,969,807.59 |
| MK TIPS 1.750% 01/15/2028 | 7,000,000,000.00 | 3,740,520,000.00 | 7,366,639,696.76 | 10,857,994,437.50 |
| MK TIPS 2.000% 01/15/2026 | 20,167,675,000.00 | 12,494,883,046.25 | 20,210,104,545.89 | 32,703,386,243.81 |
| MK TIPS 2.125% 02/15/2040 | 28,691,811,638.98 | 13,978,650,630.51 | 34,087,879,404.79 | 41,910,394,660.32 |
| MK TIPS 2.125% 02/15/2041 | 33,452,277,019.97 | 15,650,313,281.02 | 40,229,727,849.40 | 47,752,269,067.72 |
| MK TIPS 2.125% 02/15/2054 | 92,207,512,569.05 | 4,368,791,945.52 | 98,277,868,211.91 | 86,677,233,301.83 |
| MK TIPS 2.375% 01/15/2027 | 20,071,880,000.00 | 11,921,693,126.00 | 20,259,949,065.37 | 32,473,476,722.89 |
| MK TIPS 2.375% 02/15/2055 | 71,018,889,777.77 | 1,326,632,861.05 | 73,498,885,417.59 | 68,592,598,651.93 |
| MK TIPS 2.500% 01/15/2029 | 7,000,000,000.00 | 3,480,260,000.00 | 7,685,858,965.12 | 10,889,645,156.25 |
| MK TIPS 3.375% 04/15/2032 | 76,051,206,552.50 | 61,673,725,953.75 | 84,682,455,108.14 | 152,917,714,123.35 |
| MK TIPS 3.625% 04/15/2028 | 28,000,000,000.00 | 27,647,480,000.00 | 29,799,864,405.43 | 59,021,108,475.00 |
| MK TIPS 3.875% 04/15/2029 | 18,000,000,000.00 | 17,195,940,000.00 | 19,772,472,392.66 | 38,352,575,868.75 |
| TIPS Total | 1,006,427,037,576.75 | 326,454,710,660.59 | 1,025,160,688,827.74 | 1,112,197,304,144.51 |
| ONE DAY 4.340% 08/01/2025 | 16,089,919,687.35 | - | 16,089,919,687.35 | 16,089,919,687.35 |
| Total | 1,398,026,904,861.78 | 326,454,710,660.59 | 1,408,011,242,696.24 | 1,449,197,935,660.66 |





MRF Maturities As of July 31, 2025



| 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 | 54 | 55 |
|-----|------|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|------|------|
| 3.8 | 34.1 | 33.4 | 66.4 | 45.7 | 49.6 | 18.9 | 137.7 | 19.8 | 29.8 | 31.6 | 24.1 | 24.1 | 30.0 | 30.4 | 55.4 | 51.9 | 95.5 | 62.1 | 80.1 | 62.6 | 68.3 | 71.3 | 61.9 | 66.5 | 73.6 | 98.3 | 71.8 | 115.1 | 96.6 | 72.3 |





QUESTIONS



DEPARTMENT OF DEFENSE BOARD OF ACTUARIES MEETING AGENDA

Monday, September 15th, 2025
11:00 AM—2:00 PM EST
Back-up Dial-in: (410) 874-6749
Conference ID: 691 993 607#

MILITARY RETIREMENT FUND

1. September 30, 2024, Valuation of the Military Retirement Fund
 - a. Starting population as of September 30, 2024 (Drew May, DoW Office of the Actuary)
 - b. Actuarial status information as of September 30, 2024 (Drew May)
 - c. Change in unfunded liability for FY 2024 (Drew May)
 - d. October 1, 2025, Treasury amortization payment and normal cost payment* (Drew May)

2. September 30, 2025, Valuation of the Military Retirement Fund, Proposed Methods and Assumptions*
 - a. Economic Assumptions – COLA, Interest Rate, and Across-the-Board Salary Increases (Pete Rossi, DoW Office of the Actuary)

 - b. Non-Economic Assumptions
 - i. Overall impact (Jonathan Wong, DoW Office of the Actuary)
 - ii. VA Offset Parameters and Retired Pay Weighting Factors (Jonathan Wong)
 - iii. PAMS and New Entrant Pay Distribution for Junior Enlisted Pay Update (Pete Rossi)
 - iv. Mortality Improvement Factors and Member-Survivor Age Difference (Pete Rossi)

VOLUNTARY SEPARATION INCENTIVE FUND

3. September 30, 2024, VSI Fund Valuation, Proposed Methods and Assumptions*
 - a. Introduction (Jonathan Wong)
 - b. Interest rate (Pete Rossi)
 - c. Valuation update and other Assumptions (Jonathan Wong)
 - d. Unfunded liability amortization payments (Jonathan Wong)

* Indicates Board approval required

EDUCATION BENEFITS FUND *(approximate start time 12:00 PM)*

4. Fund Overview (Pete Rossi)
5. September 30, 2024, Valuation Proposed Methods, Economic, and Non-Economic Assumptions*
(Pete Rossi)
6. September 30, 2024, Valuation of the Education Benefits Fund
 - a. Chapter 30 (Pete Rossi)
 - b. Chapter 1606 (Pete Rossi)
 - c. Category III (Pete Rossi)

* Indicates Board approval required

DoD Board of Actuaries Meeting Objectives

Military Retirement Fund

1. Review and approve the September 30, 2024, closed group valuation results and amortization schedule
 - a. Population as of September 30, 2024
 - b. Actuarial status information as of September 30, 2024
 - c. Change in unfunded liability for FY 2024
 - d. October 1, 2025, Treasury amortization payment and normal cost payment
 - These amounts will be sent in a letter to the Secretary of War
2. Set the long-term economic assumptions for the September 30, 2025, valuation and FY 2027 Normal Cost Percentages (NCPs)
 - a. COLA
 - b. Interest Rate
 - c. Salary
3. Review and approve proposed non-economic actuarial assumptions for the September 30, 2025, valuation and FY 2027 NCPs
 - a. VA Offset Parameters and Retired Pay Weighting Factors
 - b. PAMS and New Entrant Pay Distribution for Junior Enlisted Pay Update
 - c. Mortality Improvement Factors and Member-Survivor Age Difference
4. Set FY 2027 DoD NCPs. The NCPs will be sent in a letter to the DoW Comptroller and the Secretary of Homeland Security (Coast Guard)

Voluntary Separation Incentive Fund

5. Review and approve September 30, 2024, VSI valuation

Education Benefits Fund

6. Review FY 2024 fund activity and the actuarial liability as of September 30, 2024, for each of the benefit plans by active duty and reserve service component, including the Coast Guard
7. Review and approve the September 30, 2024, valuation Methods and Assumptions
 - a. Benefit Usage Model
 - b. Derivation of Usage and Withdrawal rates
 - c. Data Reconciliation and Census Assumptions

8. Set the economic assumptions for the September 30, 2024, valuation
 - a. Interest Rate
 - b. CPI
9. Set FY 2027 Amortization Payments and Per Capita Amounts. The costs will be sent in letters to the Security of War, DoW Comptroller and Secretary of Homeland Security (Coast Guard)
10. Review and approve September 30, 2024, Category III valuation and payments

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

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Total Active Duty and FTS | 1,398,213 | 1,402,290 |
| Total Annualized Basic Pay | \$79.67 | \$74.13 |
| Non-BRS | 551,545 | 613,718 |
| Total Annualized Basic Pay | \$41.94 | \$42.88 |
| BRS | 846,668 | 788,572 |
| Total Annualized Basic Pay | \$37.73 | \$31.25 |
| Total Selected Drilling Reservists | 669,090 | 675,047 |
| Total Annualized Basic Pay | \$9.74 | \$9.05 |
| Non-BRS | 302,328 | 343,744 |
| Total Annualized Basic Pay | \$5.70 | \$5.86 |
| BRS | 366,762 | 331,303 |
| Total Annualized Basic Pay | \$4.03 | \$3.19 |
| Total Non-Selected Reservists (with 20 years) | 186,184 | 173,902 |
| Total Annualized Basic Pay | -N/A- | -N/A- |
| Total Number of Non-disabled Retirees | 1,919,096 | 1,914,874 |
| Total Annualized Retired Pay | \$70.51 | \$67.97 |
| Total Number of Disabled Retirees | 141,265 | 138,359 |
| Total Annualized Retired Pay | \$2.68 | \$2.49 |
| Total Number of Survivors | 308,095 | 312,532 |
| Total Annualized Survivor Annuities | \$5.31 | \$5.23 |
| Total Participants | 4,621,943 | 4,617,004 |

**MILITARY RETIREMENT SYSTEM
ACTUARIAL STATUS INFORMATION**

(\$ in billions)

| | <u>9/30/24</u> | <u>9/30/23</u> | <u>Difference</u> | |
|---|----------------|----------------|-------------------|------|
| 1. Present Value of Future Benefits (PVFB) | | | | |
| a. Retirees and Survivors | \$1,461.8 | \$1,396.3 | \$65.5 | 5% |
| b. Reserves | \$252.0 | \$244.5 | \$7.5 | 3% |
| c. Active Duty | <u>\$967.4</u> | <u>\$918.9</u> | \$48.5 | 5% |
| TOTAL | \$2,681.2 | \$2,559.7 | \$121.5 | 5% |
| 2. Present Value of Future Normal Cost Contributions (PVFNC) ¹ | \$450.3 | \$430.1 | \$20.2 | 5% |
| 3. Actuarial Accrued Liability (1 - 2) | \$2,230.9 | \$2,129.6 | \$101.3 | 5% |
| 4. Actuarial Value of Assets ² | \$1,604.7 | \$1,418.7 | \$186.0 | 13% |
| 5. Unfunded Accrued Liability (3 - 4) | \$626.2 | \$710.9 | (\$84.7) | -12% |
| 6. Valuation DoD Normal Cost Percentage (NCP) | <u>FY 2025</u> | <u>FY 2024</u> | | |
| a. Full-time | 24.4% | 26.8% | -2.4% | |
| b. Part-time | 22.8% | 21.6% | 1.2% | |
| 7. Implemented DoD Normal Cost Percentage, Applied to Basic Pay in Fiscal Year ³ | <u>FY 2026</u> | <u>FY 2025</u> | | |
| a. Full-time | 24.3% | 26.6% | -2.3% | |
| b. Part-time | 22.6% | 21.5% | 1.1% | |
| 8. Implemented Treasury Normal Cost Percentage, Applied to Basic Pay in Fiscal Year ⁴ | <u>FY 2026</u> | <u>FY 2025</u> | | |
| a. Full-time | 33.5% | 30.8% | 2.7% | |
| b. Part-time | 9.6% | 9.8% | -0.2% | |

¹ 9/30/24 PVFNC reflects a reduction of \$2,044.539 million due to sequestration of the 10/1/2024 Treasury Concurrent Receipt normal cost contribution. The 9/30/23 PVFNC reflects a reduction of \$1,798.859 million due to sequestration of the prior Treasury Concurrent Receipt normal cost contribution.

² The following is a reconciliation of assets during FY24 (\$ in billions):

| Beg. of Year | PLUS | | | | MINUS | End of Year |
|-----------------|-------------|----------------|---------------|-------------|------------|----------------|
| | DoD Accrual | Treas. Accrual | Unfund. Liab. | Int. Income | Fund Disb. | |
| \$1,418.7 | \$24.2 | \$19.9 | \$151.5 | \$62.5 | \$72.2 | \$1,604.7 |

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.

| <u>Long-Term Economic Assumptions</u> | |
|---------------------------------------|------------------|
| 9/30/24 Val | 9/30/23 Val |
| COLA (2.50%) | COLA (2.50%) |
| Salary (2.75%) | Salary (2.75%) |
| Interest (4.00%) | Interest (4.00%) |

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, 2024, Valuation of the Military Retirement System.

9/30/2024 CHANGE IN UNFUNDED LIABILITY

(\$ in billions)

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

| | | | |
|--|---------------|-------------|-----------|
| 1. 9/30/23 Unfunded Liability | \$710.9 | | |
| 2. 10/01/23 Amortization Payment on Unfunded Liability | \$151.5 | | |
| 3. Interest Assumption | 1.0400 | | |
| 4. Expected Unfunded Liability on 9/30/24 (1 - 2) X 3 | \$581.8 | | |
| 5. Actual Unfunded Liability | \$626.2 | | |
| 6. Total Change in Unfunded Liability (5 - 4) | \$44.4 | 2.0% | |
| A. Total Experience (gain) loss | \$5.9 | 0.3% | |
| 1. COLA, Salary, and Interest | -\$5.1 | -0.2% | --> -0.3% |
| a. Interest ¹ : | \$11.0 | 0.5% | |
| b. Salary ² : | \$0.0 | 0.0% | |
| c. COLA ³ : | -\$3.3 | -0.1% | |
| 2. Noneconomic Experience ⁴ : | \$2.0 | 0.1% | |
| B. 10/1/24 unpaid contribution⁵: | \$0.0 | 0.0% | |
| C. Total benefit change (gain) loss: | \$39.7 | 1.8% | |
| D. Total assumption change (gain) loss | \$4.3 | 0.2% | |
| 1. Survivor Death Rates | \$1.5 | 0.1% | |
| 2. New Entrant Distribution | \$2.3 | 0.1% | |
| 3. Disability Factors | \$31.0 | 1.4% | |
| 4. Mortality Improvement | \$0.7 | 0.0% | |
| 5. VA Offset Parameters | | | |

(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; FY24 dollar-weighted fund yield: 4.00%
Also includes the experience due to benefit payments and normal cost contributions different than expected.

² Valuation assumption: 2.75% long-term salary; 1/1/25 across-the-board pay increase: 4.5%

³ Valuation assumption: 2.50% long-term COLA; 1/1/25 COLA: 2.5%

⁴ (Gains)/losses as a percent of liability for each population are as follows:
Active (1.0%), Reserves (-2.9%), Retiree (-0.1%), Survivor (2.7%)

⁵ Loss due to \$2,044.539 million sequestration (reduction) to the 10/1/2024 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, 2024, valuation of the Military Retirement System.

TOTAL TREASURY PAYMENT

(\$ in billions)

| | <u>October 1, 2025</u> | <u>October 1, 2024</u> |
|--|------------------------|------------------------|
| 1. Amortization Payment for: | | |
| a. Initial Unfunded Liability ¹ | \$114.342 | \$111.282 |
| b. Initial Unfunded Liability for Coast Guard | \$22.122 | \$21.530 |
| c. Benefits Changes | \$7.966 | \$7.861 |
| d. Actuarial Assumptions | \$21.439 | \$18.514 |
| e. Actuarial Experience | (\$6.582) | (\$6.671) |
| f. Prior year unpaid contribution ² | <u>\$2.126</u> | <u>\$1.871</u> |
| Total amortization payment | \$161.413 | \$154.387 |
| 2. Normal Cost payment³ | \$28.945 | \$22.588 |
| 3. Total Treasury payment | \$190.358 | \$176.975 |

¹ 1.a and 1.b are the last payments for the initial unfunded liability. The remaining amortization period for 1.c through 1.e is 17.0 years.

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

² Prior year unpaid contribution of \$2.126 billion is due to 8.3% sequestration of the 10/1/2024 Treasury Concurrent Receipt normal cost contribution (\$2.126 billion is equal to \$2.044 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 10/1/2024 normal cost payment of \$22.588 billion is net of the \$2.044 billion sequestration reduction. The 10/1/2025 normal cost payment of \$28.945 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, 2025, payment are to be summarized in the DoD Office of the Actuary's September 30, 2024, Valuation of the Military Retirement System report. Support for the prior year's payment is summarized in the September 30, 2023, valuation report.

Considerations in Setting Long-Term Economic Assumptions

---> *Military Retirement Fund (MRF)*

Purpose & Context

- Align assumptions with the specific need of meeting statutory funding and valuation efforts under U.S.C. Title 10.
- Understand the decision-making needs of stakeholders and the Department's budgetary requirements and responsibilities.
- Adhere to relevant ASOPs -- 4, 27, 41, 51, and 56 -- ensuring compliance with disclosure and documentation requirements.

Data & Analysis

- Historical data review: Examine long-term trends in inflation, salary/wage growth, and interest rates, while recognizing that past performance may not fully predict the future.
- Gain/Loss patterns: Review annual results of actuarial valuation to measure effect of long-term economic assumptions to single year experience.
- Market-consistent inputs: Where appropriate, use observable market data (e.g., yield curves, inflation-linked securities) as a data point.
- Benchmarking to other systems and agencies: Where appropriate, compare assumptions to other similar systems and agencies (e.g., OPM, SSA, VA, CBO, OMB) as a data point.
- Macroeconomic indicators: Effect of macroeconomic policy on inflation, wage setting, and asset/interest returns, including, GDP growth, monetary policy outlook, currency expectations, tariffs, and bond market implications.
- Assumption Horizon: Looking out 75 - 100 years -- i.e., consider 18 year-old new enlistee, serves more than 20 years of service, enters retirement and lives beyond age 90, generating a dependent who receives benefits for an additional 10 years.

Professional Judgment & Consistency

- Affirm assumptions for related variables -- inflation, salary, and nominal interest rates -- are internally consistent with each other.
- Maintaining year-to-year consistency by avoiding unjustified volatility in assumptions, unless supported by changes in data or outlook.
- Reflect the Department's investment strategy, security holding requirements, and funding arrangements -- relying on staff and advisors insights and experience, if applicable.

External Environment

- Account for potential or foreseeable changes in economic cycles or structural shifts.
- Recognize that fiscal, geopolitical, and monetary policy changes can materially affect long-term assumptions.

Documentation & Disclosure

- Clearly document sources, methods, and reasoning for chosen assumptions, including any reliance on experts, advisors, or staff.
- Where relevant, disclose the range of reasonable assumptions and the sensitivity of results to changes.

Assumption-Specific Topics

- Inflation/COLA: Related but not the same -- inflation is the overall rise in prices; COLA is the increase in benefits to offset inflationary effects. Both measured by BLS.
- Across-the-board Salary: Related to inflation; essentially a COLA for non-retired members. Does NOT include annual promotion and merit scale (PAMS) changes.
- Interest/Asset return: Related to inflation; additional market premium for risk-free (Treasury) securities that is dependent on investment policy, portfolio allocation, observable data, and analysis performed.
- Professional Judgement: Central to setting long-term actuarial economic assumptions.

Economic Assumptions – At A Glance

Other Systems Current Economic Assumptions in Nominal and Real Terms

| Economic Assumption - Nominal Terms | MRF Current 2024 | MERHCF Current 2024 | OPM 2025 | SSA OASDI Trustees Report 2025 | | | MRF Financial Statements 2025 | CBO Long-Term Budget Outlook 2025 | OMB Mid-Session Review 2025 |
|-------------------------------------|--------------------|---------------------|--------------------|---|---|---|-------------------------------|-----------------------------------|-----------------------------|
| | | | | Low Cost | Intermediate | High Cost | | | |
| Reference Date | 7/24/2024 | 8/2/2024 | 6/16/2025 | 6/18/2025 | 6/18/2025 | 6/18/2025 | 9/1/2025 | 3/1/2025 | 7/19/2025 |
| Rate Projection Period | 75-100 Yrs Forward | 75-100 Yrs Forward | 75-100 Yrs Forward | Inf: '25 to '99 Sal: '34 to '99 Int: '44 to '99 | Inf: '25 to '99 Sal: '34 to '99 Int: '44 to '99 | Inf: '25 to '99 Sal: '34 to '99 Int: '44 to '99 | 10-Yr Look Back | 2035 to 2055 | 2026 to 2034 |
| Inflation | 2.50% | 2.75% | 2.40% | 3.00% | 2.40% | 1.80% | 3.10% | 2.30% | 2.30% |
| Salary | 2.75% | --- | 2.65% | 4.78% | 3.56% | 2.34% | 3.10% | 3.40% | 2.60% |
| Interest Rate | 4.00% | 4.50% | 4.00% | 5.80% | 4.70% | 3.60% | 3.10% | 3.80% | 3.90% |
| <i>Salary (Real)</i> | 0.25% | --- | 0.25% | 1.78% | 1.16% | 0.54% | 0.00% | 1.10% | 0.30% |
| <i>Interest Rate (Real)</i> | 1.50% | 1.75% | 1.60% | 2.80% | 2.30% | 1.80% | 0.00% | 1.50% | 1.60% |

Notes:

- (1) MRF securities are purchased at market value, but valued at book value. TIPS are valued at experienced inflation rates to date.
- (2) "Salary" refers to Across-The-Board Pay Increase for MRF, OPM, and OMB, but Total Wage Increase for SSA and CBO. 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.
- (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) MERHCF is shown for comparative purposes. A key assumption not displayed is the ultimate medical trend rate (4.75%).
- (7) Blue Chip Long Range Consensus -- 2026 - 2034 Average (*unverified*) -- Inflation (2.3%) // 10-year Treasury (4.0%) // 30-year Treasury (4.6%)

MRF Fund Yield Projection

BASED ON 2025 SOCIAL SECURITY (SSA) - INTERMEDIATE ASSUMPTIONS

| FY | Inflation | Real Fund Yield* | Nominal Fund Yield | New Invests** (Cumulative) | New Invests (Annual) | | Inflation | Real Fund Yield* | Nominal Fund Yield | New Invests** (Cumulative) | New Invests (Annual) |
|-------|-----------|------------------|--------------------|----------------------------|----------------------|---------------------------|-----------|------------------|--------------------|----------------------------|----------------------|
| 2025 | 2.47% | 1.26% | 3.73% | 4.20% | 4.20% | 10-Yr Avg | 2.42% | 1.41% | 3.82% | 4.12% | 4.11% |
| 2026 | 2.49% | 1.27% | 3.76% | 4.13% | 4.10% | 20-Yr Avg | 2.41% | 1.58% | 3.99% | 4.24% | 4.38% |
| 2027 | 2.40% | 1.37% | 3.77% | 4.12% | 4.10% | 30-Yr Avg | 2.41% | 1.76% | 4.16% | 4.36% | 4.49% |
| 2028 | 2.40% | 1.38% | 3.78% | 4.11% | 4.10% | 50-Yr Avg | 2.40% | 1.96% | 4.36% | 4.48% | 4.57% |
| 2029 | 2.40% | 1.40% | 3.80% | 4.11% | 4.10% | 75-Yr Avg | 2.40% | 2.06% | 4.46% | 4.54% | 4.62% |
| 2030 | 2.40% | 1.46% | 3.86% | 4.11% | 4.10% | | | | | | |
| 2031 | 2.40% | 1.48% | 3.88% | 4.10% | 4.10% | 10-Yr Fund Wgt Avg | 2.41% | 1.42% | 3.83% | 4.12% | 4.11% |
| 2032 | 2.40% | 1.48% | 3.88% | 4.10% | 4.10% | 20-Yr Fund Wgt Avg | 2.41% | 1.61% | 4.02% | 4.27% | 4.43% |
| 2033 | 2.40% | 1.48% | 3.88% | 4.10% | 4.10% | 30-Yr Fund Wgt Avg | 2.40% | 1.84% | 4.25% | 4.41% | 4.55% |
| 2034 | 2.40% | 1.49% | 3.89% | 4.10% | 4.10% | 50-Yr Fund Wgt Avg | 2.40% | 2.11% | 4.51% | 4.57% | 4.65% |
| 2035 | 2.40% | 1.51% | 3.91% | 4.13% | 4.30% | 75-Yr Fund Wgt Avg | 2.40% | 2.22% | 4.62% | 4.64% | 4.68% |
| 2036 | 2.40% | 1.59% | 3.99% | 4.22% | 4.70% | | | | | | |
| 2037 | 2.40% | 1.63% | 4.03% | 4.28% | 4.70% | Ultimate | 2.40% | 2.27% | 4.67% | 4.67% | 4.70% |
| 2038 | 2.40% | 1.69% | 4.09% | 4.34% | 4.70% | | | | | | |
| 2039 | 2.40% | 1.73% | 4.13% | 4.38% | 4.70% | | | | | | |
| 2040 | 2.40% | 1.78% | 4.18% | 4.42% | 4.70% | | | | | | |
| 2041 | 2.40% | 1.83% | 4.23% | 4.45% | 4.70% | | | | | | |
| 2042 | 2.40% | 1.88% | 4.28% | 4.48% | 4.70% | | | | | | |
| 2043 | 2.40% | 1.91% | 4.31% | 4.50% | 4.70% | | | | | | |
| 2044 | 2.40% | 1.94% | 4.34% | 4.52% | 4.70% | | | | | | |
| 2045 | 2.40% | 1.97% | 4.37% | 4.54% | 4.70% | | | | | | |
| 2046 | 2.40% | 2.01% | 4.41% | 4.55% | 4.70% | | | | | | |
| 2047 | 2.40% | 2.04% | 4.44% | 4.56% | 4.70% | | | | | | |
| 2048 | 2.40% | 2.06% | 4.46% | 4.58% | 4.70% | | | | | | |
| 2049 | 2.40% | 2.10% | 4.50% | 4.59% | 4.70% | | | | | | |
| 2050 | 2.40% | 2.15% | 4.55% | 4.60% | 4.70% | | | | | | |
| 2051 | 2.40% | 2.20% | 4.60% | 4.60% | 4.70% | | | | | | |
| 2052 | 2.40% | 2.21% | 4.61% | 4.61% | 4.70% | | | | | | |
| 2053 | 2.40% | 2.22% | 4.62% | 4.62% | 4.70% | | | | | | |
| 2054 | 2.40% | 2.22% | 4.62% | 4.62% | 4.70% | | | | | | |
| 2055 | 2.40% | 2.23% | 4.63% | 4.63% | 4.70% | | | | | | |
| 2056 | 2.40% | 2.23% | 4.63% | 4.63% | 4.70% | | | | | | |
| 2057 | 2.40% | 2.24% | 4.64% | 4.64% | 4.70% | | | | | | |
| 2058 | 2.40% | 2.24% | 4.64% | 4.64% | 4.70% | | | | | | |
| 2059 | 2.40% | 2.25% | 4.65% | 4.65% | 4.70% | | | | | | |
| 2060 | 2.40% | 2.25% | 4.65% | 4.65% | 4.70% | | | | | | |
| 2061 | 2.40% | 2.25% | 4.65% | 4.65% | 4.70% | | | | | | |
| 2062 | 2.40% | 2.26% | 4.66% | 4.66% | 4.70% | | | | | | |
| 2063 | 2.40% | 2.26% | 4.66% | 4.66% | 4.70% | | | | | | |
| 2064 | 2.40% | 2.26% | 4.66% | 4.66% | 4.70% | | | | | | |
| 2065 | 2.40% | 2.26% | 4.66% | 4.66% | 4.70% | | | | | | |
| 2066 | 2.40% | 2.26% | 4.66% | 4.66% | 4.70% | | | | | | |
| 2067 | 2.40% | 2.27% | 4.67% | 4.67% | 4.70% | | | | | | |
| 2068+ | 2.40% | 2.27% | 4.67% | 4.67% | 4.70% | | | | | | |

| 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% |
|--------------|-------------------|-------------------|-------------------------------|-------------------------------|
| 24 | 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. 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 2025 Trustees Report). The long-term expected 27-yr bond rate assumes 4.70%.

***There is a +0.1 percent change to both the FY 2025 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 4.67%

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

-- Portfolio Allocation: 60% - 80% in TIPS and 20% - 40% 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.

Fund Measures

---> Military Retirement Fund (MRF)

NCP Sensitivities (Approximate Effects)

24.1% FY27 FT DoD NCP (Prior Board Assumptions)

22.5% FY27 PT DoD NCP (Prior Board Assumptions)

| | Nominal NCPs | | | | Deltas | | | | |
|-----------------|--------------|-------|--------|-------|--------|-------|--------|-------|-----------------|
| | -0.25% | | +0.25% | | -0.25% | | +0.25% | | |
| | FT | PT | FT | PT | FT | PT | FT | PT | |
| All Assumptions | 24.2% | 22.6% | 24.0% | 22.4% | 0.1% | 0.1% | -0.1% | -0.1% | All Assumptions |
| Interest Only | 26.2% | 24.7% | 22.2% | 20.4% | 2.1% | 2.2% | -1.9% | -2.1% | Interest Only |
| Salary Only | 23.4% | 21.8% | 24.7% | 23.2% | -0.7% | -0.7% | 0.6% | 0.7% | Salary Only |

| Modified Duration | |
|-------------------|--------------------------|
| 24 | Actuarial Liability (AL) |
| 30 | Full-Time (FT) NCP (BRS) |
| 40 | Part-Time (PT) NCP (BRS) |

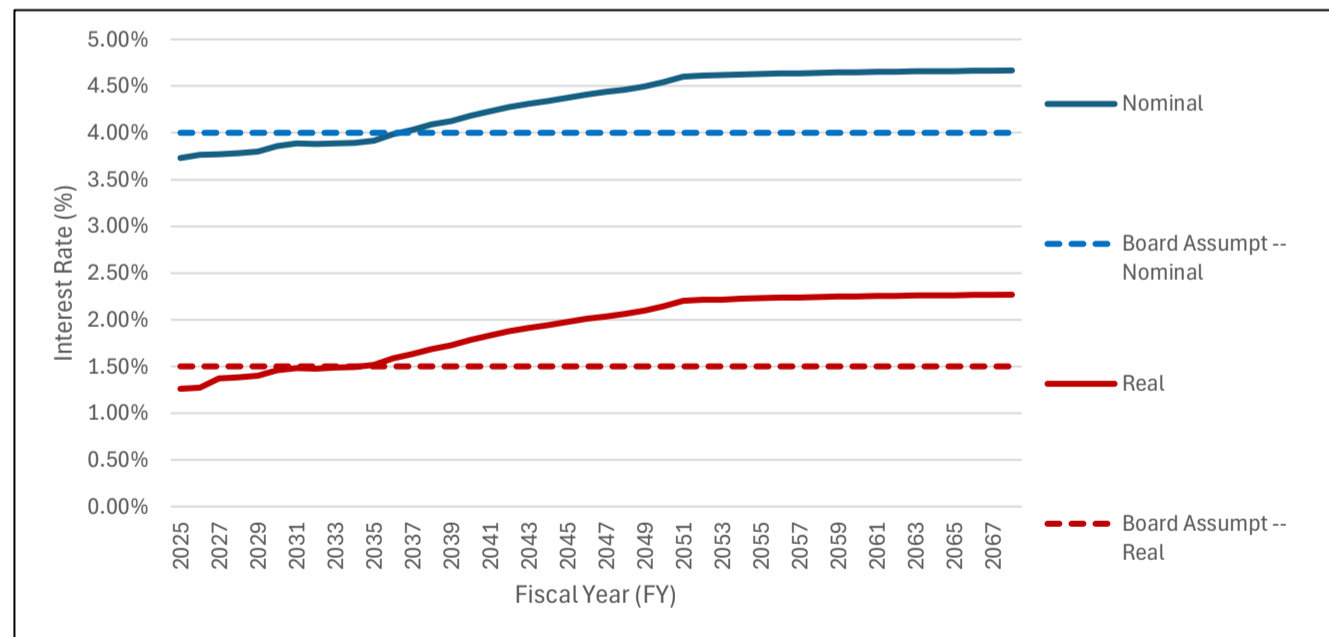
Investment Policy

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.

Portfolio Allocation

60% - 80% in TIPS and 20% - 40% in conventional notes and bonds (except, for example, high premiums, TIPS not offered, expected decreases in future inflation, etc.)

Near-Term Fund Yield Projection -- in Nominal and Real Terms



| Summary Measures: | | |
|-------------------|------------|---------------|
| Fund Wgt Avg | Real Yield | Nominal Yield |
| 10-Yr | 1.42% | 3.83% |
| 20-Yr | 1.61% | 4.02% |
| 30-Yr | 1.84% | 4.25% |
| 50-Yr | 2.11% | 4.51% |
| 75-Yr | 2.22% | 4.62% |
| Ultimate | 2.27% | 4.67% |

Projection Notes:

- Start with current investment inventory at year-end. Age portfolio per investment policy and portfolio allocation.
- Uses SSA expected returns for new investments.
 - > *Intermediate cost assumptions.*
- Short-term strategy: Mix of Overnight securities and Treasury Bills.
 - > *To meet monthly obligations, if needed.*
- Long-term fund yield converges to 4.67% (nominal) and 2.27% (real).
 - > *Not 4.7% (nominal) and 2.3% (real) due to short-term investments.*

**PROPOSED NON-ECONOMIC ASSUMPTION CHANGES FOR
9/30/2025 MRF VALUATION AND
FY 2027 MRF NORMAL COST PERCENTAGES (NCPs)**

FY 2027 NCP SUMMARY

| | DoD | | Total | |
|--|------------------|------------------|------------------|------------------|
| | Full-time | Part-time | Full-time | Part-time |
| FY 2026 Budgeted NCPs (Prior assumptions) | 24.3% | 22.6% | 57.8% | 32.2% |
| FY 2027 NCPs from 9/30/2024 Valuation (Prior assumptions) | 24.1% | 22.5% | 57.3% | 32.0% |
| FY 2027 NCPs from 9/30/2025 Valuation (Prior assumptions) | 24.1% | 22.5% | 57.4% | 32.0% |
| i. Proposed VA Offset Parameters and Retired Pay Weighting Factors | -3.5% | -2.8% | 2.5% | 0.0% |
| ii. Proposed PAMS and New Entrant Pay Distribution | -0.4% | -0.6% | -1.4% | -0.7% |
| iii. Proposed Mortality Improvement Factors and Member-Spouse Age Difference | 0.0% | 0.0% | -0.1% | 0.1% |
| FY 2027 NCP from 9/30/2025 Valuation* | 20.2% | 19.1% | 58.4% | 31.4% |

* Treasury NCPs for Concurrent Receipt are calculated as the difference between Total and DoD NCPs listed above. See Attachment 1 for Treasury NCPs.

PROPOSED VA OFFSET PARAMETERS AND RETIRED PAY WEIGHTING FACTORS

SUMMARY IMPACT: This proposal results in a 3.5% decrease to the FY 27 full-time DoD NCP, a 2.8% decrease to the FY 27 part-time DoD NCP, and an increase in the 9/30/2024 accrued liability of \$9.8 billion (0.4%).

PROPOSAL: We propose updating the experience period used to calculate both full and partial VA offset factors for new nondisabled and disabled retirees, impacting both the DoD and Total NCPs.

- For DoD NCPs, we propose updating the experience period used to calculate non-disabled full and partial VA offset factors from FYs 18–19 and 22–23 to FYs 22–24.

- For Total NCPs and the accrued liability, we propose updating the experience period used to calculate non-disabled partial VA offset factors from FYs 22–23 to FYs 22–24 (full VA offset factors for new non-disabled retirees are equal to zero).
- We propose updating the experience period used to calculate all disabled partial and full VA offset factors from FYs 18–19 to FYs 22–24. We also propose combining the categories for disabled VA offset factors from 64 to 8.

The GORGO valuation model utilizes pay factors that project annual non-COLA changes to average retired pay for continuing retirees. These changes can be the result of increases in VA disability ratings, adjustments to SBP premiums, and pay bias. Currently, the factors used in the calculation of DoD NCPs are limited to a 2% reduction in average nondisabled retired pay from active duty. We propose eliminating this limit, instead reflecting half of the raw reduction (for example, a 5 percent factor is replaced with a 2.5 percent factor). We propose updating the experience period used to calculate the pay factors from FYs 2017–2020 to FYs 2022–2024. We propose using the same factors for all and SBP spouse or spouse and child electors (previously they were different).

RATIONALE: These updates reflect recent trends in VA offset experience and provide a fair representation of future expectations. They have a meaningful impact on the calculation of the DoD and Treasury NCPs. Since the passage of the law expanding concurrent receipt (NDAA 2004), there has been a steady increase in new retirees qualifying for VA disability compensation each year. The current nondisabled VA offset factors are based on an average of both old and new experience. Dropping the old data and replacing it with updated information is intended to gradually capture the impact of concurrent receipt over time—FY 2024 is the second full year since the passage of the PACT Act. For disabled factors, this is the first time the impact of PACT has been included.

Replacing the 2% cap on pay factors for non-disabled retirees from active duty with factors that reflect half of the raw reduction represents a reasonable refinement to the current approach. It accounts for the ongoing downward pressure on DoD NCPs driven by increased utilization of VA disability compensation under Concurrent Receipt--without overshooting the mark. Overall, the pay factors result in decreases of 1.6 and 1.0 percentage points for full- and part-time DoD NCPs, respectively. Full recognition would further reduce the full-time FY 27 DoD NCP by 2.7 percentage points, for an overall decrease of 4.3 percentage points.

Overall, DoD NCPs are expected to continue declining, while Treasury NCPs will increase as more retirees qualify for VA disability compensation and become eligible for Concurrent Receipt.

See Attachment 2 for the count and annual benefits of new retirees receiving Concurrent Receipt benefits from 2016 to 2024. See Attachment 3 for a summary of VA offset parameters.

PROPOSED PROMOTION AND MERIT SCALES (PAMS) AND NEW ENTRANT PAY DISTRIBUTION

SUMMARY IMPACT: This proposal results in a 0.4% decrease to the FY 27 full-time DoD NCP, a 0.6% decrease to the part-time DoD NCP, and an increase in the 9/30/2024 accrued liability of \$9.3 billion (or 0.4%).

PROPOSAL: We propose updating the PAMS and new entrant pay distribution assumptions based on the latest pay tables for enlisted members.

RATIONALE: Effective April 1, 2025, junior enlisted members received an additional 10.0% pay raise, in addition to the 4.5% pay raise effective January 1, 2025. Due to the unevenness of the change to the pay table (i.e., only impacting junior enlisted pay), the factors we use to calculate/project pay for current/future service members in the GORGO model need to be updated. These factors are separate by active and reserve. The updated PAMs and new entrant pay distribution use FY 2024 demographic experience.

MISCELLANEOUS UPDATES - MORTALITY IMPROVEMENT FACTORS AND MEMBER-SPOUSE AGE DIFFERENCE

SUMMARY IMPACT: The proposal results in no change to the FY 27 full-time and part time DoD NCP (up to 3 decimal places) and an increase in the 9/30/2024 accrued liability of \$10.0 billion (or 0.5%).

PROPOSAL: We propose updating the military mortality improvement (Mil MI) factors by incorporating 2024 military data for both retirees and survivors.

The current Mil MI factors are based on FYs 00-23 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 and 2024. The impact of these updates is small because the trend we projected using the 2023 data was well-aligned with the 2024 experience.

We also propose an update to the member-spouse age difference assumption. The current assumption is used to determine the age of the survivor when the member dies and varies by age of active/reserve/retiree and was last updated in 2005. We propose to use a single value (instead of varying by age) and update it to the FY 2022-2023 experience period. The proposed member-spouse age difference is 6 for everyone, and 1 for members died on active duty.

RATIONALE: We continue to monitor the mortality experience post-COVID. Based on the mortality improvement scales that we adopted last year, the projection of the 2024 mortality rates were close to our expectation, reflecting a return to normal trend. Incorporating the 2024 experience did not have much impact on the liability, demonstrating that our projection in the past is reasonable. Attachment 4 compares the MI Methods and Assumptions. The member-spouse age difference updates reflect current experience and simplify the assumption.

Attachment 1

Proposed Changes and Impact on FY 2027 Full- and Part-Time NCPs

DoD NCP

| | Full-time | Part-time |
|--|------------------|------------------|
| FY 2026 Budgeted DoD NCPs (Prior assumptions) | 24.3% | 22.6% |
| FY 2027 DoD NCPs from 9/30/2024 Valuation (Prior assumptions) | 24.1% | 22.5% |
| FY 2027 DoD NCPs from 9/30/2025 Valuation (Prior assumptions) * | 24.1% | 22.5% |
| i. Proposed VA Offset Parameters and Retired Weighting Pay Factors | -3.5% | -2.8% |
| ii. Proposed PAMS and New Entrant Pay Distribution | -0.4% | -0.6% |
| iii. Proposed Mortality Improvement Factors and Member Survivor Age Difference | 0.0% | 0.0% |
| FY 2027 DoD NCP from 9/30/2025 Valuation | 20.2% | 19.1% |

Total NCP

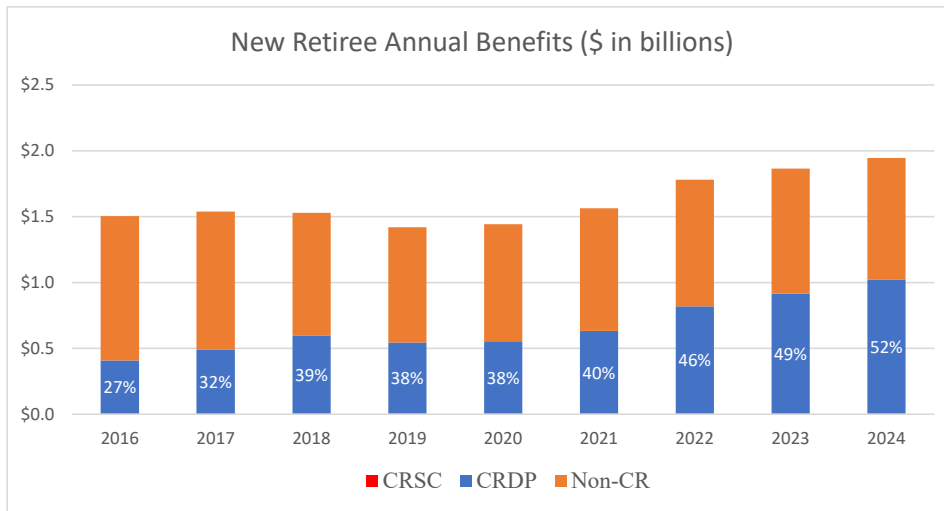
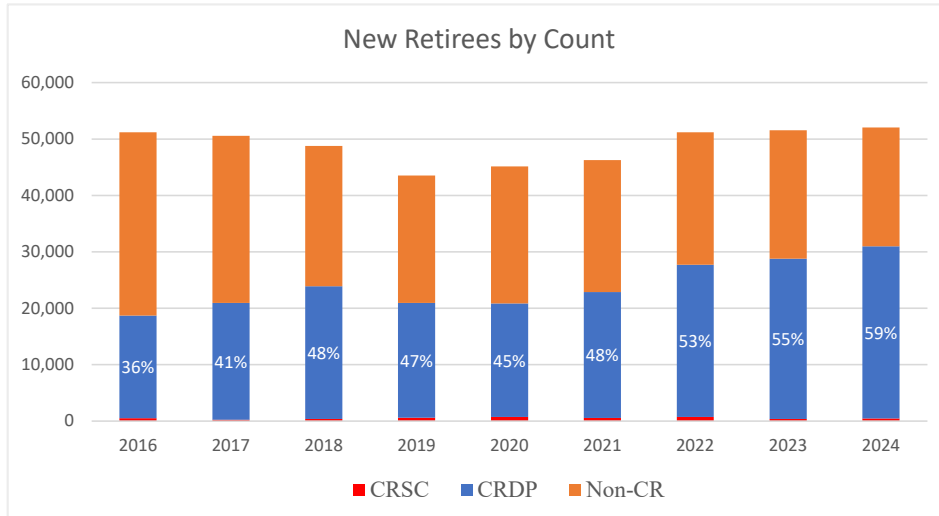
| | Full-time | Part-time |
|--|------------------|------------------|
| FY 2026 Budgeted Total NCPs (Prior assumptions) | 57.8% | 32.2% |
| FY 2027 Total NCPs from 9/30/2024 Valuation (Prior assumptions) | 57.3% | 32.0% |
| FY 2027 Total NCPs from 9/30/2025 Valuation (Prior assumptions) * | 57.4% | 32.0% |
| i. Proposed VA Offset Factors and Pay Factors | 2.5% | 0.0% |
| ii. Proposed New Entrant Pay Distribution and Promotion and Merit Scales | -1.4% | -0.7% |
| iii. Proposed Mortality Improvement Factors and Member Survivor Age Difference | -0.1% | 0.1% |
| FY 2027 Total NCP from 9/30/2025 Valuation | 58.4% | 31.4% |

Treasury NCP

| | Full-time | Part-time |
|--|------------------|------------------|
| FY 2026 Budgeted Treasury NCPs (Prior assumptions) | 33.5% | 9.6% |
| FY 2027 Treasury NCPs from 9/30/2024 Valuation (Prior assumptions) | 33.2% | 9.6% |
| FY 2027 Treasury NCPs from 9/30/2025 Valuation (Prior assumptions) * | 33.3% | 9.6% |
| i. Proposed VA Offset Factors and Pay Factors | 6.0% | 2.8% |
| ii. Proposed New Entrant Pay Distribution and Promotion and Merit Scales | -1.0% | -0.1% |
| iii. Proposed Mortality Improvement Factors and Member Survivor Age Difference | -0.1% | 0.1% |
| FY 2027 Treasury NCP from 9/30/2025 Valuation | 38.2% | 12.4% |

* Reflects an additional year of mortality improvement in the NCPs (advancing the valuation year from 2024 to 2025)

**Attachment 2
Concurrent Receipt Benefit History**



Snapshot

As of 9/30/2024, 1,045,000 out of 2.28 million, or 46 percent of retirees, benefit from concurrent receipt. In terms of monthly retired pay, the percentage is 39%, or 2.4 billion out of 6.1 billion. CRDP and CRSC benefits accounted for \$30.1 billion in outlays in FY2024, whereas in the previous fiscal year, we observed \$25 billion in outlays.

Attachment 3

Current and Proposed Nondisabled Partial VA Offset Factors

For Total NCP

| | Active | | Reserve* | | Notes |
|----------|---------|----------|----------|----------|-------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | 0.003 | 0.007 | 0.080 | 0.088 | Based on FY 22-23 |
| Proposed | 0.003 | 0.006 | 0.081 | 0.089 | Based on FY 22-24 |

For DoD NCP

| | Active | | Reserve* | | Notes |
|----------|---------|----------|----------|----------|------------------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | 0.290 | 0.372 | 0.175 | 0.187 | Avg of FY 18-19, FY 22-23 |
| Proposal | 0.346 | 0.393 | 0.207 | 0.218 | Based on FY 22-24 |

* Also includes SBP premium offset.

Attachment 3 (Cont.)

Current and Proposed Nondisabled Full VA Offset Factors

| | Active | | Reserve | | Notes |
|----------|---------|----------|---------|----------|---------------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | 0.047 | 0.374 | 0.043 | 0.178 | Avg of FY 18-19, 22-23 |
| Proposed | 0.041 | 0.438 | 0.071 | 0.239 | Based on FY 22-24 |

Attachment 3 (Cont.)

Current and Proposed Disabled Partial VA Offset Factors

For Total NCP

| | Active | | Reserve | | Notes |
|--------------------|---------|----------|---------|----------|-------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | | | | | Based on FY 18-19 |
| Under 20 YOS | 0.583 | 0.555 | 0.477 | 0.582 | |
| Over 20 YOS | 0.111 | 0.141 | 0.399 | 0.469 | |
| Under 20 YOS (SBP) | 0.564 | 0.517 | 0.476 | 0.576 | |
| Over 20 YOS (SBP) | 0.099 | 0.139 | 0.402 | 0.486 | |
| Proposal | 0.381 | 0.332 | 0.554 | 0.407 | Based on FY 22-24 |

For DoD NCP

| | Active | | Reserve | | Notes |
|--------------------|---------|----------|---------|----------|-------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | | | | | Based on FY 18-19 |
| Under 20 YOS | 0.618 | 0.601 | 0.543 | 0.678 | |
| Over 20 YOS | 0.584 | 0.692 | 0.500 | 0.505 | |
| Under 20 YOS (SBP) | 0.606 | 0.545 | 0.544 | 0.671 | |
| Over 20 YOS (SBP) | 0.572 | 0.650 | 0.497 | 0.635 | |
| Proposal | 0.607 | 0.570 | 0.606 | 0.553 | Based on FY 22-24 |

Attachment 3 (Cont.)

Current and Proposed Disabled Full VA Offset Factors

For Total NCP

| | Active | | Reserve | | Notes |
|------------------------------|---------|----------|---------|----------|-------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | | | | | Based on FY 18-19 |
| Under 20 YOS Dollar Weighted | 0.158 | 0.681 | 0.096 | 0.504 | |
| Over 20 YOS Dollar Weighted | 0.000 | 0.000 | 0.029 | 0.280 | |
| Under 20 YOS People weighted | 0.233 | 0.737 | 0.146 | 0.551 | |
| Over 20 YOS People Weighted | 0.000 | 0.000 | 0.050 | 0.334 | |
| Proposal | 0.128 | 0.621 | 0.134 | 0.537 | Based on FY 22-24 |

| | Active | | Reserve | | Notes |
|------------------------------|---------|----------|---------|----------|-------------------|
| | Officer | Enlisted | Officer | Enlisted | |
| Current | | | | | Based on FY 18-19 |
| Under 20 YOS Dollar Weighted | 0.190 | 0.816 | 0.103 | 0.583 | |
| Over 20 YOS Dollar Weighted | 0.080 | 0.546 | 0.032 | 0.361 | |
| Under 20 YOS People weighted | 0.272 | 0.839 | 0.154 | 0.614 | |
| Over 20 YOS People Weighted | 0.117 | 0.585 | 0.055 | 0.413 | |
| Proposal | 0.174 | 0.793 | 0.142 | 0.627 | Based on FY 22-24 |

Attachment 4
MI Methods/Assumptions Comparison

| <u>Model Component</u> | <u>SOA MP 2021¹</u> | <u>DoD Current</u> | <u>DoD Proposed</u> |
|--|---|---|---|
| Underlying Mortality Data | SSA-published through 2019 | DoD data from 2000 through 2023, with weights of 0% and 25% applied to 2021 and 2022 data, respectively. | Adding 2024 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 2024 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 2041 (first projection year is 2021).



Voluntary Separation Incentive Fund Board of Actuaries Meeting

Defense Finance and Accounting Service

Jonathan Poe
Enterprise Solutions and Standards
Financial Reporting/Trust Funds
September 15, 2025



Agenda



- Overview
- Financial Data
- Fund Status





- Short Term Liquidity

- ✓ No new investing
 - ✓ \$ 19.5M in overnights (July 31)
 - ✓ \$ 397K in cash (July 31)
- ✓ Cash Flow Performance as of July 31
 - ✓ FY 2025 program expense \$11M
 - ✓ FY 2025 program revenue \$7.8M
 - ✓ FY 2025 interest revenue \$1.26M

- Long Term Liquidity

- ✓ \$15.4M long-term par





Summary Financial Analysis Year Ended September 30 (In Millions)

| | FY 2024 | FY 2022 | % Change |
|-----------------------|----------------|----------------|-------------|
| Service Contributions | \$10.6M | \$13.0M | -18% |
| Interest Income | \$2M | \$2.1M | -5% |
| Total Revenue | \$12.6M | \$15.1M | -17% |
| Benefit Payments | <u>\$19.9M</u> | <u>\$24.6M</u> | <u>-19%</u> |
| Total Expense | <u>\$19.9M</u> | <u>\$24.2M</u> | <u>-18%</u> |



Interest Analysis

Year Ended September 30

(In Millions)

Interest Income

| | FY 2024 | FY 2023 | \$ Change |
|------------------------------|-----------------|-----------------|-----------------|
| Interest Revenue—Par | \$1.30 | \$1.50 | (\$0.20) |
| Interest Revenue--Inflation | \$0.00 | \$0.00 | \$0.00 |
| Interest Revenue--Discount | \$0.00 | \$0.01 | (\$0.01) |
| Interest Revenue – Overnight | \$1.30 | \$1.20 | \$0.10 |
| Interest Revenue--Premium | <u>(\$0.60)</u> | <u>(\$0.60)</u> | <u>\$0.00</u> |
| | <u>\$2.00</u> | <u>\$2.10</u> | <u>(\$0.10)</u> |





Voluntary Separation Incentive For the Year Ending September 30, 2024

(in millions)

| | |
|--|----------------|
| Assets | |
| Fund Balance with Treasury | \$ 1.58 |
| Investments | |
| Overnight | \$15.53 |
| Long term | |
| Par | \$19.61 |
| Premium outstanding | \$0.94 |
| Discount outstanding | \$0.00 |
| Interest receivable | <u>\$0.26</u> |
| Total Long-Term Investments | <u>\$20.81</u> |
| Total Investments | <u>\$36.34</u> |
| Total Assets | <u>\$37.92</u> |
| Liabilities | |
| Military Retirement and Other Federal Employment Benefits | |
| Due and Payable | \$0.95 |
| Actuarial Liability | <u>\$59.44</u> |
| Total Military and Other Federal Employment Benefits | <u>\$60.39</u> |
| Total Liabilities | \$60.39 |
| Net Position | |
| Cumulative Results of Operations | -\$22.45 |
| Total Liabilities and Net Position | <u>\$37.94</u> |



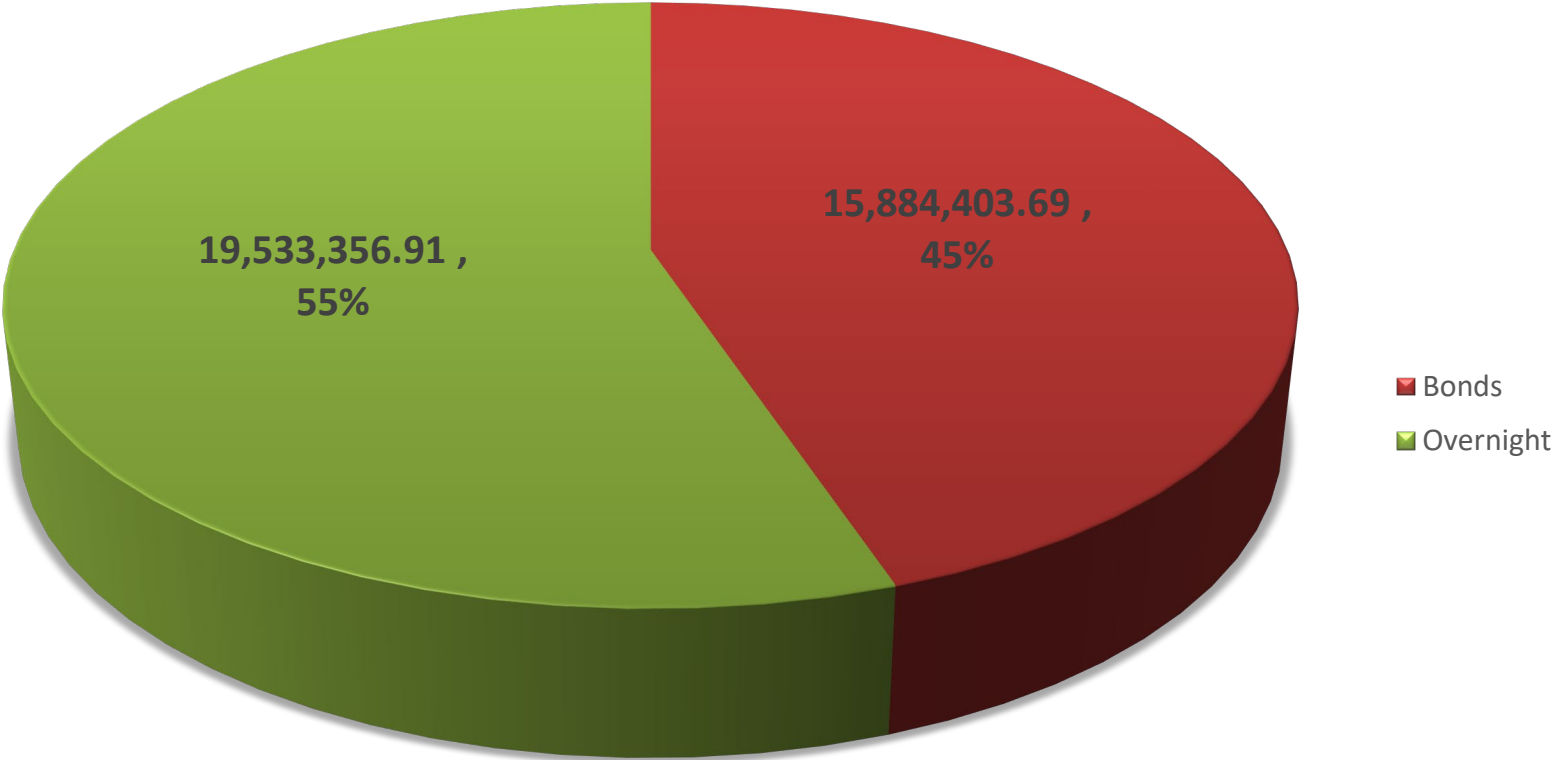


Effective Fund Yields

| 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% |
| 2024 | 4.73% |



Voluntary Separation Portfolio As of July 31, 2025



FUND STATUS

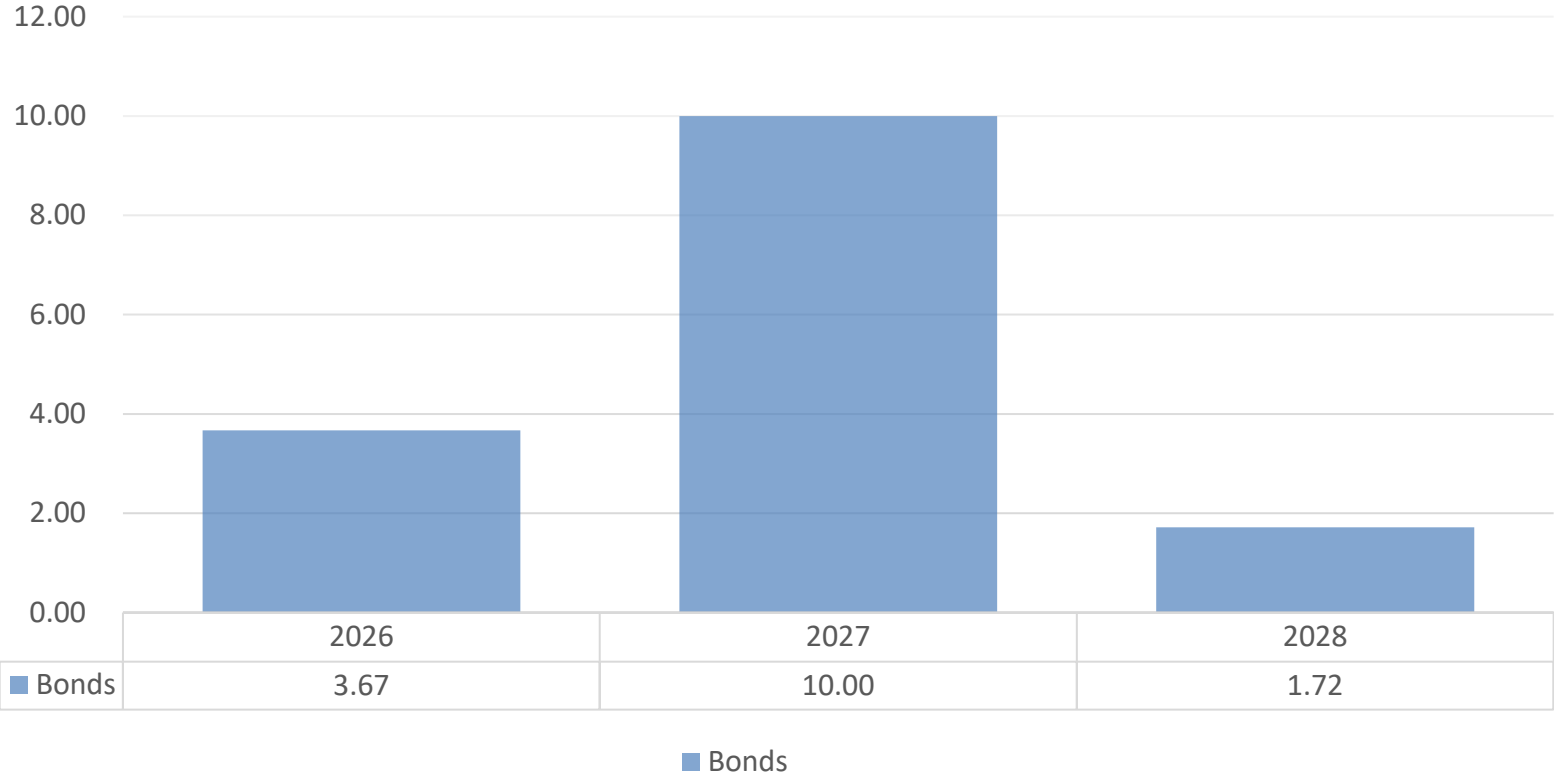


| Security Description | Shares/Par | Book Value | Market Value |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| MK BOND 6.000% 02/15/2026 | \$ 3,667,977.19 | \$ 3,837,106.75 | \$ 3,727,581.82 |
| MK BOND 6.625% 02/15/2027 | \$ 10,000,000.00 | \$ 10,681,358.73 | \$ 10,490,625.00 |
| MK BOND 5.250% 11/15/2028 | \$ 1,721,664.16 | \$ 1,876,827.89 | \$ 1,767,395.86 |
| Total BONDS | \$ 15,389,641.35 | \$ 16,395,293.37 | \$ 15,884,403.69 |
| | | | |
| ONE DAY 4.340% 08/01/2025 | \$ 19,533,356.91 | \$ 19,533,356.91 | \$ 19,533,356.91 |
| | | | |
| Total | \$ 34,922,998.26 | \$ 35,928,650.28 | \$ 35,417,760.60 |
| | | | |
| | | | |





VSI Maturities as of July 31, 2025





► 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 |
|------|-----------|-------|------------|
| 2025 | 2.47% | 1.55% | 4.02% |
| 2026 | 2.49% | 1.76% | 4.25% |
| 2027 | 2.40% | 1.44% | 3.84% |
| 2028 | 2.40% | 1.56% | 3.96% |
| 2029 | 2.40% | 1.30% | 3.70% |
| 2030 | 2.40% | 1.24% | 3.64% |
| 2031 | 2.40% | 1.20% | 3.60% |
| 2032 | 2.40% | 1.17% | 3.57% |
| 2033 | 2.40% | 1.15% | 3.55% |
| 2034 | 2.40% | 1.13% | 3.53% |

| FY | Inflation | Real* | Fund Yield |
|------|-----------|-------|------------|
| 2035 | 2.40% | 1.12% | 3.52% |
| 2036 | 2.40% | 1.11% | 3.51% |
| 2037 | 2.40% | 1.09% | 3.49% |
| 2038 | 2.40% | 1.09% | 3.49% |
| 2039 | 2.40% | 1.08% | 3.48% |
| 2040 | 2.40% | 1.07% | 3.47% |
| 2041 | 2.40% | 1.07% | 3.47% |
| 2042 | 2.40% | 1.06% | 3.46% |
| 2043 | 2.40% | 1.06% | 3.46% |
| 2044 | 2.40% | 1.06% | 3.46% |

| | | | |
|------------------|-------|-------|-------|
| 5 Yr Avg | 2.43% | 1.52% | 3.95% |
| 10 Yr Avg | 2.42% | 1.35% | 3.77% |

| | | | |
|--------------------------|-------|-------|-------|
| 5 Yr Fund Wgt Avg | 2.43% | 1.52% | 3.95% |
| Avg | 2.41% | 1.33% | 3.75% |

| <u>Current</u> <u>Interest</u> <u>Assumption</u> | <u>Proposed</u> <u>Interest</u> <u>Assumption</u> |
|--|---|
| 3.75% | 3.50% |

| <u>Asset</u> <u>Duration</u> | <u>Liability</u> <u>Duration</u> |
|---------------------------------|-------------------------------------|
| 2.1 | 2.8 |

* Real = Fund Yield - Inflation (after 3 mths TIPS inflation lag). For inflation, fund yield, and Federal Reserve 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.

Fund Measures

---> Voluntary Separation Incentive (VSI) Fund

Modified Duration

- 2.1 Assets
- 2.8 Liability

Current Assumptions

- 2.2% COLA on VA Offsets
- 3.75% Interest
- 2.0% Non-COLA Increase on VA Offsets

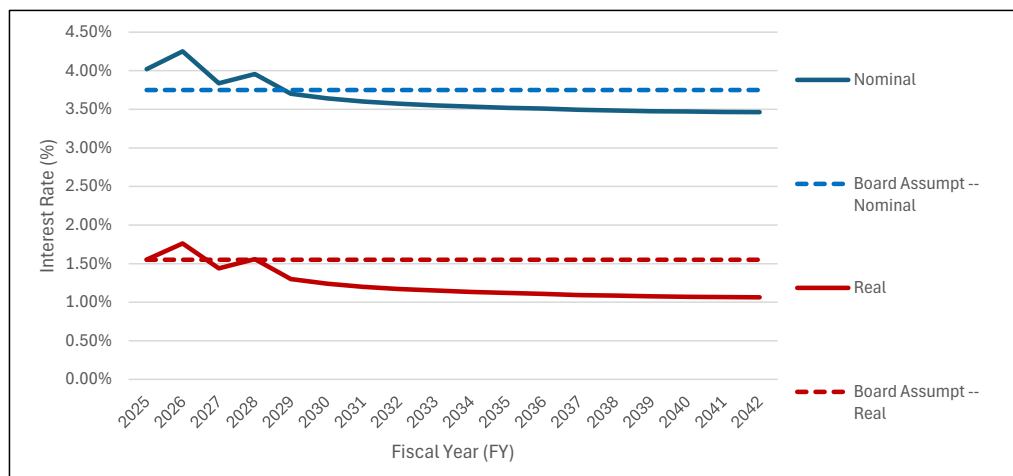
Investment Policy

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.

Portfolio Allocation

100% in conventional notes and bonds -- no TIPS. Mix of T-bills and Overnights in the short-term to meet liquidity needs.

Near-Term Fund Yield Projection -- in Nominal and Real Terms



Summary Measures:

| Fund Wgt Avg | Real Yield | Nominal Yield |
|--------------|------------|---------------|
| 5-Yr | 1.52% | 3.95% |
| 10-Yr | 1.33% | 3.75% |

Projection Notes:

- Start with current investment inventory at year-end. Age portfolio per investment policy and portfolio allocation.
- Uses Federal Reserve expected returns for new investments.
- Short-term strategy: Mix of Overnight securities and Treasury Bills.
--> *To meet obligations, if needed.*

VSI Population by Number of Remaining Payments (as of September 30, 2024)

| 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 | 0 | \$0 | \$0 | 38 | \$5,790 | 0 | \$0 | \$0 | 16 | \$12,633 |
| 2 | 25 | \$9,041 | \$3,877 | 121 | \$8,801 | 27 | \$17,427 | \$5,457 | 90 | \$16,748 |
| 3 | 29 | \$9,732 | \$4,295 | 102 | \$9,750 | 30 | \$19,057 | \$6,453 | 53 | \$17,652 |
| 4 | 32 | \$9,743 | \$3,836 | 87 | \$9,525 | 24 | \$19,879 | \$5,760 | 55 | \$18,740 |
| 5 | 16 | \$10,758 | \$5,588 | 80 | \$10,353 | 10 | \$19,567 | \$6,098 | 35 | \$18,625 |
| 6 | 17 | \$10,367 | \$4,243 | 88 | \$9,684 | 6 | \$19,647 | \$11,054 | 41 | \$16,362 |
| 7 | 17 | \$11,269 | \$4,434 | 32 | \$10,645 | 4 | \$19,959 | \$8,250 | 28 | \$17,059 |
| 8 | 11 | \$12,170 | \$4,762 | 31 | \$11,024 | 7 | \$22,216 | \$8,318 | 19 | \$23,503 |
| 9 | 2 | \$10,908 | \$2,052 | 15 | \$12,073 | 2 | \$20,345 | \$4,056 | 12 | \$24,790 |
| 10 | 2 | \$13,221 | \$5,544 | 5 | \$12,158 | 2 | \$21,188 | \$7,476 | 5 | \$25,174 |
| 11 | 1 | \$22,747 | \$4,056 | 1 | \$22,808 | 1 | \$36,771 | \$2,052 | 0 | \$0 |
| 12 | 0 | \$0 | \$0 | 0 | \$0 | 0 | \$0 | \$0 | 4 | \$32,192 |
| 13 | 0 | \$0 | \$0 | 0 | \$0 | 1 | \$24,848 | \$7,032 | 0 | \$0 |
| 14 | 0 | \$0 | \$0 | 0 | \$0 | 2 | \$39,049 | \$22,464 | 0 | \$0 |
| 15 | 0 | \$0 | \$0 | 0 | \$0 | 1 | \$26,391 | \$10,056 | 0 | \$0 |
| 16 | 1 | \$27,253 | \$14,148 | 0 | \$0 | 1 | \$27,253 | \$17,832 | 0 | \$0 |
| 17 | 0 | \$0 | \$0 | 0 | \$0 | 0 | \$0 | \$0 | 0 | \$0 |
| Total | 153 | \$10,406 | \$4,359 | 600 | \$9,559 | 118 | \$19,870 | \$6,802 | 358 | \$18,086 |

- (i) Table includes 1,229 VSI annuitants who have remaining benefit payments.
- (ii) Table includes 342 survivors receiving benefits from 269 deceased VSI members.
- (iii) Table excludes 272 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 3.50% interest, 2.2% COLA on VA Offsets and 2.0% Non-COLA increase on VA Offsets

| | | |
|---|----------------|-----------------|
| 1. 10/1/2023 Unfunded Liability | \$30.3 | |
| 2. 1/1/2024 Amortization Payment on UFL | \$10.6 | |
| 3. Interest Rate Assumption | 1.0375 | |
| 4. Expected Unfunded Liability on 10/1/2024 (1 X 3) - (2 X 3 ^ 0.75) | \$20.5 | |
| 5. Actual Unfunded Liability on 10/1/2024 | \$17.8 | |
| 6. Total (Gain)/Loss in Unfunded Liability (5 - 4) | -\$2.61 | -4.8% |
| A. Total (Gain)/Loss Due to Assets | -\$0.73 | -1.3% |
| 1. Asset (Gain)/Loss-Yield ¹ | -\$0.41 | -0.8% --> -1.1% |
| 2. Asset (Gain)/Loss-Benefit Payments ² | -\$0.32 | -0.6% |
| B. Total (Gain)/Loss Due to Liability | -\$1.88 | -3.4% |
| 1. Liability (Gain)/Loss-2024 COLA ³ | \$0.00 | 0.0% |
| 2. Liability (Gain)/Loss-2023 VA Update ⁴ | -\$1.36 | -2.5% |
| 3. Liability (Gain)/Loss-Interest Rate | \$0.35 | 0.6% |
| 4. Liability (Gain)/Loss-VA Incr. Assump. | \$0.00 | 0.0% |
| 5. Liability (Gain)/Loss-Residual ⁵ | -\$0.86 | -1.6% |

(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: 3.75% fund yield; actual fund yield: 4.73%

² Projected FY24 benefit payments: \$20.3M; actual FY24 benefit payments: \$19.9M

³ Projected 2025 COLA (excluding the VA Increase Assumption): 3.2%; actual 2025 COLA: 2.5%

⁴ Represents actual 2024 VA offsets being different than expected.

⁵ Represents DFAS data changes and residual.

VSI AMORTIZATION

(\$ in Millions)

Based on 3.50% interest, 2.2% COLA on VA Offsets and 2.0% Non-COLA increase on VA Offsets

VSI Valuation Results as of 9/30/2024:

| | |
|-------------------|--------|
| a. 9/30/2024 PVFB | \$54.8 |
| b. 10/1/2024 Fund | \$37.0 |
| c. 10/1/2024 UFL | \$17.8 |

Amortization Schedule - Decreasing Amortization Payments:

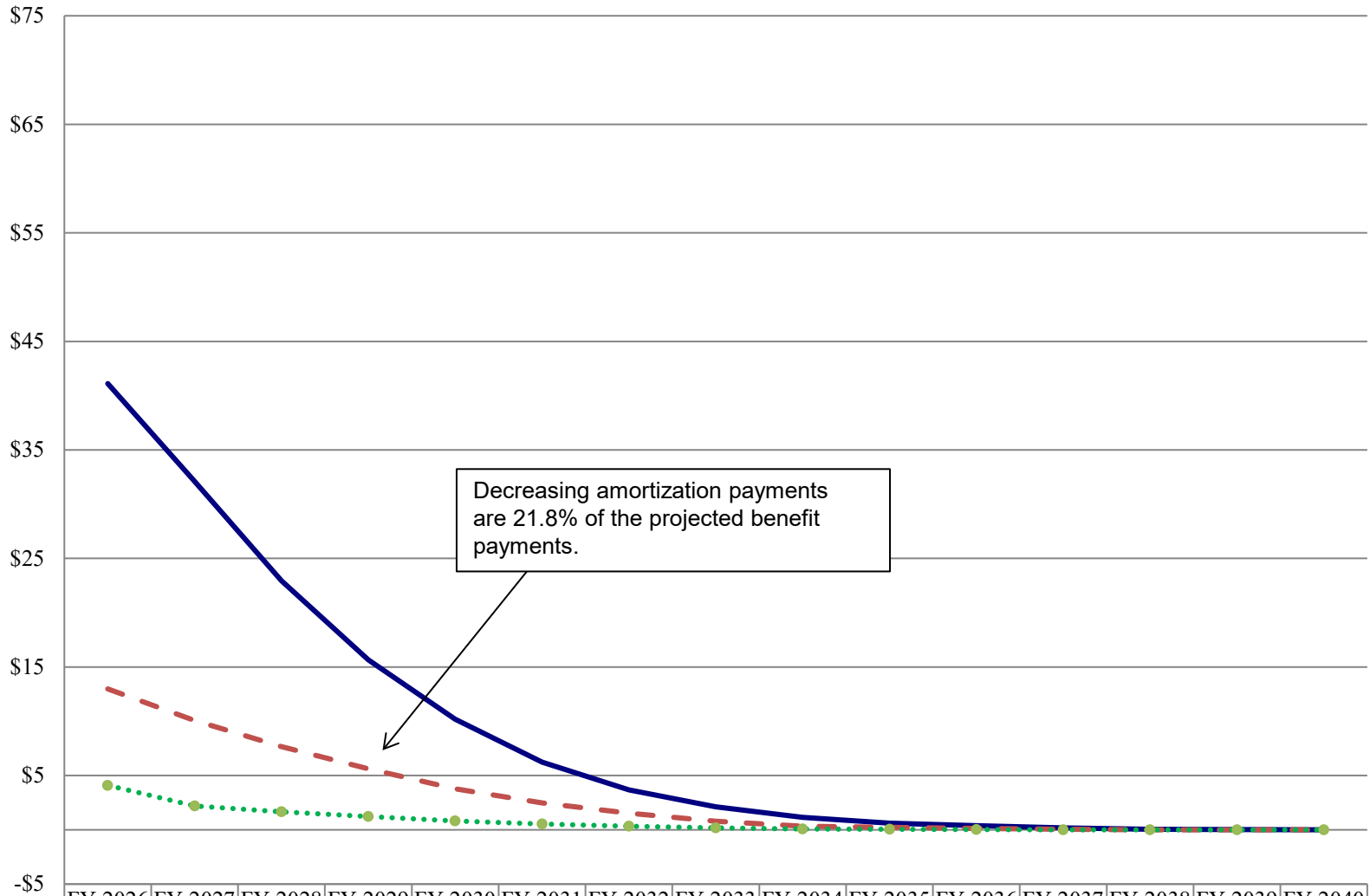
| | |
|--------------------------|--|
| d. 1/1/2026 | \$4.1 |
| e. 1/1/2027 - expiration | 21.8% of FY Projected Benefit Payments |

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 2025 | \$7.8 | \$41.4 | \$1.3 | \$14.5 | \$31.5 |
| FY 2026 | \$4.1 | \$41.1 | \$1.0 | \$13.0 | \$23.6 |
| FY 2027 | \$2.2 | \$32.1 | \$0.7 | \$10.1 | \$16.5 |
| FY 2028 | \$1.7 | \$22.9 | \$0.5 | \$7.7 | \$11.0 |
| FY 2029 | \$1.2 | \$15.7 | \$0.3 | \$5.6 | \$6.9 |
| FY 2030 | \$0.8 | \$10.2 | \$0.2 | \$3.8 | \$4.1 |
| FY 2031 | \$0.5 | \$6.2 | \$0.1 | \$2.5 | \$2.3 |
| FY 2032 | \$0.3 | \$3.7 | \$0.1 | \$1.5 | \$1.1 |
| FY 2033 | \$0.2 | \$2.1 | \$0.0 | \$0.8 | \$0.6 |
| FY 2034 | \$0.1 | \$1.1 | \$0.0 | \$0.3 | \$0.3 |
| FY 2035 | \$0.1 | \$0.6 | \$0.0 | \$0.2 | \$0.1 |
| FY 2036 | \$0.0 | \$0.4 | \$0.0 | \$0.1 | \$0.0 |
| FY 2037 | \$0.0 | \$0.2 | \$0.0 | \$0.0 | \$0.0 |
| FY 2038 | \$0.0 | \$0.1 | \$0.0 | \$0.0 | \$0.0 |
| FY 2039 | \$0.0 | \$0.0 | \$0.0 | \$0.00 | \$0.0 |
| FY 2040 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |

VA compensation offsets VSI payments; VSI liability calculations reflect VA offsets
The last net VSI payment is projected to be in 2039.
21.8% is calculated by finding the percentage that draws fund to zero by the last benefit payment.

VSI CASH FLOW PROJECTIONS
(\$ in Millions)



| | 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 | \$41.1 | \$32.1 | \$22.9 | \$15.7 | \$10.2 | \$6.2 | \$3.7 | \$2.1 | \$1.1 | \$0.6 | \$0.4 | \$0.2 | \$0.1 | \$0.0 | \$0.0 |
| - - Benefit Payments | \$13.0 | \$10.1 | \$7.7 | \$5.6 | \$3.8 | \$2.5 | \$1.5 | \$0.8 | \$0.3 | \$0.2 | \$0.1 | \$0.0 | \$0.0 | \$0.00 | \$0.0 |
| ••• Contributions | \$4.1 | \$2.2 | \$1.7 | \$1.2 | \$0.8 | \$0.5 | \$0.3 | \$0.2 | \$0.1 | \$0.1 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |



Education Benefits Fund Board of Actuaries Meeting

Defense Finance and Accounting Service

Jonathan Poe
Enterprise Solutions and Standards (ESS)
Financial Reporting/Trust Funds
September 15, 2025



AGENDA



- Overview
- Financial Data
- Fund Status





- **Short Term Liquidity**

- ✓ Current Year Purchases
 - ✓ Oct 2024 - invested \$64.9M
 - ✓ Feb 2024 – invested \$42M
 - ✓ Anticipate continued ability to invest annually going forward.

- ✓ Current Year Maturities
 - ✓ Total Maturities - \$149.8M
 - ✓ Par - \$116.9M
 - ✓ Inflation Compensation - \$22.9M

- ✓ Outflows exceeding Inflows
 - ✓ FY 2025 disbursements through July \$143M
 - ✓ FY 2025 receipts through May \$148.5M
 - ✓ FY 2025 overnights/cash as of July 31 \$31.7M

- **Long Term Liquidity**

- ✓ Planned to invest \$102M for FY 2026
 - ✓ Depending on the FY 25 cash flow
- ✓ FY2026-2029 projected investments of \$385.9M





Summary Financial Analysis

Year Ended September 30

(In Thousands)

| | FY 2024 | FY 2023 | % Change |
|-----------------------|------------------|------------------|----------|
| Service Contributions | \$35,650 | \$17,901 | 99% |
| Interest Income | <u>\$21,478</u> | <u>\$22,598</u> | -5% |
| Total Revenue | <u>\$57,128</u> | <u>\$40,499</u> | 41% |
| Benefit Payments | <u>\$159,518</u> | <u>\$159,056</u> | 0% |
| Total Expense | <u>\$159,316</u> | <u>\$159,048</u> | 0% |



Summary Financial Analysis

Year Ended September 30

(In Thousands)

Interest Income

| | FY 2024 | FY 2023 | \$Change |
|-----------------------------|-----------------|-----------------|------------------|
| Interest Revenue--Par | \$13,677 | \$13,198 | \$479 |
| Interest Revenue--Inflation | 10,817 | 13,584 | (\$2,767) |
| Interest Revenue--Discount | 1,760 | 1,137 | \$623 |
| Interest Revenue--Premium | <u>-4,776</u> | <u>-5,321</u> | \$545 |
| | <u>\$21,478</u> | <u>\$22,598</u> | <u>(\$1,120)</u> |





Education Benefits Fund For the Year Ending September 30, 2024

(in thousands)

| | |
|---|---------------------|
| Assets | |
| Fund Balance with Treasury | \$100.0 |
| Investments | |
| Overnight | \$132,962.26 |
| Long term | |
| Par | \$551,173.87 |
| Inflation purchased | \$47,410.85 |
| Inflation earned | \$24,750.30 |
| Premium outstanding | \$6,359.79 |
| Discount outstanding | (\$6,116.69) |
| Interest receivable | <u>\$1,591.99</u> |
| Total Long-Term Investments | <u>\$625,170.11</u> |
| Total Investments | \$758,132.37 |
| Accounts Receivable, net | <u>\$520.50</u> |
| Total Assets | <u>\$758,752.87</u> |
| Liabilities | |
| Military Retirement and Other Federal Employment Benefits | |
| Benefits Payable to Beneficiaries | \$955.92 |
| Actuarial Liability | <u>\$443,684.00</u> |
| Total Military and Other Federal Employment Benefits | \$444,639.92 |
| Other Liabilities | <u>\$0.00</u> |
| Total Liabilities | <u>\$444,639.92</u> |
| Net Position | |
| Cumulative Results of Operations | \$314,112.95 |
| Total Liabilities and Net Position | <u>\$758,752.87</u> |



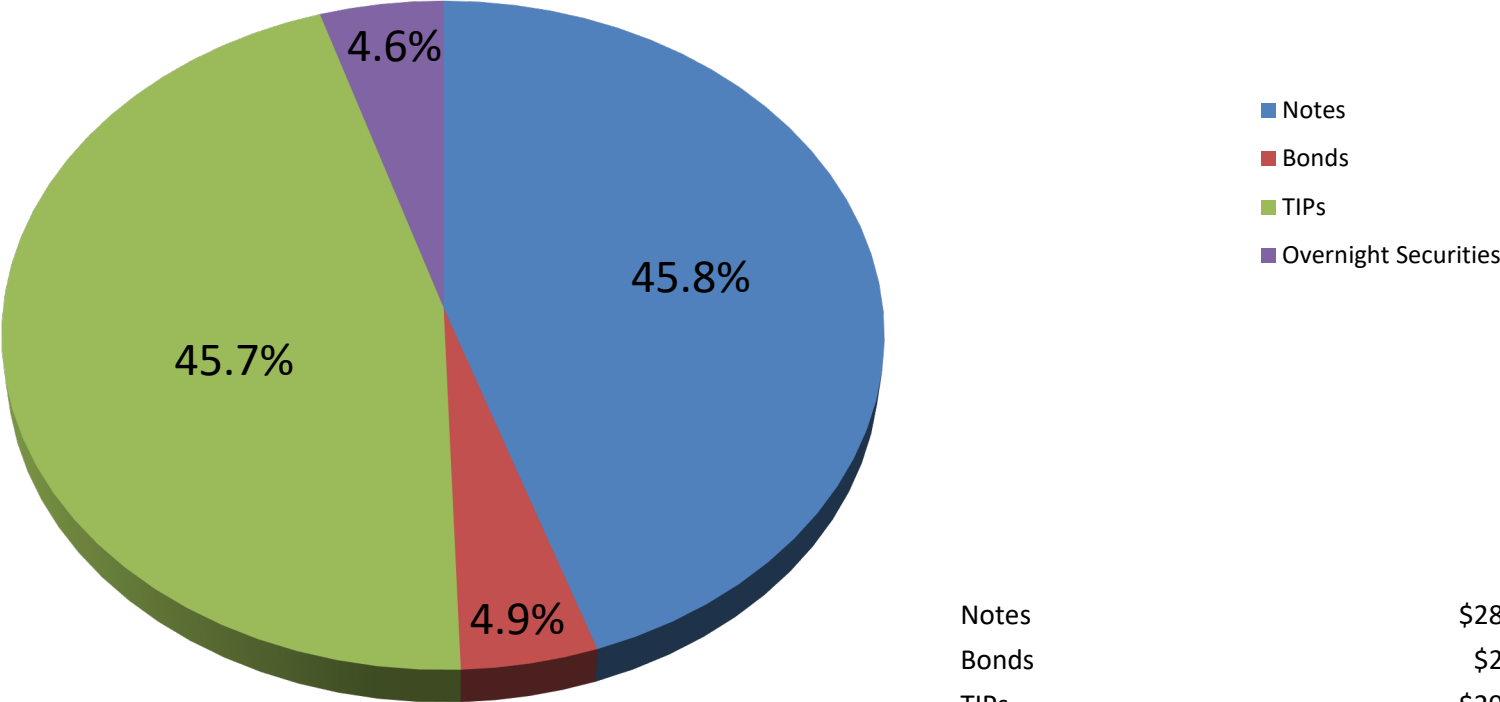


Effective Fund Yields

| 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% |
| 2024 | 2.85% |



Education Benefits Portfolio As Of 07/31/25



| | |
|----------------------|-------------------------|
| Notes | \$288,910,340.16 |
| Bonds | \$29,934,375.00 |
| TIPs | \$294,598,122.00 |
| Overnight Securities | <u>\$31,603,533.94</u> |
| Total | <u>\$645,046,371.10</u> |



FUND STATUS

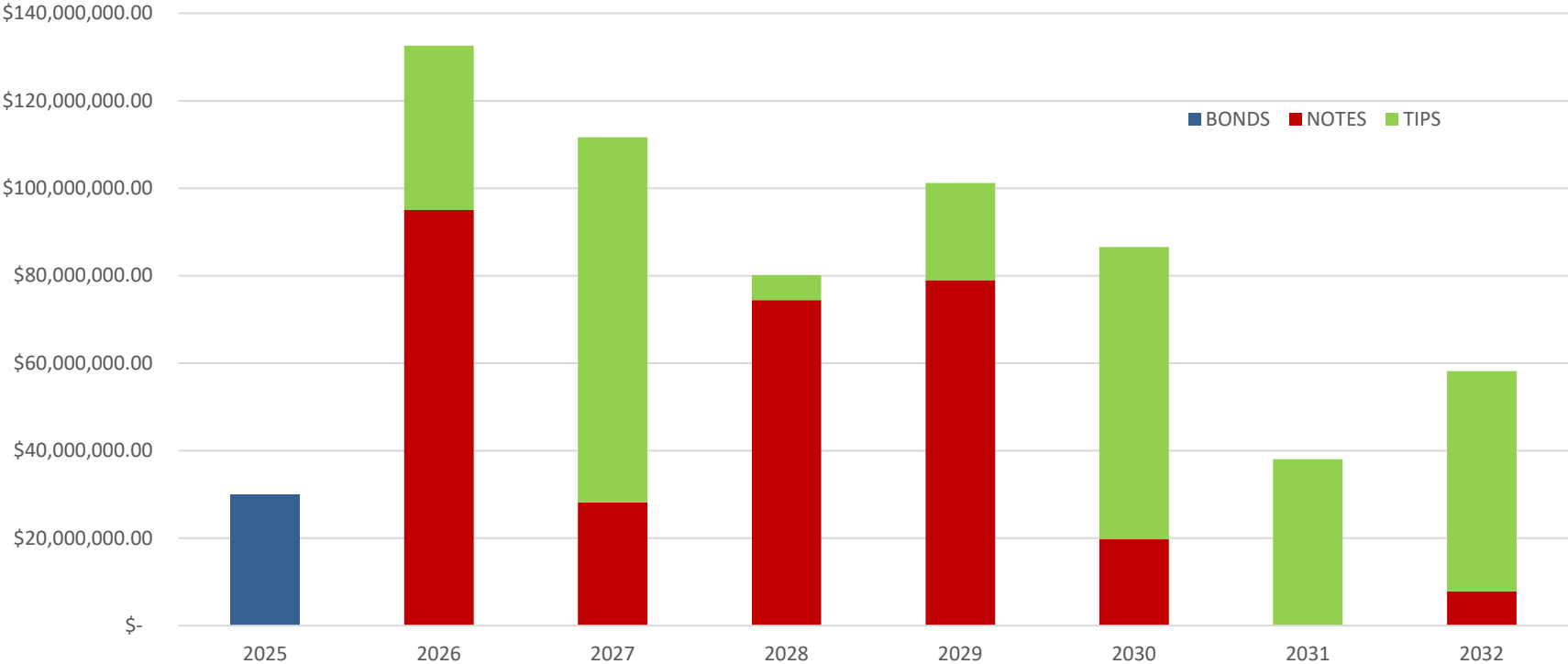


| Security Description | Shares Par | Book Value | Market Value |
|---------------------------|-----------------------|-----------------------|-----------------------|
| MK BOND 6.875% 08/15/2025 | 30,000,000.00 | 30,978,708.49 | 29,934,375.00 |
| MK NOTE 0.750% 03/31/2026 | 4,471,306.75 | 4,387,702.57 | 4,369,305.06 |
| MK NOTE 0.750% 08/31/2026 | 25,258,185.58 | 25,276,028.55 | 24,350,469.54 |
| MK NOTE 1.250% 03/31/2028 | 74,437,713.07 | 74,791,727.09 | 69,482,952.79 |
| MK NOTE 1.625% 02/15/2026 | 65,292,466.40 | 66,241,045.57 | 64,353,887.20 |
| MK NOTE 1.625% 08/15/2029 | 78,985,623.85 | 77,242,712.84 | 72,395,260.86 |
| MK NOTE 1.875% 02/15/2032 | 7,862,440.18 | 7,022,506.16 | 6,857,522.04 |
| MK NOTE 2.250% 08/15/2027 | 28,200,032.62 | 29,056,610.12 | 27,265,906.54 |
| MK NOTE 4.125% 08/31/2030 | 19,699,601.37 | 19,995,746.14 | 19,835,036.13 |
| TOTAL NOTES | 304,207,369.82 | 304,014,079.04 | 288,910,340.16 |
| MK TIPS 0.125% 01/15/2030 | 30,047,540.10 | 35,549,990.98 | 35,464,036.54 |
| MK TIPS 0.125% 01/15/2031 | 30,838,675.03 | 35,568,033.10 | 35,295,597.15 |
| MK TIPS 0.125% 01/15/2032 | 40,227,069.12 | 41,268,552.57 | 42,274,124.10 |
| MK TIPS 0.125% 07/15/2030 | 23,369,252.56 | 26,552,750.81 | 27,549,745.14 |
| MK TIPS 0.375% 01/15/2027 | 62,715,061.70 | 84,971,742.46 | 82,333,506.95 |
| MK TIPS 0.625% 01/15/2026 | 27,772,869.71 | 37,598,382.55 | 37,395,299.86 |
| MK TIPS 3.375% 04/15/2032 | 2,040,930.22 | 4,114,924.05 | 4,103,740.07 |
| MK TIPS 3.625% 04/15/2028 | 2,856,742.80 | 5,894,345.55 | 6,021,718.81 |
| MK TIPS 3.875% 04/15/2029 | 11,339,169.56 | 23,460,920.26 | 24,160,353.38 |
| TOTAL TIPS | 231,207,310.80 | 294,979,642.33 | 294,598,122.00 |
| ONE DAY 4.340% 08/01/2025 | 31,603,533.94 | 31,603,533.94 | 31,603,533.94 |
| TOTAL PORTFOLIO | 597,018,214.56 | 661,575,963.80 | 645,046,371.10 |





EBF Maturities
As of July 31, 2025



| 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|-------|--------|--------|-------|--------|-------|-------|-------|--------|
| 30.00 | 132.59 | 111.65 | 80.12 | 101.16 | 86.54 | 38.08 | 58.21 | 638.35 |





QUESTIONS



DoD Board of Actuaries Education Benefits Fund (EBF) Meeting Objectives

1. Review FY 2024 fund activity and the actuarial liability as of September 30, 2024, for each of the benefit plans by active duty and reserve service component, including the Coast Guard
2. Review and approve the September 30, 2024, valuation Methods and Assumptions
 - a. Benefit Usage Model
 - b. Derivation of Usage and Withdrawal rates
 - c. Data Reconciliation and Census Assumptions
3. Set the economic assumptions for the September 30, 2024, valuation
 - a. Interest Rate
 - b. CPI
4. Set FY 2027 Amortization Payments and Per Capita Amounts. The costs will be sent in letters to the Security of War, DoW Comptroller and Secretary of Homeland Security (Coast Guard)
5. Review and approve September 30, 2024, Category III valuation and payments

Military Education Benefits

| Program | Funded By | Participants | Eligibility | FY 2025 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 \$28,937.09 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 \$2,438 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 2025 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 \$481 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.

Considerations in Setting Economic Assumptions

---> *Education Benefits Fund (EBF)*

Purpose & Context

- Align assumptions with the specific need of meeting statutory funding and valuation efforts under U.S.C. Title 10.
- Understand the decision-making needs of stakeholders and the Department's budgetary requirements and responsibilities.
- Adhere to relevant ASOPs -- 4, 27, 41, 44, and 56 -- ensuring compliance with disclosure and documentation requirements.

Data & Analysis

- Historical data review: Examine long-term trends in inflation and interest rates, while recognizing that past performance may not fully predict the future.
- Gain/Loss patterns: Review annual results of actuarial valuation to measure effect of economic assumptions to single year experience.
- Market-consistent inputs: Where appropriate, use observable market data (e.g., yield curves, inflation-linked securities) as a data point.
- Benchmarking to other systems and agencies: Where appropriate, compare assumptions to other similar systems and agencies (e.g., OPM, SSA, VA, MRF) as a data point.
- Macroeconomic indicators: Effect of macroeconomic policy on inflation and asset/interest returns, including, GDP growth, monetary policy outlook, currency expectations, tariffs, and bond market implications.
- Assumption Horizon: Looking out 5 - 25 years -- i.e., consider 18 year-old new enlistee, completes required term of service, uses benefits for self, spouse, or dependent.

Professional Judgment & Consistency

- Affirm assumptions for related variables -- inflation and nominal interest rates -- are internally consistent with each other.
- Maintaining year-to-year consistency by avoiding unjustified volatility in assumptions, unless supported by changes in data or outlook.
- Reflect the Department's investment strategy, security holding requirements, and funding arrangements -- relying on staff and advisors insights and experience, if applicable.

External Environment

- Account for potential or foreseeable changes in economic cycles or structural shifts.
- Recognize that fiscal, geopolitical, and monetary policy changes can materially affect long-term assumptions.

Documentation & Disclosure

- Clearly document sources, methods, and reasoning for chosen assumptions, including any reliance on experts, advisors, or staff.
- Where relevant, disclose the range of reasonable assumptions and the sensitivity of results to changes.

Assumption-Specific Topics

- Inflation/COLA: Related but not the same -- inflation is the overall rise in prices; COLA is the increase in benefits to offset inflationary effects. Both measured by BLS.
- Interest/Asset return: Related to inflation; additional market premium for risk-free (Treasury) securities that is dependent on investment policy, portfolio allocation, observable data, and analysis performed.
- Professional Judgement: Central to setting economic assumptions for actuarial valuations and measurements.

Projection of the Chapter 1606 Basic Benefit Using Consensus Inflation Forecast

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | July - June | <u>July - June CPI Increase</u> | <u>Chapter 1606 Monthly Basic Benefit</u> |
|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------------------------------|---|
| 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 | | \$439 |
| 2024 | 302.2 | 304.3 | 306.5 | 307.8 | 308.2 | 308.1 | 308.5 | 308.6 | 309.0 | 309.4 | 309.0 | 309.1 | 303.7 | 3.2% | \$466 |
| 2025 | 311.2 | 312.5 | 313.3 | 314.2 | 314.8 | 315.9 | 316.3 | 317.1 | 317.8 | 318.5 | 319.2 | 319.9 | 311.3 | 2.5% | \$481 |
| 2026 | | | | | | | | | | | | | | 2.8% | \$493 |
| 2027 | | | | | | | | | | | | | | 2.4% | \$507 |
| 2028 | | | | | | | | | | | | | | 2.3% | \$519 |
| 2029 | | | | | | | | | | | | | | 2.2% | \$531 |
| 2030 | | | | | | | | | | | | | | 2.2% | \$543 |
| 2031 | | | | | | | | | | | | | | 2.2% | \$555 |
| 2032 | | | | | | | | | | | | | | 2.2% | \$567 |

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 June, 2025

Consensus inflation forecast is generated by taking an ensemble of:

- (a) a forecast derived from the TIPS - Treasury par spread, CPI inflation data, and inflation swaps; and
- (b) the Cleveland Fed's Inflation Expectations Model.

Forecasts can be interpreted as the median expectation.

Estimates are Quarterly Through 2026; Annually Thereafter

EBF Fund Yield Projection and Current Interest Assumption

| FY | Inflation | Real* | Fund Yield | Federal Reserve Return on New Invests (Cumulative)** |
|-----------------------|-----------|--------|------------|--|
| 2025 | 2.47% | 0.287% | 2.76% | 4.19% |
| 2026 | 2.49% | 0.64% | 3.13% | 3.95% |
| 2027 | 2.40% | 1.11% | 3.51% | 3.84% |
| 2028 | 2.40% | 1.34% | 3.74% | 3.79% |
| 2029 | 2.40% | 1.48% | 3.88% | 3.76% |
| 2030 | 2.40% | 1.40% | 3.80% | 3.74% |
| 2031 | 2.40% | 1.38% | 3.78% | 3.74% |
| 2032 | 2.40% | 1.33% | 3.73% | 3.73% |
| 2033 | 2.40% | 1.32% | 3.72% | 3.72% |
| 2034 | 2.40% | 1.32% | 3.72% | 3.72% |
| 10 Yr Avg | 2.42% | 1.16% | 3.58% | 3.82% |
| 10 Yr Fund Wgt | 2.41% | 1.18% | 3.60% | 3.81% |

| <u>Sensitivity Analysis Interest Assumption</u> | <u>Sensitivity Analysis Liability Inc / Dec</u> |
|---|---|
| 3.25% | 0.92% |
| 3.75% | -0.92% |

| <u>Current Interest Assumption</u> | <u>Duration</u> |
|------------------------------------|-----------------|
| 3.50% | 3.69 |

| <u>Proposed Interest Assumption</u> |
|-------------------------------------|
| 3.50% |

Notes:

- * Real = Fund Yield - Inflation. For inflation, fund yield, and Federal Reserve 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.

Fund Measures

---> Education Benefits Fund (EBF)

Modified Duration

3.7 Actuarial Liability (AL)

Current Assumptions

2.2% COLA

3.50% Interest

AL Sensitivities (Approximate Effects)

| | | |
|---------------|--------|--------|
| | -0.25% | +0.25% |
| Interest Only | 0.9% | -0.9% |

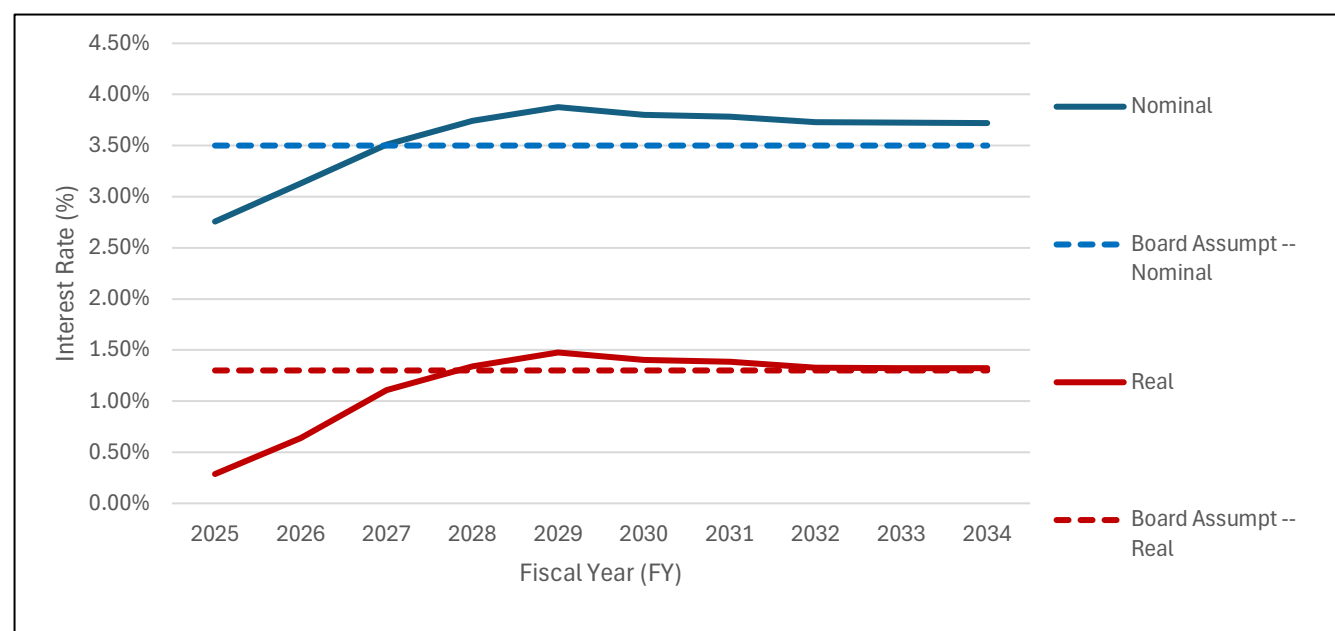
Investment Policy

Maturities matched to cash flows and liquidity requirements, plus a margin. Minimize risks to the funds -- all securities are market-based Treasury special issues. Hold to maturity policy.

Portfolio Allocation

50% in conventional notes and bonds, and 50% in TIPS. Mix of T-bills and Overnights in the short-term to meet liquidity needs.

Near-Term Fund Yield Projection -- in Nominal and Real Terms



| Summary Measures: | | |
|-------------------|------------|---------------|
| Fund Wgt Avg | Real Yield | Nominal Yield |
| 10-Yr | 1.18% | 3.60% |

- Projection Notes:**
- Start with current investment inventory at year-end. Age portfolio per investment policy and portfolio allocation.
 - Uses Federal Reserve expected returns for new investments. --> Assumes new bond purchases are invested in 5-yr bonds.
 - Short-term strategy: Mix of Overnight securities and Treasury Bills. --> To meet monthly obligations, if needed.
 - Long-term fund yield converges to 3.7% (nominal) and 1.3% (real).

Executive Summary

FY 2024 Fund experience and actuarial valuation results as of September 30, 2024

| (\$ in Millions) | <u>Chapter 30 Kicker</u> | <u>Chapter 1606 Basic & Kicker</u> | <u>Cat. III and Other Programs²</u> | <u>Total</u> |
|---|------------------------------|--|--|---------------|
| <u>Sept. 30, 2024 Eligible Members¹</u> | 118,785 | 478,511 | N/A | 597,296 |
| <u>Sept. 30, 2023 Balance & Liability</u> | | | | |
| Fund Balance ³ | \$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) |
| <u>FY 2024 Fund Activity</u> | | | | |
| Sept. 30, 2023 Fund Balance | \$314.0 | \$544.8 | \$0.6 | \$859.3 |
| Asset Transfers | (\$0.0) | \$0.0 | \$0.0 | \$0.0 |
| Amortization Payments | \$0.0 | \$2.9 | \$0.0 | \$2.9 |
| Per Capita Contributions | \$0.0 | \$32.8 | \$0.0 | \$32.8 |
| Benefit Payments | (\$27.1) | (\$132.4) | \$0.0 | (\$159.5) |
| <u>Interest⁴</u> | <u>\$8.5</u> | <u>\$14.2</u> | <u>\$0.0</u> | <u>\$22.8</u> |
| Total Changes | (\$18.7) | (\$82.5) | \$0.1 | (\$101.1) |
| Sept. 30, 2024 Fund Balance | \$295.3 | \$462.3 | \$0.6 | \$758.2 |
| <u>Sept. 30, 2024 Balance & Liability</u> | | | | |
| Fund Balance | \$295.3 | \$462.3 | \$0.6 | \$758.2 |
| Actuarial Liability (AL) | \$125.2 | \$424.7 | \$0.0 | \$549.9 |
| Unfunded Liability (Surplus) | (\$170.2) | (\$37.6) | (\$0.6) | (\$208.4) |

¹Members 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 478,511 Chapter 1606 eligibles, 174,907 are also eligible to receive a Chapter 1606 kicker benefit.

²Other Programs include National Call to Service and Chapter 30 Section 3020 Transferability. Due to the relatively small size of program 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.

³Officially, 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.

⁴In FY 2024, the Education Benefits Fund earned 2.82% in interest.

Summary of Valuation Work

FY 2024 Fund key assumptions, model changes, and program challenges as of September 30, 2024

Key Assumptions

3.5% Interest assumption

2.2% COLA assumption

Benefit Usage and Withdrawal Rate Assumptions: Based on Fund experience using a 10-year weighted average.

Data Source(s): 1) DFAS - Provides Education Benefits Trust Fund activity for each active duty service and reserve component by month.
2) DMDC - Provides individual member data.

Modeling Changes

Chapter 30 Kickers: None

Chapter 1606 Basic and Kickers: None

Program Challenges

- Incomplete data leading to volatile results year-to-year.
- Loss of institutional knowledge throughout the Services and stakeholder support offices, including OACT.
--> *Assessing ability to simplify and restructure the model for next year.*

Chapter 30 Kicker Eligible Members

As Of September 30, 2024

| | | |
|--------------------|--------|--------------|
| Army 2-Year | 1,325 | |
| Army 3-Year | 26,183 | Army |
| Army 4-Year | 39,522 | Navy |
| Army 5-Year | 7,448 | Marine Corps |
| Army 6-Year | 4,620 | Coast Guard |
| Navy 2-Year | 145 | Total |
| Navy 3-Year | 1,083 | 79,098 |
| Navy 4-Year | 23,212 | 24,440 |
| Marine 4-Year | 9,050 | 14,872 |
| Marine 5-Year | 5,737 | 375 |
| Marine 6-Year | 85 | 118,785 |
| Coast Guard 4-Year | 375 | |

Number Who Have Been Approved to Transfer Benefits As Of September 30, 2024

| | <u>Spouse</u> | <u>Child</u> |
|--------------|---------------|--------------|
| Army | 300 | 757 |
| Navy | 28 | 113 |
| Marine Corps | 4 | 9 |
| Coast Guard | 5 | 18 |
| Total | 337 | 897 |

Excludes Spouses and children who used all 36 months and are no longer eligible

| | Active vs Inactive | | *Number Who Have Used Benefit | |
|--------------|-----------------------------|----------------------------|--------------------------------------|-----------------------------|
| | <u>Still on Active Duty</u> | <u>Separated From A.D.</u> | <u>Has Used Benefit</u> | <u>Has Not Used Benefit</u> |
| Army | 8,126 | 70,972 | 41,826 | 37,272 |
| Navy | 4,286 | 20,154 | 14,176 | 10,264 |
| Marine Corps | 1,280 | 13,592 | 10,240 | 4,632 |
| Coast Guard | 120 | 255 | 57 | 318 |
| Total | 13,812 | 104,973 | 66,299 | 52,486 |

*Includes Dependents

DMDC and DFAS Reported Activity for Chapter 30 Kicker Benefit Payments

FY 2021 - 2024

| FY 2024 Service | DMDC Reports | DFAS Reports | \$\$ Difference | DMDC Extracts as % of DFAS Reports |
|--------------------|---------------------|---------------------|--------------------|---------------------------------------|
| Army | \$20,634,799 | \$18,046,241 | \$2,588,558 | 114.3% |
| Navy | \$6,577,588 | \$6,003,149 | \$574,439 | 109.6% |
| Marine Corps | \$3,073,460 | \$2,901,160 | \$172,300 | 105.9% |
| Coast Guard | \$72,691 | \$73,669 | -\$978 | 98.7% |
| Unknown | \$0 | \$101,264 | -\$101,264 | 0.0% |
| Total | \$30,358,538 | \$27,125,483 | \$3,233,055 | 111.9% |
| | | | | |
| FY 2023 | \$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% |

Chapter 30 Results - Determination of October 1, 2026 Amortization Payments (Adjustments) for Chapter 30 Kicker Programs

| | Army | Navy | Marine Corps | Coast Guard | Total - Active |
|--|-----------------|---------------|----------------|-------------|-----------------|
| Fund Balance on September 30, 2024 | \$236,431,565 | \$33,557,659 | \$24,263,456 | \$1,074,821 | \$295,327,501 |
| Present Value of Benefits | \$82,797,788 | \$29,408,228 | \$12,346,912 | \$597,321 | \$125,150,249 |
| Unfunded Liability (Surplus) | (\$153,633,777) | (\$4,149,431) | (\$11,916,544) | (\$477,500) | (\$170,177,252) |
| Amortization Payment on October 1, 2024 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Projected Net Cash Flow in FY 2025 (Contributions - Benefits + Interest +/- Transfers) | (\$9,567,097) | (\$4,815,917) | (\$1,809,640) | (\$50,319) | (\$16,242,972) |
| Projected Amount in Fund on September 30, 2025 | \$226,864,468 | \$28,741,742 | \$22,453,816 | \$1,024,503 | \$279,084,529 |
| Projected Present Value of Benefits | \$68,131,797 | \$24,801,373 | \$10,126,917 | \$538,006 | \$103,598,092 |
| Projected Unfunded Liability (Surplus) | (\$158,732,672) | (\$3,940,369) | (\$12,326,899) | (\$486,497) | (\$175,486,437) |
| Scheduled Amortization Payment on October 1, 2025 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Projected Net Cash Flow in FY 2026 (Contributions - Benefits + Interest +/- Transfers) | (\$6,278,953) | (\$3,878,416) | (\$1,369,071) | (\$48,320) | (\$11,574,760) |
| Projected Fund Balance on September 30, 2026 | \$220,585,515 | \$24,863,326 | \$21,084,745 | \$976,183 | \$267,509,769 |
| Projected Present Value of Benefits | \$56,297,200 | \$20,785,044 | \$8,326,404 | \$472,658 | \$85,881,307 |
| Projected Unfunded Liability (Surplus) | (\$164,288,315) | (\$4,078,282) | (\$12,758,341) | (\$503,524) | (\$181,628,462) |
| Amortization Payment on Oct 1, 2026 | \$0 | \$0 | \$0 | \$0 | \$0 |

Chapter 30 Kicker Results - All Service Per Capita Amounts

Fiscal Year 2026

| Service / Contract | Monthly Kicker Amount | | | | | | | | |
|-----------------------|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | \$150 | \$250 | \$350 | \$450 | \$550 | \$650 | \$750 | \$850 | \$950 |
| 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 |

Fiscal Year 2027

| Service / Contract | Monthly Kicker Amount | | | | | | | | |
|-----------------------|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | \$150 | \$250 | \$350 | \$450 | \$550 | \$650 | \$750 | \$850 | \$950 |
| All Services / 2 Year | \$1,236 | \$2,060 | \$2,884 | \$3,708 | \$4,532 | \$5,355 | \$6,179 | \$7,003 | \$7,827 |
| All Services / 3 Year | \$1,142 | \$1,903 | \$2,664 | \$3,425 | \$4,186 | \$4,947 | \$5,709 | \$6,470 | \$7,231 |
| All Services / 4 Year | \$1,051 | \$1,752 | \$2,453 | \$3,154 | \$3,855 | \$4,556 | \$5,257 | \$5,958 | \$6,659 |
| All Services / 5 Year | \$957 | \$1,596 | \$2,234 | \$2,872 | \$3,510 | \$4,149 | \$4,787 | \$5,425 | \$6,063 |
| All Services / 6 Year | \$867 | \$1,444 | \$2,022 | \$2,600 | \$3,178 | \$3,755 | \$4,333 | \$4,911 | \$5,489 |

Chapter 1606 Reservists Eligible for Basic & Kicker Benefits

| | 2023 | 2024 | Pct change |
|--|----------------|----------------|-------------------|
| Eligible for the Basic Benefit | 357,321 | 478,511 | 134% |
| Army National Guard | 176,970 | 200,546 | 113% |
| Army Reserve | 99,167 | 128,240 | 129% |
| Navy Reserve | 20,765 | 81,382 | 392% |
| Marine Corps Reserve | 21,862 | 17,537 | 80% |
| Air National Guard | 25,121 | 35,980 | 143% |
| Air Force Reserve | 12,992 | 14,413 | 111% |
| Coast Guard Reserve | 444 | 413 | 93% |
| Eligible for the Kicker Benefit | 140,258 | 174,909 | 125% |
| Army National Guard | 68,173 | 79,463 | 117% |
| Army Reserve | 41,935 | 65,197 | 155% |
| Navy Reserve | 345 | 215 | 63% |
| Marine Corps Reserve | 1,754 | 1,100 | 63% |
| Air National Guard | 22,170 | 22,975 | 104% |
| Air Force Reserve | 5,881 | 5,957 | 101% |
| Coast Guard Reserve | 0 | 0 | --- |

DMDC and DFAS Reported Activity for Chapter 1606 Basic and Kicker Benefit Payments

FY 2021 - 2024

| | DMDC Reporting | | | DFAS Reporting | | | DMDC Extracts as % of DFAS Reports | | |
|----------------------|--------------------------------|---------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------------|------------------------------------|---------------------------------|----------------------------|
| | 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 |
| FY 2024 | | | | | | | | | |
| Army National Guard | \$47,864,258 | \$23,323,703 | \$71,187,961 | \$50,869,666 | \$24,861,083 | \$75,730,749 | 94.1% | 93.8% | 94.0% |
| Army Reserve | \$16,261,070 | \$5,231,100 | \$21,492,170 | \$17,203,223 | \$6,608,608 | \$23,811,831 | 94.5% | 79.2% | 90.3% |
| Navy Reserve | \$1,195,756 | \$12,800 | \$1,208,556 | \$1,375,713 | \$385,731 | \$1,761,444 | 86.9% | 3.3% | 68.6% |
| Marine Corps Reserve | \$4,749,472 | \$4,250 | \$4,753,722 | \$4,982,471 | \$209,410 | \$5,191,881 | 95.3% | 2.0% | 91.6% |
| Air National Guard | \$11,740,870 | \$8,722,000 | \$20,462,870 | \$12,142,597 | \$8,928,832 | \$21,071,429 | 96.7% | 97.7% | 97.1% |
| Air Force Reserve | \$1,708,822 | \$2,744,200 | \$4,453,022 | \$1,826,127 | \$2,923,083 | \$4,749,210 | 93.6% | 93.9% | 93.8% |
| Coast Guard Reserve | \$75,026 | \$0 | \$75,026 | \$75,353 | \$1,184 | \$76,537 | 99.6% | 0.0% | 98.0% |
| All Components | \$83,595,274 | \$40,038,053 | \$123,633,327 | \$88,475,150 | \$43,917,931 | \$132,393,081 | 94.5% | 91.2% | 93.4% |
| FY 2023 | \$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% |

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

FY 2021 - 2024

| FY 2024 | DMDC Extracts | | | DFAS Reporting ¹ | | | DMDC Extracts as % of DFAS Reports | | |
|----------------------------------|--------------------------------|---------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------------|------------------------------------|---------------------------------|----------------------------|
| | 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 | 6,148 | 2,340 | 8,488 | 17,148 | 8,643 | 25,791 | 35.9% | 27.1% | 32.9% |
| Army Reserve | 577 | 407 | 984 | 7,889 | 8,751 | 16,640 | 7.3% | 4.7% | 5.9% |
| Navy Reserve ² | 47 | 0 | 47 | 1,279 | 3 | 1,282 | 3.7% | 0.0% | 3.7% |
| Marine Corps Reserve | 2,458 | 1 | 2,459 | 3,084 | 156 | 3,240 | 79.7% | 0.6% | 75.9% |
| Air National Guard | 2,499 | 1,022 | 3,521 | 3,121 | 1,552 | 4,673 | 80.1% | 65.9% | 75.3% |
| Air Force Reserve ² | 561 | 286 | 847 | 0 | 127 | 127 | N/A | 225.2% | 666.9% |
| Coast Guard Reserve ² | 6 | 0 | 6 | N/A | 0 | N/A | N/A | N/A | N/A |
| All Components | 12,296 | 4,056 | 16,352 | 32,521 | 19,232 | 51,753 | 37.8% | 21.1% | 31.6% |
| FY 2023 | 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% |

¹Contributions divided by specific per capita amount

²If 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

Chapter 1606 Results - Determination of October 1, 2026 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, 2024 | \$232,892,825 | \$94,878,453 | \$16,914,379 | \$33,355,374 | \$31,611,600 | \$48,563,279 | \$4,074,492 | \$462,290,402 |
| Present Value of Benefits | \$244,939,170 | \$86,112,595 | \$7,522,432 | \$11,991,334 | \$61,553,266 | \$12,400,817 | \$160,758 | \$424,680,372 |
| Unfunded Liability (Surplus) | \$12,046,344 | (\$8,765,858) | (\$9,391,946) | (\$21,364,040) | \$29,941,666 | (\$36,162,462) | (\$3,913,734) | (\$37,610,030) |
| 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) | (\$22,687,779) | (\$8,375,808) | (\$511,826) | (\$706,755) | (\$1,737,284) | \$2,835,737 | \$90,919 | (\$31,092,796) |
| Projected Fund Balance on September 30, 2025 | \$210,205,046 | \$86,502,645 | \$16,402,553 | \$32,648,620 | \$31,726,864 | \$51,399,016 | \$4,165,411 | \$433,050,155 |
| Projected Present Value of Benefits | \$278,159,354 | \$96,364,517 | \$7,007,143 | \$12,808,947 | \$61,155,634 | \$12,757,202 | \$117,752 | \$468,370,550 |
| Projected Unfunded Liability (Surplus) | \$67,954,309 | \$9,861,872 | (\$9,395,410) | (\$19,839,672) | \$29,428,770 | (\$38,641,814) | (\$4,047,659) | \$35,320,395 |
| Scheduled Amortization Payment on October 1, 2025 | \$0 | \$0 | \$0 | \$0 | \$4,210,450 | \$0 | \$0 | \$4,210,450 |
| Projected Net Cash Flow (Contributions - Benefit Payments + Interest) | (\$9,507,848) | (\$16,517,960) | (\$1,126,764) | (\$1,881,947) | (\$3,522,661) | \$1,468,705 | \$99,912 | (\$30,988,564) |
| Projected Fund Balance on September 30, 2026 | \$200,697,198 | \$69,984,684 | \$15,275,790 | \$30,766,673 | \$32,414,653 | \$52,867,721 | \$4,265,322 | \$406,272,041 |
| Projected Present Value of Benefits | \$324,627,776 | \$107,125,961 | \$5,750,105 | \$14,536,536 | \$61,973,965 | \$13,856,150 | \$86,158 | \$527,956,651 |
| Projected Unfunded Liability (Surplus) | \$123,930,578 | \$37,141,276 | (\$9,525,685) | (\$16,230,136) | \$29,559,312 | (\$39,011,572) | (\$4,179,164) | \$121,684,610 |
| Amortization Payment on Oct 1, 2026 | \$26,520,111 | \$7,947,924 | \$0 | \$0 | \$6,325,446 | \$0 | \$0 | \$40,793,481 |
| Adjustment to FY 2027 Basic Benefit Normal Costs | \$0 | \$0 | (\$2,070,914) | (\$3,528,482) | \$0 | (\$8,481,238) | (\$908,563) | (\$14,989,197) |

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

Chapter 1606 Results - Per Capita Contribution Amounts

Fiscal Year 2026

| Component | Basic Only | Kicker | | |
|----------------------|------------|---------|---------|---------|
| | | \$100 | \$200 | \$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 |

Fiscal Year 2027

| Component | Basic Only | Kicker | | |
|----------------------|------------|---------|---------|---------|
| | | \$100 | \$200 | \$350 |
| Army National Guard | \$3,364 | \$814 | \$2,068 | \$2,237 |
| Army Reserve | \$2,684 | \$525 | \$1,349 | \$1,967 |
| Navy Reserve | \$100 | \$477 | \$1,218 | \$1,143 |
| Marine Corps Reserve | \$551 | \$275 | \$488 | \$718 |
| Air National Guard | \$4,429 | \$1,040 | \$1,625 | \$2,678 |
| Air Force Reserve | \$100 | \$2,074 | \$1,454 | \$2,361 |
| Coast Guard Reserve | \$100 | \$787 | \$2,060 | \$2,948 |

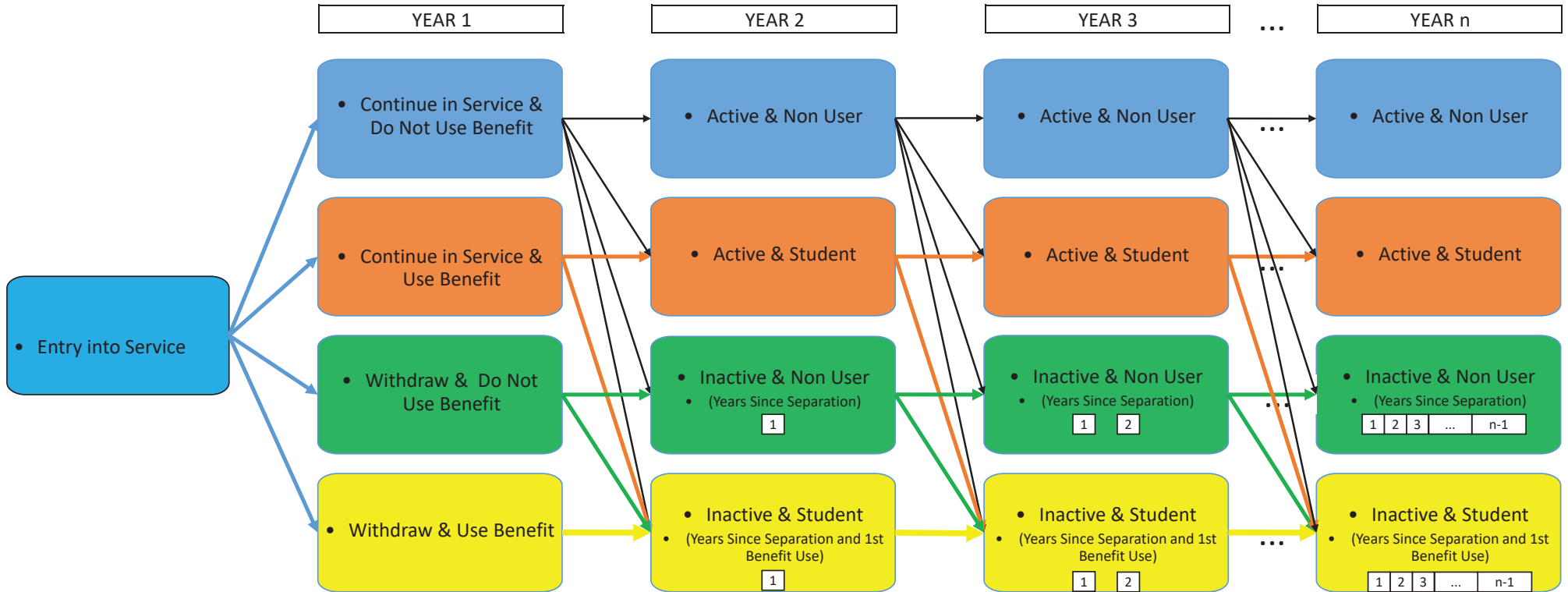
Signifies that this kicker amount is currently offered by the component.

Post Vietnam Veterans' Educational Assistance Program (Cat III) ***Fund Activity and Annual Payments For Fiscal Year 2025***

| <u>FY 2025</u> | <u>Army</u> | <u>Navy</u> | <u>Marine Corps</u> | <u>Air Force</u> | <u>Coast Guard</u> | <u>Total</u> |
|--|-------------|-----------------|---------------------|------------------|--------------------|-----------------|
| Fund Balance as of September 30, 2024 | \$70 | \$17,203 | \$523 | -\$3,365 | \$1,686 | \$16,117 |
| October 1, 2024 Receipts | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Balance as of October 1, 2024 | \$70 | \$17,203 | \$523 | -\$3,365 | \$1,686 | \$16,117 |
| Benefit Payments (Thru June, 2025) | \$0 | \$4,713 | -\$320 | \$0 | \$0 | \$4,393 |
| Benefit Payments (Projected Full Year) | \$0 | \$5,558 | -\$320 | \$0 | \$0 | \$5,238 |
| Interest Earned (Owed) | \$2 | \$446 | \$22 | -\$106 | \$53 | \$417 |
| Projected Fund Balance on October 1, 2025 | \$73 | \$12,090 | \$864 | -\$3,470 | \$1,739 | \$11,296 |
| Amount Due on October 1, 2025¹ | \$0 | \$0 | \$0 | \$3,470 | \$0 | \$0 |

¹No Contribution required at this time due to the de minimis amount.

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 2024) is given a weight of 100%. The second most recent year (FY 2023) is given a weight of 80% of the most recent year. Each successive year (2015-2022) 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 2024) is given a weight of 100%. The second most recent year (FY 2023) is given a weight of 60% of the most recent year. Each successive year (2015-2022) 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:

$$\begin{aligned}
 \text{NC} &= \frac{(N_1 M_1 B_1 V^{0.5} + N_2 M_2 B_2 V^{1.5} + \dots)}{100,000} \\
 &= \frac{(N_1 M_1 B_1 V^{0.5} + N_2 M_2 B_2 V^{1.5} + \dots)}{(N_1 M_1 B_1 + N_2 M_2 B_2 + \dots)} \frac{(N_1 M_1 B_1 + N_2 M_2 B_2 + \dots)}{(N_1 M_1 + N_2 M_2 + \dots)} \frac{(N_1 M_1 + N_2 M_2 + \dots)}{36 \times 100,000} \quad (36)
 \end{aligned}$$

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.

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)

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 2015-2024).
- 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 $(1 + \text{Total True-Up Factor})$. 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 2015-2024) 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 2015-2024) 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 $(1 + \text{Total True-Up Factor})$ by $(1 + \text{Census True-Up Factor})$.
- 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 $(1 + \text{Usage True-Up Factor})$. 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 2024), 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 2025) 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 2026-), 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 | $\text{Square Root of } 105.8\% = 102.8\%$ |

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%

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, 2025) 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.

2025 MPP Update to DoD BoA

[9/9/25 email from Ron Garner, Assistant Director of Military Compensation and Financial Readiness, Retired and Annuitant Pay]

Synopsis: Major Richard Star Act is still proposed legislation; OACT will likely reflect the CRSC guidance and Soto decision over time – i.e., through actuarial experience.

The items that would impact the MRF are as follows:

1. **Major Richard Star Act** – has again been introduced to the House. This year's version would provide full concurrent receipt of retired pay and VA disability compensation to any Chapter 61 disability retiree who has a combat-related injury. We have opposed and offered drafting support for an alternate version that would alter the limitation on receipt of CRSC for Chapter 61 disability retirees with less than 20 years of service. The cost of the current version of this legislation is approximately \$15B over 10 years.
2. **CRSC guidance** – the Department issued guidance in July that limits retrospective payment of CRSC to the date on which a member first applies for CRSC. Previously, CRSC was paid retrospective to the date at which the member was both entitled to retired pay and rated by the VA for a disability that was later found to be combat-related.
3. **Soto decision** – the U.S. Supreme Court, in *Soto v. U.S.*, found that the Barring Act (31 U.S.C. 3702), which limits retrospective payment of claims against the government to a 6 year period, did not apply to CRSC because the CRSC statute (10 U.S.C. 1413a) contains its own settlement mechanism. As a result, the Department is determining how many members have to date had their CRSC award limited by application of the Barring Act and ensuring they are fully paid retrospective to the date on which they were both entitled to retired pay and rated by the VA for a disability that was later found to be combat-related. The Actuary has not been asked to cost this, as we don't have an accurate count yet of impacted members. However, we would expect the cost to exceed \$100M.

ATTACHMENT 4

**Transcript of the
Department of Defense Board of Actuaries Meeting**

0:0:12.382 --> 0:0:12.862

John Moore

All right.

0:0:14.702 --> 0:0:17.542

John Moore

Well, I'll get us going. Welcome everybody.

0:0:19.22 --> 0:0:22.22

John Moore

I'm John Moore, the chair of the DoD Board of Actuaries.

0:0:22.822 --> 0:0:25.342

John Moore

Why don't I go ahead and call this meeting to order?

0:0:27.22 --> 0:0:29.782

John Moore

Those I'd like to thank you all for attending today's meeting.

0:0:31.422 --> 0:0:35.502

John Moore

As they just mentioned, it's being recorded so that we can get an accurate reflection in the Minutes.

0:0:37.262 --> 0:0:41.662

John Moore

If you do speak today, we ask that you identify yourself in your office.

0:0:42.92 --> 0:0:43.132

John Moore

Before speaking.

0:0:44.812 --> 0:0:59.572

John Moore

Joining me on the board today is returning Mike Clark and then also I'd like to welcome our newest member, Margaret Berger, who has been thrown into the deep end but is ready to go with us today.

0:0:59.572 --> 0:1:5.252

John Moore

We'd like to welcome Margaret, Margaret and our to round out our three person Board of Actuaries.

0:1:6.742 --> 0:1:11.462

John Moore

I'd also like to pause and thank the OX staff, the office of the Actuary Staff for their hard work.

0:1:13.182 --> 0:1:14.382

John Moore

They lost about 40.

0:1:14.652 --> 0:1:24.172

John Moore

Percent of their staff this year but have pulled us together to get this annual meeting in place, and it was great. Great work.

0:1:25.662 --> 0:1:26.382

John Moore

We appreciate that.

0:1:26.382 --> 0:1:30.742

John Moore

Hopefully they'll be able to rebuild over the next short period of time.

0:1:32.462 --> 0:1:44.502

John Moore

And then As for today, we're going to start this first hour with covering the MRF and the VSI and then we would expect about the top of the hour. We'll move over to the Education Benefits fund.

0:1:45.772 --> 0:1:45.892

John Moore

Umm.

0:1:47.252 --> 0:1:52.972

John Moore

And I believe that kicks off her introduction and I'll turn it over.

0:1:54.462 --> 0:1:59.542

John Moore

To I'm sorry Peter drew to start leading us through the MRF.

0:2:2.982 --> 0:2:3.382

May, Drew T CIV DODHRA DPAC (USA)

Thank you.

0:2:4.302 --> 0:2:4.902

John Moore

Thanks Jerry.

0:2:6.142 --> 0:2:29.142

May, Drew T CIV DODHRA DPAC (USA)

So we will begin the meeting today with the Military Retirement Fund, or MRF, and the voluntary separation incentive fund or VSI. And as mentioned, if anyone is interested in the Education Benefits Fund, we'll begin that section around 12 Eastern. The objectives for MRF are to present the Sept.

0:2:29.222 --> 0:2:30.742

May, Drew T CIV DODHRA DPAC (USA)

30/20/24.

0:2:31.662 --> 0:2:33.182

May, Drew T CIV DODHRA DPAC (USA)

Closer evaluation results.

0:2:33.652 --> 0:2:37.692

May, Drew T CIV DODHRA DPAC (USA)

Including the population as of September 30, 2024.

0:2:39.622 --> 0:2:42.742

May, Drew T CIV DODHRA DPAC (USA)

The actuarial SAA's information as of September 30, 2024.

0:2:43.262 --> 0:2:52.302

May, Drew T CIV DODHRA DPAC (USA)

A change in unfunded liability and the resulting October 1, 2025 Treasury amortization payment and normal cost payment.

0:2:53.692 --> 0:2:58.612

May, Drew T CIV DODHRA DPAC (USA)

2nd, we will review the September 30, 2025 evaluation.

0:2:58.612 --> 0:3:10.572

May, Drew T CIV DODHRA DPAC (USA)

Proposed methods and assumptions, including economic assumptions, non economic assumptions, and then lastly we'll review the resulting DoD normal cost percentages.

0:3:11.982 --> 0:3:18.622

May, Drew T CIV DODHRA DPAC (USA)

The objectives for VSI are to approve methods, assumptions and the September 30, 2024 evaluation.

0:3:27.162 --> 0:3:34.162

May, Drew T CIV DODHRA DPAC (USA)

We'll begin the closed group valuation results with the starting population as of September 30, 2024.

0:3:35.902 --> 0:3:54.22

May, Drew T CIV DODHRA DPAC (USA)

1st we have the prior retirement population which is further split into blended retirement system and non blended retirement system as the retirement plans and the pre retirement population can also be grouped by active duty which includes full time reservist.

0:3:57.242 --> 0:3:58.962

May, Drew T CIV DODHRA DPAC (USA)

Part Time selected reservist.

0:4:1.122 --> 0:4:8.522

May, Drew T CIV DODHRA DPAC (USA)

And non selected reservists with 20 good years, which we also refer to as Gray area.

0:4:9.902 --> 0:4:18.22

May, Drew T CIV DODHRA DPAC (USA)

We are still experiencing a decrease in both the active duty and drilling reserves population, possibly due to recruiting issues.

0:4:18.262 --> 0:4:30.302

May, Drew T CIV DODHRA DPAC (USA)

However, the rate of decrease for the active duty population has decreased this year, so a much smaller change, whereas the reservist decrease.

0:4:30.732 --> 0:4:33.292

May, Drew T CIV DODHRA DPAC (USA)

Has been similar to previous years.

0:4:35.772 --> 0:4:37.12

May, Drew T CIV DODHRA DPAC (USA)

Lastly.

0:4:38.582 --> 0:4:53.462

May, Drew T CIV DODHRA DPAC (USA)

Terms of population there is a pretty substantial increase in the Gray area, reservist and driving that is an updated Army personnel reporting system, which is showing a higher number of Gray area reserves.

0:4:55.182 --> 0:5:4.62

May, Drew T CIV DODHRA DPAC (USA)

We verified this both with a File Manager and liaison from army, so they are included in the population here, however.

0:5:4.292 --> 0:5:10.292

May, Drew T CIV DODHRA DPAC (USA)

Looking at our data, we see that most of them are well above the retirement age of 60.

0:5:11.662 --> 0:5:19.622

May, Drew T CIV DODHRA DPAC (USA)

And consequently, we've adjusted our rates to assume that the increase in Gray area, they will not be claiming their benefits.

0:5:22.352 --> 0:5:27.752

May, Drew T CIV DODHRA DPAC (USA)

Both active duty and select reserves are seeing a pretty substantial increase in pay.

0:5:29.182 --> 0:5:42.222

May, Drew T CIV DODHRA DPAC (USA)

Despite the population decrease and that is due to a fiscal year 2024 annual salary increase of 5.2% as well as the normal pay and merit and recruiting and retention incentives.

0:5:44.812 --> 0:5:50.292

May, Drew T CIV DODHRA DPAC (USA)

Next is the retirement population, which includes non disabled retirees.

0:5:50.652 --> 0:5:54.92

May, Drew T CIV DODHRA DPAC (USA)

Disabled retirees and surviving families.

0:5:55.582 --> 0:5:59.222

May, Drew T CIV DODHRA DPAC (USA)

There is a small increase in the total number of non disabled retirees.

0:6:0.692 --> 0:6:15.812

May, Drew T CIV DODHRA DPAC (USA)

I 2:00-ish percent increase in the total number of disabled retirees. That increase might be partially attributable to the PACT act, and there is a 1.4% decrease in the survivor population.

0:6:17.262 --> 0:6:27.422

May, Drew T CIV DODHRA DPAC (USA)

And both the retiree and survivor population saw an increase in benefit with the 3.2% cola. On January 1st, 2024.

0:6:29.942 --> 0:6:31.342

May, Drew T CIV DODHRA DPAC (USA)

Are there any questions?

0:6:31.612 --> 0:6:33.292

May, Drew T CIV DODHRA DPAC (USA)

Comments on this page.

0:6:41.362 --> 0:6:42.42

Mike Clark

None here drew.

0:6:42.612 --> 0:6:44.92

May, Drew T CIV DODHRA DPAC (USA)

Hearing none, let's continue.

0:6:51.242 --> 0:6:59.682

May, Drew T CIV DODHRA DPAC (USA)

On this page we have the actuarial status as of September 30, 2024 with the prior year for comparison purpose.

0:7:0.572 --> 0:7:10.332

May, Drew T CIV DODHRA DPAC (USA)

Item one, we have the total present value of future benefits which has increased 5% to 2.6812 trillion.

0:7:11.942 --> 0:7:12.222

May, Drew T CIV DODHRA DPAC (USA)

Item 2.

0:7:12.302 --> 0:7:20.462

May, Drew T CIV DODHRA DPAC (USA)

The present value of future normal cost contributions has also increased 5% to 450.3 billion.

0:7:22.142 --> 0:7:29.422

May, Drew T CIV DODHRA DPAC (USA)

Item 4 Fund has increased 13% to 1.6047 trillion.

0:7:30.492 --> 0:7:36.932

May, Drew T CIV DODHRA DPAC (USA)

And if anyone's interested in the changes, those are outlined in more detail and footnote 2.

0:7:38.742 --> 0:7:53.622

May, Drew T CIV DODHRA DPAC (USA)

We calculate the unfunded accrued liability as the present value of future benefits minus the present value of future normal cost contributions minus the fund value, and that results in an unfunded liability of 626.2 billion.

0:7:54.62 --> 0:7:59.782

May, Drew T CIV DODHRA DPAC (USA)

And we'll we'll go over the reconciliation of the 12% decrease in unfunded liability.

0:8:0.212 --> 0:8:1.12

May, Drew T CIV DODHRA DPAC (USA)

On the next page.

0:8:3.302 --> 0:8:10.462

May, Drew T CIV DODHRA DPAC (USA)

Item 6 is the DoD normal cost percentage or NCP based on the 2024 valuation?

0:8:12.22 --> 0:8:18.662

May, Drew T CIV DODHRA DPAC (USA)

Item seven and eight are the DoD and Treasury NSP's, respectively, which were approved at last year's meeting and applied to basic pay.

0:8:20.462 --> 0:8:28.702

May, Drew T CIV DODHRA DPAC (USA)

Lastly, on this page we have the long term economic assumptions with COLA at 2.5%.

0:8:28.972 --> 0:8:33.452

May, Drew T CIV DODHRA DPAC (USA)

Salary at 2.75% and interest at 4%.

0:8:33.522 --> 0:8:37.562

May, Drew T CIV DODHRA DPAC (USA)

There is no change from the September 30, 2023 evaluation.

0:8:38.932 --> 0:8:40.812

May, Drew T CIV DODHRA DPAC (USA)

Are there any questions or comments on this page?

0:8:45.142 --> 0:8:46.422

Mike Clark

Yeah, thank you, drew.

0:8:46.582 --> 0:9:3.102

Mike Clark

I'll just comment that as we look at the normal cost percentages for full time that it's pretty clear that the treasury portion of that is now well in excess of the DoD that's being driven by the concurrent receipt issue that the board has.

0:9:4.572 --> 0:9:14.412

Mike Clark

Been commenting on for several years now where you know we now see essentially that more than half of the normal cost is being funded through treasury rather than ad budget.

0:9:17.932 --> 0:9:18.612

May, Drew T CIV DODHRA DPAC (USA)

That's correct.

0:9:20.812 --> 0:9:29.932

May, Drew T CIV DODHRA DPAC (USA)

And see between these two years shift increasing treasury and that is due to VA offset parameters that were approved last year.

0:9:38.732 --> 0:9:42.692

May, Drew T CIV DODHRA DPAC (USA)

If there are no further questions or comments, we will continue.

0:9:46.582 --> 0:9:50.142

May, Drew T CIV DODHRA DPAC (USA)

On this page we have the change in unfunded liability.

0:9:51.532 --> 0:10:13.852

May, Drew T CIV DODHRA DPAC (USA)

We begin with the September 30, 2023 unfunded liability and the fiscal year 2024 amortization payment and rolling forward at the long term interest assumption of 4%. To get unexpected unfunded liability of 581.8 billion as mentioned on the pre.

0:10:13.852 --> 0:10:19.292

May, Drew T CIV DODHRA DPAC (USA)

Page the actual unfunded liability was 626.2 billion.

0:10:20.352 --> 0:10:24.432

May, Drew T CIV DODHRA DPAC (USA)

So we have a total loss of 44.4 billion.

0:10:27.702 --> 0:10:30.742

May, Drew T CIV DODHRA DPAC (USA)

The loss can be broken into 3 components.

0:10:31.262 --> 0:10:32.742

May, Drew T CIV DODHRA DPAC (USA)

1st is experience.

0:10:33.542 --> 0:10:40.822

May, Drew T CIV DODHRA DPAC (USA)

The fund yield was 4%. Valuation assumptions also 4% and we had a gain of 5.1 billion.

0:10:42.252 --> 0:10:47.932

May, Drew T CIV DODHRA DPAC (USA)

The gain also includes actual payments being different than expected due to reasons such as timing.

0:10:49.692 --> 0:10:56.972

May, Drew T CIV DODHRA DPAC (USA)

The January 1, 2025 salary increase was 4.5% compared to the valuation assumption of 2.75%.

0:10:57.802 --> 0:11:0.362

May, Drew T CIV DODHRA DPAC (USA)

Which led to a loss of 11 billion.

0:11:3.862 --> 0:11:9.862

May, Drew T CIV DODHRA DPAC (USA)

And then lastly, the COLA was 2.5% matching the valuation assumption?

0:11:10.562 --> 0:11:14.962

May, Drew T CIV DODHRA DPAC (USA)

Which resulted in no camera loss.

0:11:17.42 --> 0:11:25.202

May, Drew T CIV DODHRA DPAC (USA)

There was also a non economic gain of 3.3 billion, which is broken out in a foot of four.

0:11:27.12 --> 0:11:32.92

May, Drew T CIV DODHRA DPAC (USA)

And combining this results in an experienced loss of 2.6 billion.

0:11:35.42 --> 0:11:44.802

May, Drew T CIV DODHRA DPAC (USA)

Sequestration of the October 1st, 2024 Treasury concurrent receipt normal cost contribution led to a loss of 2 billion.

0:11:45.442 --> 0:11:47.642

May, Drew T CIV DODHRA DPAC (USA)

There were no plan or benefit changes.

0:11:49.132 --> 0:12:4.732

May, Drew T CIV DODHRA DPAC (USA)

And new assumptions resulted in a loss of 39.7 billion, which is consistent with the increase in September 30, 2023, reliability of 34.7 billion calculated last year when the assumptions were approved.

0:12:6.142 --> 0:12:8.582

May, Drew T CIV DODHRA DPAC (USA)

Are there any questions or comments on this page?

0:12:10.12 --> 0:12:19.292

John Moore

Yes, Gerard just would like to comment about the, you know, the small size of the gain and loss that you guys continue to show each year.

0:12:20.812 --> 0:12:25.852

John Moore

Certainly helps us make makes us comfortable on the quality of the data and the valuation assumptions.

0:12:27.492 --> 0:12:32.852

John Moore

In, in contrast to some of the challenges that we'll, you know, see on the EVF side of the.

0:12:35.372 --> 0:12:38.172

John Moore

Consistently hitting, hitting the numbers so tightly.

0:12:39.162 --> 0:12:44.842

John Moore

It reflects well on the systems, but I think Oak has set up, just wanted to call that out.

0:12:46.392 --> 0:12:46.752

May, Drew T CIV DODHRA DPAC (USA)

Thank you.

0:12:50.822 --> 0:12:51.462

John Moore

I think we're good.

0:12:52.532 --> 0:12:52.692

May, Drew T CIV DODHRA DPAC (USA)

OK.

0:12:52.562 --> 0:12:53.82

Mike Clark

Agree.

0:12:54.612 --> 0:12:56.132

May, Drew T CIV DODHRA DPAC (USA)

Continuing to the next page.

0:12:57.642 --> 0:13:8.282

May, Drew T CIV DODHRA DPAC (USA)

On this page we have the amortization payment for the initial and funded liability benefit change assumption, change experience and prior year unpaid contribution.

0:13:9.562 --> 0:13:13.162

May, Drew T CIV DODHRA DPAC (USA)

The payment this year will be a significant milestone for the fund.

0:13:14.932 --> 0:13:29.332

May, Drew T CIV DODHRA DPAC (USA)

The Military Retirement Fund was established in 1984 and prior to then there were no contributions resulted in an initial unfunded liability of 528.7 billion.

0:13:31.12 --> 0:13:38.932

May, Drew T CIV DODHRA DPAC (USA)

And in fiscal year 2023, NDAA 2021 added the US Coast Guard to the Mutual Retirement Fund with an initial unfunded.

0:13:39.242 --> 0:14:0.22

May, Drew T CIV DODHRA DPAC (USA)

Ability of 59.7 billion the October 1, 2025 payments of 114.342 billion and 22.122 billion for the initial unfunded, and the Coast Guard initial unfunded, respectively, will be the last payments for the init.

0:14:0.12 --> 0:14:0.922

May, Drew T CIV DODHRA DPAC (USA)

Unfunded liabilities?

0:14:3.292 --> 0:14:8.372

May, Drew T CIV DODHRA DPAC (USA)

Continuing with the remaining items, the amortization period for benefit change.

0:14:9.2 --> 0:14:10.482

May, Drew T CIV DODHRA DPAC (USA)

Actuarial assumptions.

0:14:11.162 --> 0:14:22.482

May, Drew T CIV DODHRA DPAC (USA)

Actual experience is 17 years, which is the liability weighted average of the old basis and the new basis which will be amortized in 20 years.

0:14:23.82 --> 0:14:35.522

May, Drew T CIV DODHRA DPAC (USA)

The prior year unpaid contribution is the accretion of the prior Treasury contribution and it is treated as actual experienced loss and amortized over one year.

0:14:36.252 --> 0:14:39.52

May, Drew T CIV DODHRA DPAC (USA)

Combined, this results in a total mortgage payment.

0:14:39.762 --> 0:14:44.162

May, Drew T CIV DODHRA DPAC (USA)

Of 161.413 billion.

0:14:46.252 --> 0:15:6.52

May, Drew T CIV DODHRA DPAC (USA)

The normal cost payment is 28.945 billion and as mentioned earlier, we can see an increase in normal cost payment due to the shift in allocation of normal cost percentage from DoD to Treasury due to concurrent related assumptions.

0:15:7.942 --> 0:15:19.702

May, Drew T CIV DODHRA DPAC (USA)

Combined with results in an October 1, 2025 total Treasury payment of 190.358 billion.

0:15:21.912 --> 0:15:24.152

May, Drew T CIV DODHRA DPAC (USA)

That concludes the valuation results.

0:15:24.192 --> 0:15:27.392

May, Drew T CIV DODHRA DPAC (USA)

Are there any questions or comments on this page?

0:15:30.892 --> 0:15:46.132

Mike Clark

I would just like to comment that yes, since I've been a member of the board, we've seen these large initial unfunded payments from Treasury helping to close the unfunded liability of the plan and and going forward, I think we can assume that that's going to slow or maybe.

0:15:46.132 --> 0:15:54.612

Mike Clark

Even not happen at all when you take out \$136 billion worth of immortization payments going forward.

0:15:57.222 --> 0:15:57.862

May, Drew T CIV DODHRA DPAC (USA)

That's correct.

0:16:0.462 --> 0:16:3.22

John Moore

Drew, at this point, do you need a motion from us?

0:16:5.42 --> 0:16:6.362

May, Drew T CIV DODHRA DPAC (USA)

Yes, I believe we do.

0:16:7.442 --> 0:16:8.282

John Moore

Right. So.

0:16:8.442 --> 0:16:9.362

Mike Clark

Very good so.

0:16:10.932 --> 0:16:16.572

Mike Clark

I will move to approve the amortization methodology for the Treasury payment as described by Drew.

0:16:19.882 --> 0:16:21.202

John Moore

Margaret, can I get a second?

0:16:21.802 --> 0:16:22.402

Margaret Berger

2nd.

0:16:23.382 --> 0:16:30.702

John Moore

All right. Any, any further discussion on the 101012025 amendsation payment?

0:16:32.42 --> 0:16:36.42

John Moore

I was like, I echoed Mike's comments as kind of after what, I guess 40 years.

0:16:36.42 --> 0:16:40.122

John Moore

Nice seeing the initial amortization hit that milestone.

0:16:41.732 --> 0:16:43.212

John Moore

Was kind of anyway nice.

0:16:43.212 --> 0:16:44.132

John Moore

Nice to see that.

0:16:45.772 --> 0:16:46.732

John Moore

Any any further discussion?

0:16:48.572 --> 0:16:50.652

John Moore

All right, all in favour. Good Mike.

0:16:49.2 --> 0:16:49.42

Mike Clark

I.

0:16:49.42 --> 0:16:50.642

Mike Clark

I guess I'll just add that.

0:16:50.642 --> 0:17:6.202

Mike Clark

I'll just add that you know the original intent I think was for Treasury to pick up the initial unfunded and other amortization payments and we're now moving into a structure where we're going to see the amount of amortization from treasury being much lower, but then picking up the.

0:17:6.842 --> 0:17:9.82

Mike Clark

Normal cost through through concurrent receipt.

0:17:9.82 --> 0:17:10.562

Mike Clark

So it's kind of a change in the.

0:17:11.882 --> 0:17:13.402

Mike Clark

A seat change for us here.

0:17:14.102 --> 0:17:14.222

John Moore

Yep.

0:17:16.412 --> 0:17:22.292

John Moore

Right. All in favor, please say aye. Aye. All right.

0:17:20.472 --> 0:17:20.632

Margaret Berger

And.

0:17:22.292 --> 0:17:23.292

John Moore

Motion carries.

0:17:23.772 --> 0:17:24.532

John Moore

Back to you, drew.

0:17:27.212 --> 0:17:29.52

May, Drew T CIV DODHRA DPAC (USA)

That concludes my portion.

0:17:29.52 --> 0:17:38.172

May, Drew T CIV DODHRA DPAC (USA)

Next Pier Rossi will be presenting material on the economic summptions for the 2025 valuation.

0:17:39.372 --> 0:17:39.692

John Moore

Very good.

0:17:39.692 --> 0:17:40.852

John Moore

Thanks, drew. Appreciate it.

0:17:43.182 --> 0:17:43.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Yes, thanks.

0:17:43.942 --> 0:17:44.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Thanks drew.

0:17:44.502 --> 0:17:53.22

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I thought about saying, you know, some kind of celebration for this being the final amortization payment, but it's Monday. So we're not going to do that.

0:17:53.22 --> 0:17:54.22

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Maybe if it's a Friday.

0:17:55.452 --> 0:17:56.92

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

You have more fun.

0:17:57.732 --> 0:18:4.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So this portion of the meeting, this is another point where we would need board approval.

0:18:4.732 --> 0:18:12.372

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is setting the September 30th 2025 valuation assumptions that we're proposing.

0:18:12.722 --> 0:18:14.762

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So both economic and non economic.

0:18:14.762 --> 0:18:20.962

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So I will start with the economic, the long term economic assumptions and then we will have.

0:18:22.492 --> 0:18:24.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A board discussion after that and then we will move.

0:18:26.412 --> 0:18:42.852

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The first slide on the screen here is the considerations in setting long term economic assumptions really just as kind of a high level explanation of of how actually set long term economic assumptions. I know over my time here in this office there there's always kind of questions of.

0:18:43.262 --> 0:18:46.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Of how the board goes about how accurate would go about setting assumptions.

0:18:46.422 --> 0:18:47.982

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So this kind of lays it out.

0:18:49.452 --> 0:18:51.372

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Really following our professional requirements so.

0:18:53.92 --> 0:18:54.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

More so for for reading afterwards.

0:18:55.212 --> 0:18:55.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Next slide please.

0:19:0.522 --> 0:19:3.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Here are all the different economic assumptions at a glance.

0:19:5.282 --> 0:19:9.842

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's in a couple different glances here, but we'll start with on on the left side.

0:19:10.2 --> 0:19:26.402

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is the primary measurement of inflation, salary and interest rate, and those things mean different things for each of the program. For each program that we're going to look at, followed by a reference date and then a kind of a rate projection period.

0:19:26.402 --> 0:19:40.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So for example, on the the second column here says MRF military time concurrent for 2024 that was set at by 24th meeting where the board looks forward 75 to 100 years.

0:19:40.762 --> 0:19:45.322

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We have a current rates of inflation in colad 2.5%.

0:19:46.812 --> 0:19:47.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For across the board salary.

0:19:47.972 --> 0:20:0.892

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So there's the increase in the pay table 2.75 and then an interest rate of 4% under those in in italics, we could see the the salary real is .25%.

0:20:0.892 --> 0:20:4.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Where that is just the nominal salary number above 2.75.

0:20:5.242 --> 0:20:19.2

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

-2.5 and then an interest rate assumption and the real terms of 1.5% and as we kind of

journey from left to right, we have the the healthcare fund for comparative purposes there.

0:20:19.2 --> 0:20:28.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There's other implications in the healthcare fund that that really don't align well with retirement. Things like long term trend assumption, but the purpose is there are two boards here.

0:20:29.612 --> 0:20:30.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

In in the department that.

0:20:32.292 --> 0:20:34.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There are two exuberant boards, and they're staffed by three.

0:20:34.442 --> 0:20:44.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Different boards, so this is for for DoD board to get an idea of what the Health Care Board is looking at, we have the OPM or civil Service Board of Actuaries.

0:20:45.282 --> 0:20:58.362

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

They met earlier this year, so dear 616 kind of a same projection rate looking forward and they have inflation, salary and interest. And then we also look at the Social Security actuaries.

0:20:59.492 --> 0:21:14.132

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Really their their low, intermediate and high cost assumptions, but smack dab in the middle of the intermediate is is the good good focus or good comparative to folks. Our retirement fund and then kind of separately off on the side are three other things we've looked at.

0:21:15.162 --> 0:21:22.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That we have military time and financial statements which are more of a 10 year look back to project forward that is that's set for a financial reporting purposes.

0:21:23.82 --> 0:21:27.962

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We have a CBO long term budget outlook that was released March of this year.

0:21:28.202 --> 0:21:32.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That's that's more of what things. What things look like in 10 years.

0:21:34.52 --> 0:21:44.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For 10 or 20 years out from that point, and then we have the administration's look at the mid session review and the third column, I will comment that we used the board maybe.

0:21:44.882 --> 0:21:50.562

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Used to seeing things like the blue chip that that are this office is used for for quite a number of years.

0:21:52.212 --> 0:21:53.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That that is just much harder.

0:21:53.492 --> 0:21:54.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Much more harder to collect that information.

0:21:55.12 --> 0:21:56.372

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So at the very, very bottom.

0:21:58.212 --> 0:22:12.852

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

In in the footnote 7 just notes what what the blue chip assumptions were and I want to point out that these are unverified Internet search or a a Microsoft Copilot spit these results out so we take them with an unverified grain of salt.

0:22:12.852 --> 0:22:14.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But they do align with what we're seeing.

0:22:15.322 --> 0:22:18.762

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Being on Social Security and others, any questions from the board.

0:22:20.22 --> 0:22:20.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Or others.

0:22:25.32 --> 0:22:25.632

Mike Clark

None here.

0:22:25.282 --> 0:22:27.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Seeing seeing shaking heads.

0:22:29.622 --> 0:22:32.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

You can go to the next slide, please, drew. Thank you.

0:22:35.932 --> 0:22:36.692

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Slew of numbers.

0:22:36.692 --> 0:22:42.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We're gonna go through each one one by one and really dig into it here to make sure that we can use up this entire hour of time.

0:22:42.532 --> 0:22:47.92

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So the first number is the square 2025.

0:22:47.612 --> 0:22:48.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I go that route.

0:22:48.852 --> 0:22:49.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Social Security.

0:22:49.532 --> 0:22:59.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So this is the projection of military retirement fund yields using inputs from the 2025 Social Security intermediate sets and assumptions of what we looked at in the prior slide.

0:23:1.132 --> 0:23:5.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then really, we go a year by year, look so on the.

0:23:7.362 --> 0:23:21.82

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

On the left side, we start fiscal year with inflation. The underlying inflation used for that particular year will call a real fund yield a nominal fund yield where the nominal fund yield is the where the real is the nominal to what's right.

0:23:21.762 --> 0:23:27.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Inflation out and we have different layouts for for new investments and reinvestments.

0:23:29.892 --> 0:23:34.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Right side, we break them down into 10203050 and 75 year averages.

0:23:35.62 --> 0:23:39.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But the focus is typically being on the highlighted cells here on the the 20 year fungated average.

0:23:40.382 --> 0:23:41.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So just to read this.

0:23:43.372 --> 0:23:57.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

First highlighted cell is 20 year fund weighted average, so it's weighted by the size of the fund where inflation over that this 20 years comes out to be about 2.4% the nominal fund year comes out to be 4% for a real over this time.

0:23:57.612 --> 0:23:58.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Of 1.6.

0:24:0.252 --> 0:24:5.372

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Just for the board's reminder of the current real assumption is 1.5. As we can see.

0:24:5.802 --> 0:24:11.362

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The next highlighted version here for the current MRF assumptions, there's some other kind of standard actuarial.

0:24:12.892 --> 0:24:21.452

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Measures of liability duration, normal cost duration for the part time folks and for the full time folks that we have a couple sensitivities.

0:24:23.92 --> 0:24:34.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Scroll down a little bit and then couple notes for the the slide itself, but the real big take away is what we saw the highlighted version for the 20 year waited.

0:24:39.12 --> 0:24:40.52

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Any good questions?

0:24:41.612 --> 0:24:42.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Next slide.

0:24:44.292 --> 0:24:45.292

Mike Clark

Can we?

0:24:45.292 --> 0:24:48.652

Mike Clark

I guess can we stop here and and make a just a couple of comments please?

0:24:48.532 --> 0:24:49.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Yes.

0:24:49.452 --> 0:24:59.292

Mike Clark

Yeah. So I guess just to give a little background on our thinking, as we look at this is you know the the new investment rate of 4.7%.

0:25:0.692 --> 0:25:10.532

Mike Clark

Seems very reasonable considering that you know the fund is mostly 30 year treasuries and tips, and that's about right where the yield is today, so seemed like a reasonable assumption to me.

0:25:12.92 --> 0:25:14.852

Mike Clark

And the inflation rate, I don't.

0:25:14.852 --> 0:25:19.612

Mike Clark

I still don't feel like I really know if that's going to tick up or down going forward.

0:25:19.612 --> 0:25:24.572

Mike Clark

So I think the 2.4 seems reasonable enough to compare it to everyone else.

0:25:26.52 --> 0:25:26.292

Mike Clark

I could.

0:25:26.292 --> 0:25:40.172

Mike Clark

I always look at that 20 to 30 year box that you have highlighted there, Pete. And I think if things were a little less in flux, I could have been, I could have been convinced to consider an increase in the real rate of return to 1.7.

0:25:40.172 --> 0:25:40.372

Mike Clark

5.

0:25:40.682 --> 0:25:45.722

Mike Clark

But the way things are, I'm comfortable with the the 1 1/2 that we're showing here.

0:25:51.332 --> 0:25:54.412

John Moore

Thank you for your comments, Mike. I think that that is helpful and.

0:25:56.692 --> 0:26:4.212

John Moore

This information, and I also just the presentation of the other systems out there is helpful to keep this all pulled together.

0:26:12.682 --> 0:26:13.162

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right.

0:26:13.242 --> 0:26:15.442

John Moore

Go ahead, go ahead and get 12 on.

0:26:14.162 --> 0:26:21.402

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Yeah, let's move to the next slide. And this is just a a restocking of what we just saw.

0:26:21.402 --> 0:26:31.202

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But I this is an area, I think we're going to try to move to, to move from the more familiar set of have a bunch of numbers to to something that's a little more dashboard like.

0:26:31.682 --> 0:26:36.762

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So a lot of a lot of these numbers kind of tied together what we just saw and then what we're going to see.

0:26:37.572 --> 0:26:42.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we we also show some normal cost sensitivities on here or normal cost percentages.

0:26:42.682 --> 0:26:47.682

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

These are the rates that are applied to basic pay contributions for for both.

0:26:49.172 --> 0:26:53.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The departments cause for MRF, but also the ongoing.

0:26:54.932 --> 0:26:58.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Current receipt cost that is covered by Treasury October 1st of every year.

0:26:58.412 --> 0:27:3.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So just show some sensitivities on the on the grayed out section here for the nominal NCPS.

0:27:3.692 --> 0:27:9.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

What happens if we were to reduce all all assumptions, interest only, or salary only?

0:27:11.252 --> 0:27:11.892

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Kind of. See the.

0:27:13.2 --> 0:27:16.82

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

On the right side in the Delta chart, what happens if?

0:27:18.132 --> 0:27:24.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

As Squar just said, if we were to increase or decrease the interest only assumption, what the NCP's would look like?

0:27:26.372 --> 0:27:28.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Keep mods going down please.

0:27:28.652 --> 0:27:33.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The investment there, there's the investment policy which we collect from the DPAS investment Board.

0:27:34.252 --> 0:27:43.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We are very fortunate to have Jonathan Poe, the director of trust funds, on the line. If the board would like to ask any questions of him and then just the the portfolio allocation.

0:27:43.482 --> 0:27:54.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Currently, for the retirement fund, it's about 60 to 80% in tips or treasury inflation protected securities, 20 to 40% conventional notes bonds except for high premium.

0:27:56.452 --> 0:28:7.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Areas where Tip's not offered, and then there's a a hold back for a variance in multiple benefit pairs to ensure that the fund has enough to cover any obligations.

0:28:8.852 --> 0:28:15.812

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then this chart here at the very, very bottom is, is is really two ways to look at what we saw of the cascade of numbers above.

0:28:16.542 --> 0:28:24.822

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So in the solid blue line is is the nominal fund meal. The dotted blue line is the board assumption for the nominal rate.

0:28:27.212 --> 0:28:36.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Is yes, the board assumption for the nominal rates of the board has a current

assumption of 4% and the 4% going across. And then on the bottom part is the real chart.

0:28:37.12 --> 0:28:44.772

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So again, these solid red lines track back to what we saw on page 11 and the dotted red line is the current board assumption of 1.5%.

0:28:46.442 --> 0:28:48.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Summary measures to the right side.

0:28:50.132 --> 0:28:57.52

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Are exactly from the table above, so the 1.6% reopened the 20 year and the 4% phenomenal.

0:28:58.732 --> 0:29:0.332

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Are are tracking to the highlighted sections we saw.

0:29:1.892 --> 0:29:2.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

On table 11.

0:29:3.852 --> 0:29:7.92

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So that is all the information we had on the long term economic assumptions.

0:29:7.92 --> 0:29:7.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So I will.

0:29:7.972 --> 0:29:9.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I will pause here for discussion.

0:29:12.542 --> 0:29:14.502

John Moore

Right, I believe.

0:29:15.932 --> 0:29:16.12

John Moore

OX.

0:29:16.12 --> 0:29:23.532

John Moore

Kind of need a motion from us on the long term economic assumptions at this point.

Would anyone?

0:29:22.722 --> 0:29:23.562

Margaret Berger

That's right.

0:29:24.722 --> 0:29:26.242

Margaret Berger

Go back to page 10 maybe.

0:29:29.192 --> 0:29:30.992

Margaret Berger

Just to show those assumptions.

0:29:34.712 --> 0:29:37.472

Margaret Berger

So I will make a motion.

0:29:38.242 --> 0:29:59.452

Margaret Berger

To maintain the long term assumptions that we've got noted here, that's the inflation of 2 1/2 percent salary scale 2.75 interest rate 4%, and that collectively implies or they collectively imply a .25% real salary and a one and a.

0:29:59.452 --> 0:30:0.882

Margaret Berger

Half percent real interest rates.

0:30:3.262 --> 0:30:4.742

John Moore

Mike, can I get a second second?

0:30:3.302 --> 0:30:3.862

Mike Clark

I will.

0:30:4.662 --> 0:30:5.782

Mike Clark

I will second that motion.

0:30:6.292 --> 0:30:9.92

John Moore

Great. All right, further discussion.

0:30:11.292 --> 0:30:13.412

John Moore

Yeah. Any further discussion on these assumptions?

0:30:15.342 --> 0:30:23.942

Mike Clark

I just like the new dashboard that Pete showed us, and if you squint at it just right, you can see where I might be inclined to think about a 1.75 real rate of return.

0:30:23.982 --> 0:30:31.542

Mike Clark

I just think we're on a tipping point where I can't say whether we're heading towards a recession or stagflation or what.

0:30:31.542 --> 0:30:35.662

Mike Clark

So I'm totally fine holding the line where we are this year.

0:30:38.602 --> 0:30:54.962

John Moore

And I'll I'll I'll add really just follow that up. The preferred I prefer to leave things where they are for those reasons. There is yeah, as you might guess, you said I think the one area where we were looking at possibly moving is increasing that real rate but.

0:30:57.212 --> 0:30:59.452

John Moore

Until we have more information, I'd prefer to stay steady.

0:30:59.452 --> 0:31:2.852

John Moore

So I certainly will be supporting Margaret's motion.

0:31:5.212 --> 0:31:6.172

John Moore

Any further?

0:31:5.352 --> 0:31:5.912

Mike Clark

Agreed.

0:31:7.762 --> 0:31:8.522

John Moore

All right.

0:31:8.522 --> 0:31:11.162

John Moore

Why don't? If that's good, let's go and take it to a vote.

0:31:11.162 --> 0:31:13.602

John Moore

Can we all in favor please?

0:31:13.602 --> 0:31:13.962

John Moore

Say aye, aye.

0:31:14.732 --> 0:31:15.52

Margaret Berger

Hi.

0:31:14.812 --> 0:31:14.932

Mike Clark

Aye.

0:31:16.492 --> 0:31:17.452

John Moore

All right, motion carries.

0:31:17.452 --> 0:31:20.252

John Moore

All right, you've got. Oh, actually have the long term assumptions set.

0:31:22.472 --> 0:31:23.72

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Yeah, well there.

0:31:23.72 --> 0:31:31.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So John is going to gonna get into the non economic stuff and I I may be back around for a point or two here, John.

0:31:33.842 --> 0:31:34.282

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Great.

0:31:35.772 --> 0:31:39.412

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Sorry, drew. I'm gonna take control real quick as I'm gonna be jumping around back and forth.

0:31:43.212 --> 0:31:44.372

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

You guys have to see my screen.

0:31:49.652 --> 0:31:50.572

John Moore

Yes, we are.

0:31:49.662 --> 0:31:50.22

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Good job.

0:31:53.42 --> 0:31:55.42

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

As for the record, my name is Jonathan Long.

0:31:55.42 --> 0:31:56.242

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

I'll be covering the.

0:31:57.812 --> 0:32:6.52

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Proposed non economic assumption changes for the September 30th, 2025 MRF valuation and the FY20 27 MRF normal cost percentages.

0:32:8.452 --> 0:32:18.532

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So in this table here the 1st row is the budgeted NCP 20, oh from FY20 26 and these are using the prior assumptions and methods approved from last valuation.

0:32:20.492 --> 0:32:21.892

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

2nd row is the same.

0:32:23.2 --> 0:32:24.562

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

With one additional year of.

0:32:26.592 --> 0:32:31.112

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

One additional year or this is the same assumptions to obtain the.

0:32:32.532 --> 0:32:33.492

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

FY20, 27.

0:32:35.132 --> 0:32:39.292

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And the row after that is one additional year mortality improvement.

0:32:40.922 --> 0:32:48.162

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

The first assumption that we're gonna be covering is the proposed V offset parameters and retired payoff waiting factors.

0:32:48.202 --> 0:33:0.882

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

I'll be covering that more in detail after and how Pete Rossi covered the proposed pans and new pay distribution, as well as the mortality improvement and member spouse age difference.

0:33:5.342 --> 0:33:14.662

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So the first change, which also has the biggest impact on the DoD NCP as shown here is the proposed V offset parameters.

0:33:15.962 --> 0:33:32.572

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So this proposal results in a 3.5% decrease to the FY20 27 full time DoD, NCP and a 2.8% decrease to the FY20 27 part time DoD, NCP as well as a increase in the number 30th 2024.

0:33:33.42 --> 0:33:34.282

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Of 9.8 billion.

0:33:36.972 --> 0:33:43.972

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

This way you described this update is or changing the experience period used to calculate both the full and partial VA offset factors.

0:33:44.902 --> 0:33:48.502

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

For new, non disabled and disabled retirees.

0:33:50.852 --> 0:34:0.492

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Some bullet points here, but the bottom line is yeah, we're updating the experience here to bring it up to 20/20/2022 and to 2024.

0:34:2.12 --> 0:34:3.892

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Previously, the DoD NCP's were using.

0:34:5.692 --> 0:34:18.412

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Fiscal years 1819 and 2022 to 23. A blend of these two experience periods to calculate the non disabled factors and for the total NCPS or current assumptions use.

0:34:20.132 --> 0:34:20.452

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

FY20.

0:34:20.762 --> 0:34:22.602

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

2022 into 2023.

0:34:25.972 --> 0:34:31.172

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Next changes for disabled partial factors and full V offset factors.

0:34:31.252 --> 0:34:39.732

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Again, this is just bringing it to the most recent three years of experience as well as the simplification of the factors from 64 race to 8 race.

0:34:40.452 --> 0:34:44.812

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Now I'm gonna let's give you a context for how many race are dealing with.

0:34:45.52 --> 0:34:50.292

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

I'm gonna move to attachment three. So this is for the disabled partial V.

0:34:50.292 --> 0:34:51.532

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Eight factors you can see.

0:34:52.252 --> 0:34:57.292

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Just from this table alone for the total NCP, we have 16 factors here.

0:34:57.962 --> 0:35:1.602

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And this is just for disabled partial.

0:35:2.2 --> 0:35:7.882

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Then we also have the disabled full, so another 16 here with this 32 factors, but we're simplifying it to.

0:35:10.92 --> 0:35:12.812

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Eight factor total eight factors, SO44 total, NCP.

0:35:14.812 --> 0:35:20.812

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Partial disabled partial factors, and then another four for disabled full VA offset factors.

0:35:23.132 --> 0:35:26.892

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Similar similar concept to DoD, but it's the.

0:35:29.372 --> 0:35:34.332

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

View of how much or how many factors are the change each each time we update these experience periods.

0:35:34.332 --> 0:35:35.652

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So we are just simplifying.

0:35:36.402 --> 0:35:37.82

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Essentially the.

0:35:39.2 --> 0:35:40.122

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Simplifying it down to.

0:35:41.572 --> 0:35:44.812

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Eight rates for total NCPN, DoD, NCP.

0:35:55.682 --> 0:36:8.842

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So the first part that I covered was the vocal parameters and these applies to new retirees. The next update is the retired pay waiting factors that will cover for continuing continuing retirees.

0:36:10.292 --> 0:36:19.492

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

These change currently in our model, we use the retired pay waiting factors to reflect the non cola changes.

0:36:21.252 --> 0:36:21.852

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

That can.

0:36:21.852 --> 0:36:25.252

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

That can occur for the retired pay for continued retirees.

0:36:27.672 --> 0:36:35.952

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So in in the calculation of the pay weighing factors, we have changes to this disability ratings adjustment to SAP premiums and pay bias.

0:36:38.482 --> 0:36:46.482

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Currently, the experience period that we use for the pay waiting factors are 2017 to 2020 and we're bringing up to the most recent three years.

0:36:48.12 --> 0:36:55.612

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Also, in the calculation of the pay waiting factors in our model, we we have a 2% reduction in the average non disabled retired pay.

0:36:57.332 --> 0:37:1.412

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We proposed a limiting this limit and said reflect 1/2 reduction.

0:37:3.52 --> 0:37:3.972

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Or basically instead of.

0:37:5.682 --> 0:37:7.522

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Let's just say like a 95%.

0:37:9.492 --> 0:37:21.732

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Pay factor. They would instead get a 90. I believe a 97.5 or just adding back some of the reduction reduction that was initially captured in the experience.

0:37:25.892 --> 0:37:30.372

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Just to go over some rationale for some of the for the two changes I discussed.

0:37:33.442 --> 0:37:39.522

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So the first using experience period is just to attention is to grab.

0:37:39.562 --> 0:37:47.802

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

The more the more recent data that's as a result of the packed act and as well as just the gather impact of concurrent receipt.

0:37:50.52 --> 0:37:55.852

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

For disabled factors, this is the first time the impact of Pactec has been included in our model.

0:38:1.402 --> 0:38:7.402

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

As for the pay waiting factors, the 2% change on the pay on the 2% cap on pay factors.

0:38:9.292 --> 0:38:15.772

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

You're instead of reflecting half reduction, and this is our reasonable refinement to the current approach.

0:38:16.372 --> 0:38:27.612

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We do recognize the ongoing downward pressure of the DoD NCP's being driven by the increased utilization of the disability compensation under concurrent receipt.

0:38:28.762 --> 0:38:31.722

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And without shooting, too, too far.

0:38:33.332 --> 0:38:35.532

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We are just using half the reduction for now.

0:38:37.532 --> 0:38:43.292

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We did look at the impact of reflecting the full experience of the.

0:38:44.652 --> 0:38:44.972

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Pay factors.

0:38:47.82 --> 0:38:47.762

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So.

0:38:50.112 --> 0:38:55.192

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Using capital reduction right now, it's 1.6% and 1%.

0:38:56.612 --> 0:38:58.852

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

For all and part-time DoD and C respectively.

0:38:59.92 --> 0:39:16.52

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

But if you were to reflect the full factors without any of the half reduction, this would be an additional 2.7 percentage for the full time DoD. So total of 4.3% if we were to reflect the full.

0:39:18.92 --> 0:39:18.572

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Factor.

0:39:19.162 --> 0:39:20.642

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Without any adjustment to the.

0:39:22.42 --> 0:39:22.802

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Reduction.

0:39:27.102 --> 0:39:27.342

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
See.

0:39:35.292 --> 0:39:37.252

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Any comments or questions on?

0:39:38.892 --> 0:39:40.452

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
As part of the proposal for now.

0:39:43.932 --> 0:39:52.92

Mike Clark

I guess just to sum it up, John, that this is really O act is attempting to more accurately reflect what you're seeing from.

0:39:54.212 --> 0:39:56.692

Mike Clark

Disability, you know, concurrent receipt type benefits.

0:39:58.852 --> 0:40:13.452

Mike Clark

And that we know that that's been accelerating lately and then it is exerting downward

pressure. Not to belabor the concurrent receipt issue, but it it really is accelerating the downward pressure on on the DoD normal cost percentages as it shifts over to treasury.

0:40:14.402 --> 0:40:17.202

Mike Clark

But it does seem that experience supports that.

0:40:18.692 --> 0:40:19.972

Mike Clark

Based on how the law is written.

0:40:18.852 --> 0:40:19.452

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

That's correct.

0:40:43.82 --> 0:40:56.842

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Here no other comments. I pass it to Pete to cover the proposed the proposed promotion and merit skills. New entrant paid distribution and the mortality improvement and spouse age different.

0:40:59.272 --> 0:41:0.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Perfect. Thank you, John.

0:41:1.192 --> 0:41:8.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Not as glamorous, but 24 total very important assumptions that we are proposing to the board.

0:41:9.112 --> 0:41:17.872

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The first two are are related, so it's proposed promotion and merit scales or Pams and the new entry pay table distribution.

0:41:19.332 --> 0:41:25.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So earlier when we were speaking about economic assumptions, we we were talking about the salary assumptions.

0:41:25.412 --> 0:41:29.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That is just the the increase in one pay table for the next across the board.

0:41:30.42 --> 0:41:47.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Every cell gets the same increase occasionally as what happened with the last National Defense Authorization Act, effective April. First this past year, junior enlisted members received an additional pay increase in addition to the 4.5 that was received in January.

0:41:47.802 --> 0:41:51.562

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And what happened is that creates an unevenness in the pay table.

0:41:52.82 --> 0:41:59.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We use this to model pay for Members as they move through their career as they as one for promotion and two for longevity.

0:42:0.322 --> 0:42:23.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So that action required us to restudy the pay, pay that the Pam's assumptions so incorporate new new pay table into our into our underlying experience work. We then were able to come out with a new new pans to apply for this upcoming evaluation work and on a.

0:42:23.932 --> 0:42:24.162

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Related matter.

0:42:24.972 --> 0:42:30.652

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

When there is a pay table change, we also have something called the new entry distribution that that that supports.

0:42:31.402 --> 0:42:39.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Are working. Projecting how a new entrant who enters service will let's say 18 or 19 moves through their career.

0:42:40.242 --> 0:42:48.202

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we have an assumption for the new the new entrant pay. So both of those needed to be re looked at as.

0:42:49.972 --> 0:42:50.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A.

0:42:50.12 --> 0:42:56.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

As a result of the prepayment restructuring that occurred this past April.

0:42:58.412 --> 0:43:2.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So the the the total result of that it does decrease the the full.

0:43:2.722 --> 0:43:9.322

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Time and part time NC PS and there was a a very slight increase to the accrued liability.

0:43:12.42 --> 0:43:13.682

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Well, Paul's there for that piece.

0:43:19.432 --> 0:43:19.952

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

33.

0:43:21.202 --> 0:43:21.722

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

No, no move.

0:43:21.722 --> 0:43:25.122

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It'll the less you're less of an impact will help you go for Michael.

0:43:22.892 --> 0:43:23.292

Mike Clark

Yeah.

0:43:32.512 --> 0:43:34.192

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

OK so.

0:43:33.292 --> 0:43:34.572

Mike Clark

Sorry, no comments. Yeah.

0:43:35.122 --> 0:43:35.322

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

OK.

0:43:35.962 --> 0:43:36.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we had.

0:43:36.962 --> 0:43:45.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We had a miscellaneous updates, which we're gonna call these the final two at the bottom here, update mortality improvement factors and a member spouse age difference.

0:43:46.242 --> 0:43:51.642

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Just again, just wanna highlight that there was no change to either the full or part time NCP's here.

0:43:52.122 --> 0:43:54.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There's a slight increase to the accrued liability.

0:43:56.52 --> 0:44:3.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This has kind of become our our continuous work here is actuaries really really worked on mortality improvement especially our our plan here for retirement.

0:44:4.522 --> 0:44:23.52

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Every year as an update to the mortality improvement or the rate of of decrease of

mortality rate that are applied to retirees and survivors. So we added in another year's worth of data. So we projected using that we added in 2024 experience which aligned well.

0:44:24.2 --> 0:44:29.842

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We know that because there was really no change to the SCP reliability.

0:44:31.12 --> 0:44:33.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And separately for the the purposes of simplicity.

0:44:33.282 --> 0:44:41.842

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We had one of our junior actuaries who's now since left the office, updating the Members about age difference.

0:44:42.82 --> 0:44:46.282

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That was, it's an assumption that we have for when a retiree.

0:44:48.12 --> 0:45:2.332

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Dies and generates a survivor or beneficiary to continue to receive the benefit for for a portion of the benefit for the rest of their life. We used to have an assumption for floating age set back that that varied by age.

0:45:3.682 --> 0:45:4.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then that was it.

0:45:4.602 --> 0:45:6.362

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Was it?

0:45:7.402 --> 0:45:10.82

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There was really nothing gained by by a floating set back.

0:45:10.82 --> 0:45:12.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we decided to propose.

0:45:14.252 --> 0:45:29.852

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Just a more more flat rate. So the proposed instead of a floating set back that varied anywhere from zero to 20 years, we're we're now looking at a spouse, a difference about six years for everybody and for members who pass on active duty one year each difference there.

0:45:30.292 --> 0:45:32.732

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And that resulted in again kind of a.

0:45:33.962 --> 0:45:36.762

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Very small blow of the radars changed the crew viability.

0:45:38.372 --> 0:45:41.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So that is the end of the non economic assumptions.

0:45:42.732 --> 0:45:47.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Now pause for a board discussion and any motions over.

0:45:47.812 --> 0:45:50.52

John Moore

Right. Pete, would you move?

0:45:50.52 --> 0:45:51.532

John Moore

Move us back to page 13.

0:45:53.252 --> 0:45:55.12

Mike Clark

Can I just make a comment on the last one?

0:45:54.782 --> 0:45:56.542

John Moore

Yep, absolutely.

0:45:55.12 --> 0:46:0.852

Mike Clark

Is I'm always in favor of simplifying non material assumptions like espouse differential.

0:46:0.852 --> 0:46:18.572

Mike Clark

So good with that and just as a comment, you know with with my actuarial firm that the annual change of improvement scales on mortality. If it's just an update of another year of data, we're having conversations as to whether that even qualifies as an assumption change anymore.

0:46:18.682 --> 0:46:23.482

Mike Clark

Or whether that just falls into experiences being built into the methodology.

0:46:23.482 --> 0:46:27.242

Mike Clark

So if it's this small from year to year, maybe it's just something to consider.

0:46:28.192 --> 0:46:29.912

Margaret Berger

And and one thing.

0:46:30.682 --> 0:46:44.252

Margaret Berger

But I just wanted to say, is like the reason that the change to the salary scale ended up with I think was an increase in the accrued liability but decreasing normal cost is just I don't want to say it's a peculiarity, but it's a result of the funding.

0:46:44.322 --> 0:46:45.322

Margaret Berger

Method that we're using.

0:46:52.292 --> 0:46:52.892

John Moore

Yes.

0:46:56.532 --> 0:47:1.252

John Moore

Lord, why don't we go ahead and get a motion for the non economic assumptions and then we'll continue the discussion.

0:46:58.292 --> 0:46:58.932

Mike Clark

Sure.

0:47:2.432 --> 0:47:3.432

Mike Clark

Very good.

0:47:3.432 --> 0:47:10.392

Mike Clark

I will move to accept the non economic assumptions which are changed to the VA offset parameter and retirement, retired paid waiting factor.

0:47:11.892 --> 0:47:20.212

Mike Clark

The proposed Pam's a new entrant paid distribution and the mortality improvement factor and member member spouse age difference.

0:47:21.122 --> 0:47:22.2

Margaret Berger

Aye, second.

0:47:24.82 --> 0:47:26.562

John Moore

All right, let's open it up for discussion.

0:47:28.92 --> 0:47:43.372

John Moore

I'll just comment again here on the the VA. I think some of the comments Mike made

there, we we know the issues around disability are the things that are changing most for us and they're getting get a lot of attention each year.

0:47:46.132 --> 0:47:48.732

John Moore

Excuse me, in this chart, we can continue to see that.

0:47:49.212 --> 0:47:50.692

John Moore

I'll say the increase in.

0:47:52.932 --> 0:47:53.572

John Moore

Disability benefits.

0:47:53.922 --> 0:47:56.122

John Moore

That's is what's raising the total.

0:47:56.602 --> 0:47:58.2

John Moore

The total cost.

0:47:59.452 --> 0:48:1.892

John Moore

That we see on the right, on the right side of the chart.

0:48:3.852 --> 0:48:7.732

John Moore

But the mandated concurrent receipt methodology.

0:48:9.292 --> 0:48:20.452

John Moore

While it's increasing the total by like 2 1/2 percent, it's this continues to push down the DoD portion and it's just a weird accounting mechanism because of the way the current receipt is written into the law.

0:48:21.212 --> 0:48:23.292

John Moore

But this this page really kind of shows that.

0:48:24.362 --> 0:48:28.882

John Moore

That big change that is happening around the concurrent receipt matters.

0:48:30.412 --> 0:48:40.252

John Moore

But I too that all the I'm I'm comfortable with all the changes being proposed as as OAC continues to monitor and tweak and so these all look good to me.

0:48:41.852 --> 0:48:43.12

John Moore

Any further discussion?

0:48:45.802 --> 0:48:51.762

Mike Clark

You know, just go into concurrent receive one more time while we have the the table open.

0:48:52.652 --> 0:49:8.442

Mike Clark

In my opinion, the original intent of the current receipt law was to protect the DoD from a one time cost increase from the elimination of the offset, which was a number that was fixed in time some years back. And we've seen it is now kind of grown and.

0:49:8.442 --> 0:49:17.332

Mike Clark

Crept as the definition of disability has increased and as VA assessment has changed.

0:49:18.42 --> 0:49:23.402

Mike Clark

To what we're looking at right here, I know the OX staff spends a lot of time.

0:49:24.72 --> 0:49:32.72

Mike Clark

On splitting this normal cost between DoD and Treasury, and that is if that's could be simplified somehow.

0:49:32.72 --> 0:49:34.832

Mike Clark

Which unfortunately would require a lot change.

0:49:34.832 --> 0:49:38.192

Mike Clark

I believe that would probably be appreciated by all.

0:49:41.992 --> 0:49:42.552

John Moore

People's benefit.

0:49:42.552 --> 0:49:47.32

John Moore

I'll note the board addressed this issue in the its last quad report.

0:49:48.802 --> 0:49:52.282

John Moore

If anyone was ever interested in pursuing the matter further.

0:49:53.742 --> 0:49:56.702

Mike Clark

Thank you for the floor, but I guess we can get back to our vote.

0:49:54.272 --> 0:49:54.752

John Moore

Great.

0:49:59.482 --> 0:50:4.762

John Moore

All in favor, please say aye. Aye. All right, motion carries.

0:50:2.152 --> 0:50:2.472

Margaret Berger

Andy.

0:50:7.202 --> 0:50:10.642

John Moore

Believe that does that finish this that finishes this?

0:50:10.682 --> 0:50:11.682

John Moore
Up for MRF?

0:50:12.522 --> 0:50:14.842

John Moore
Moving on to VSI, that correct.

0:50:14.612 --> 0:50:15.852

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Sorry, one thing real quick.

0:50:16.562 --> 0:50:16.722

John Moore
Dave.

0:50:17.602 --> 0:50:25.122

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Just for transcript purposes, could you, John, read off the DoD and total NCP's? Let's put it here?

0:50:19.442 --> 0:50:19.522

John Moore
Oh.

0:50:29.492 --> 0:50:37.412

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Again, the board isn't approving the results, but the methods and assumptions used to calculate the FY20 27 DoD NCP's.

0:50:39.252 --> 0:50:41.732

John Moore
And John, I'll go ahead and have you read those into the record.

0:50:42.532 --> 0:50:44.92

John Moore
It's hard for me to see on that screen.

0:50:44.622 --> 0:50:44.782

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
OK.

0:50:44.782 --> 0:50:46.182

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Yeah, let me see.

0:50:59.362 --> 0:51:2.42

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Page me better or the original previous one.

0:51:5.592 --> 0:51:6.552

John Moore
I think you're alright.

0:51:6.552 --> 0:51:7.72

John Moore
We're just needing that.

0:51:7.232 --> 0:51:8.112

John Moore
No we can do.

0:51:8.472 --> 0:51:10.192

John Moore
And I'm sorry, John, you'd like me to read them then?

0:51:10.192 --> 0:51:12.912

John Moore
Or you were going to up either way.

0:51:12.92 --> 0:51:14.12

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Oh, you could have, yeah.

0:51:17.672 --> 0:51:19.112

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
You can read them in if you don't mind.

0:51:19.262 --> 0:51:19.702

John Moore

OK.

0:51:19.742 --> 0:51:31.622

John Moore

Alright. The fiscal year 2027 DODNCP from the 9302025 valuation will be 20.2% for full time.

0:51:32.632 --> 0:51:39.312

John Moore

19.1% for part time the equivalent on the total NCP side.

0:51:40.842 --> 0:51:42.322

John Moore

Is 58.4%.

0:51:44.162 --> 0:51:47.442

John Moore

Or full time and 31.4% for part time.

0:51:49.2 --> 0:51:56.922

John Moore

Then the Treasury NCP's full time will be 38.2% part time will be 12.4%.

0:51:58.882 --> 0:51:59.922

John Moore

That take care of us.

0:52:1.172 --> 0:52:2.492

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Yep. Thank you.

0:52:1.722 --> 0:52:2.522

John Moore

All right. Thank you.

0:52:2.752 --> 0:52:3.752

John Moore

Thank you. Alright.

0:52:9.162 --> 0:52:11.42

John Moore

Alright. Is this VSI next?

0:52:16.432 --> 0:52:16.752

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Hey.

0:52:30.602 --> 0:52:31.322

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Back to me again.

0:52:32.842 --> 0:52:36.162

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

I'll be covering the voluntary separation incentive for the VSI.

0:52:38.322 --> 0:52:42.602

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Just a quick high level overview of VSI.

0:52:42.602 --> 0:52:50.202

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

This was a program that started in 19/19/92 in an effort to downsize the active military force.

0:52:51.112 --> 0:52:57.752

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And to be eligible for to receive VSI, individual must have met all the following requirements to sit here, I'll sweep them out.

0:52:58.442 --> 0:53:15.42

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

They must have six years of active duty as of September or December 1991, five years of continuous active service at separation, being a rank that has more people than what was needed to maintain force readiness and continue military service in a reserve component.

0:53:17.512 --> 0:53:23.352

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

As for the benefit via site offers members annuity payable for twice as long as their use of service.

0:53:24.842 --> 0:53:28.562

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Equals to 2.5% of their basic pay times years of service.

0:53:33.452 --> 0:53:34.932

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And note that.

0:53:37.882 --> 0:53:47.122

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

VSI payments are offset by VA offsets and another thing I want to point out that this is a closed group program and with no new members since 2001.

0:53:53.72 --> 0:53:56.912

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Moving on, we have the VSI funya projection and current interest assumptions.

0:53:59.592 --> 0:54:5.672

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

On this page we have the inflation on the 1st column and then the fund yield on.

0:54:7.402 --> 0:54:13.722

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

On the right side to calculate the real, the fund yield is calculated from the Federal Reserve return calculations.

0:54:16.442 --> 0:54:23.722

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We also have the five year averages and 10 year averages and these are weighted by the expected funds size during the fiscal years.

0:54:27.452 --> 0:54:34.132

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

I would note that in terms of the asset duration and liability duration they are 2.1 and 2.8 respectively.

0:54:36.122 --> 0:54:37.722

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Some assumptions here that I would read off.

0:54:39.442 --> 0:54:41.962

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

They are assuming that available funds are invested in two year bonds.

0:54:43.722 --> 0:54:46.442

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Until the values would be more than future expected values.

0:54:48.82 --> 0:54:50.602

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Some portfolio allocation is mostly in notes and bonds.

0:54:50.602 --> 0:54:55.682

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

No tips and that sort of short term strategies and mix of overnights and bills.

0:54:58.982 --> 0:55:5.662

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And investment policies to hold to maturity policy and all securities are market based.

0:55:5.662 --> 0:55:6.982

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Treasury special issues.

0:55:9.562 --> 0:55:15.362

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So current interest assumption is 3.75% and we have a proposed interest assumption of 3.5.

0:55:20.912 --> 0:55:22.552

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Any comments or questions on this?

0:55:31.452 --> 0:55:35.652

Mike Clark

I'll just point out that 35 is really consistent with where two year bonds are yielding today.

0:55:45.502 --> 0:55:46.182

John Moore

Sounds good.

0:55:48.342 --> 0:55:49.222

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Moving on.

0:55:54.712 --> 0:55:59.472

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Over this page, this page is again, it's more of a breakdown of.

0:56:1.2 --> 0:56:5.322

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Previous page but but it's but it covers exact mostly the same things.

0:56:5.922 --> 0:56:9.562

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Again, these are current assumptions listed here with the modified duration.

0:56:11.202 --> 0:56:22.962

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

If you pay attention to this chart here that they want to illustrate is the solid line, is the current nominal and real interest rate, respectively, and in the dashed lines are the board assumptions and.

0:56:26.92 --> 0:56:30.612

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

As you can see, it's at least for the nominal rates, they are relatively.

0:56:32.122 --> 0:56:41.2

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Reasonable in capturing the trend that we are seeing from the, I would say 20 to 30 year projections.

0:56:44.192 --> 0:56:44.352

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

OK.

0:56:51.612 --> 0:56:58.612

Mike Clark

John, based on the the the previous page, we would expect that Dash line to drop to 3 1/2 percent now, right?

0:56:59.902 --> 0:57:0.342

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Great.

0:57:0.122 --> 0:57:1.2

Mike Clark

The blue one, OK.

0:57:2.642 --> 0:57:4.442

Mike Clark

And that actually comes out of real yield.

0:57:5.912 --> 0:57:6.672

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Oh, sorry.

0:57:6.482 --> 0:57:6.962

Mike Clark

Yeah.

0:57:9.492 --> 0:57:16.532

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

The blue line, the OR the dash blue line is still 3.75 under the current assumptions here.

0:57:17.172 --> 0:57:17.772

Mike Clark

OK.

0:57:29.862 --> 0:57:33.302

Mike Clark

But for this valuation, we're looking at 3.5 coming up, correct?

0:57:34.52 --> 0:57:34.492

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Right.

0:57:54.562 --> 0:57:56.442

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Next page is more of a demographic.

0:57:59.792 --> 0:58:4.192

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Alright, we have listed of VSI population by number of remaining payments.

0:58:6.842 --> 0:58:24.842

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Oh, we have the population separated by offer center, enlisted. Those would be often without VA offsets. And as you can see here, we just have them listed by their count and then the average VSI gross benefit and as well as their annual VA payment.

0:58:28.32 --> 0:58:28.512

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
The.

0:58:30.302 --> 0:58:41.222

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
The only thing I would like worth noting is the highest remaining of highest remaining number of annual payment is 16, after which the fund will no longer be active.

0:58:43.722 --> 0:58:45.482

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
Some notes about the table.

0:58:45.602 --> 0:58:50.842

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
The table includes 1229 ESI Annuitants.

0:58:50.842 --> 0:58:52.962

Wong Lau, Jonathan CIV DODHRA DPAC (USA)
We have remaining benefit payments.

0:58:53.972 --> 0:58:55.572

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

It excludes or not.

0:58:55.572 --> 0:59:1.612

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Sorry, it includes 242 survivors receiving benefits from 269 to seized Vesi members.

0:59:1.452 --> 0:59:1.692

Margaret Berger

Office.

0:59:3.2 --> 0:59:6.642

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

It excludes 272 eligible vessels members who have a full VA offset.

0:59:8.112 --> 0:59:15.72

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And total of 18,430 service members have elected via sigh since the program's inception.

0:59:10.902 --> 0:59:10.942

Margaret Berger

I.

0:59:26.852 --> 0:59:28.732

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

In comments on our discussion on this point.

0:59:35.532 --> 0:59:35.932

Mike Clark

None here.

0:59:37.462 --> 0:59:39.62

Margaret Berger

Just that this is a very tiny program.

0:59:49.632 --> 0:59:55.952

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

For how small fund is, it's interesting that we have each year we're seeing the exact same chart, but it's moving down.

0:59:57.602 --> 0:59:59.482

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Little by little, until eventually we just do one.

1:0:3.262 --> 1:0:7.342

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Through which we help market discover 1 remaining payment.

1:0:9.82 --> 1:0:10.82

Margaret Berger

I'm gonna be gone.

1:0:11.142 --> 1:0:12.22

John Moore

That's crazy.

1:0:11.842 --> 1:0:13.442

Margaret Berger

Year 16 I will not be here.

1:0:13.832 --> 1:0:15.232

John Moore

That's that's crazy.

1:0:20.512 --> 1:0:20.672

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

OK.

1:0:22.712 --> 1:0:23.632

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Moving on.

1:0:26.92 --> 1:0:29.292

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So this is the VSI change in unfunded liability?

1:0:29.332 --> 1:0:32.332

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We have a September, sorry.

1:0:34.322 --> 1:0:34.362

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

A.

1:0:36.472 --> 1:0:46.472

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Signings 3 off the these are based on a 3.5% interest 2.2% cola and a 2% non cola increase on the offsets.

1:0:47.392 --> 1:1:1.32

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We have an October 1st, 2023 on file liability of 30.3 million, taking the 2024 to January 1st, 2024 amortization payment of 10.6 and prior interest rate of 3.7.

1:1:1.842 --> 1:1:7.762

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Five, we have a expected unfunded liability of 20.5 million.

1:1:9.872 --> 1:1:18.992

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

As of October 1st, 2024 and the actual unfunded liability on October 1st, 2024 was 17.8.

1:1:20.522 --> 1:1:22.922

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Million. So we have a gain.

1:1:25.162 --> 1:1:26.682

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Of 2.61 million.

1:1:32.302 --> 1:1:38.422

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Look here, we just have a breakdown of this 2.61. So 700,000 is coming from.

1:1:40.642 --> 1:1:42.162

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

The change due to assets.

1:1:44.392 --> 1:2:2.402

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

You can see more here in the footnotes for yield the value assumptions 3.75 fund yield on the actual fund yield was 4.7 three and a 300,000 gain here was from benefit payments to the projected FY24 benefit payments was 20.

1:2:2.402 --> 1:2:7.712

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Point 3,000,000 on the actual 24 benefit payments was 19.9 million.

1:2:9.742 --> 1:2:16.822

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

As for the remaining portion of the game, 1.8 million coming from.

1:2:18.322 --> 1:2:27.82

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

The change due to liability the biggest proponent is the change in the update of the 2023 V 8 amounts.

1:2:29.132 --> 1:2:30.12

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

See in the footnote.

1:2:30.332 --> 1:2:35.212

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So this represents the 2024 offsets being different than expected.

1:2:36.802 --> 1:2:39.802

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Just due coming from the data that we're receiving.

1:2:42.202 --> 1:2:48.122

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

This time around, compared to last year, we have a gain of one point around 1.4 million.

1:2:49.762 --> 1:2:54.162

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And the rest capturing residual is from DFAST data changes.

1:3:5.382 --> 1:3:7.142

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Any comments or questions on this page?

1:3:10.982 --> 1:3:16.782

Mike Clark

The the change to the interest rate assumption is very small based off the short duration of the liability.

1:3:18.122 --> 1:3:19.722

Mike Clark

The loss of 350,000.

1:3:26.242 --> 1:3:27.562

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Right, this was the.

1:3:31.292 --> 1:3:40.892

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

The fact of changing from 3.75 to 3.5% interest and that's. Yeah, that's Mike noted.

1:3:36.892 --> 1:3:37.412

Mike Clark

Right.

1:3:40.892 --> 1:3:43.52

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

It's really small, a really small increase.

1:3:44.642 --> 1:3:46.242

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Or I guess a decrease, no?

1:3:49.132 --> 1:3:50.452

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

It's a loss, right? Yeah.

1:3:51.92 --> 1:3:51.852

Mike Clark

It's a loss, yeah.

1:3:55.632 --> 1:4:6.232

John Moore

On the on the VA, the VA update, again we we have a gain there because we continue to see a rise.

1:4:7.682 --> 1:4:14.242

John Moore

In disability offsets, which is low by those increasing, they lower the liability here, correct?

1:4:14.242 --> 1:4:15.922

John Moore

So it's just this is another example.

1:4:17.882 --> 1:4:24.882

John Moore

Of the the the the rise of disability benefits is creating reductions elsewhere.

1:4:25.232 --> 1:4:26.792

John Moore

This is another place for seeing it.

1:4:28.552 --> 1:4:29.232

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Right. That's right.

1:4:28.562 --> 1:4:28.762

John Moore

Correct.

1:4:30.32 --> 1:4:30.752

John Moore

Thank you.

1:4:33.402 --> 1:4:34.642

John Moore

We do have an assumption.

1:4:34.682 --> 1:4:38.922

John Moore

We do have an assumption in here already at the top, but.

1:4:41.162 --> 1:4:53.722

John Moore

2% beyond the increase, cola increases in the assumptions in the VA offsets, we also just increase. Assume there's other increases in these VA offsets beyond the colon.

1:4:53.722 --> 1:4:54.522

John Moore

It's still not.

1:4:57.122 --> 1:5:3.762

John Moore

At least this year alone, with our trend has been, but continue to the growth in those offsets was still bigger than we were anticipating.

1:5:7.392 --> 1:5:8.152

John Moore

Chase.

1:5:11.772 --> 1:5:13.212

John Moore

Ready to move on amorisation?

1:5:14.82 --> 1:5:14.322

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Yep.

1:5:23.762 --> 1:5:24.2

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

OK.

1:5:26.82 --> 1:5:30.162

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So for VSI amortization, again these are based on the same interest rates.

1:5:31.682 --> 1:5:36.42

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Cola assumption non cola entries as the previous case page discussed.

1:5:37.762 --> 1:5:43.762

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

So you hear the valuation results as of September 30th, 2024?

1:5:43.802 --> 1:5:49.842

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We have a present value future benefit of 54.8 million as of September 30th.

1:5:51.792 --> 1:5:53.32

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

October 1st, May 24.

1:5:53.32 --> 1:6:0.392

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Fund is 37 million and then the unfunded liability is 17.8 million.

1:6:3.442 --> 1:6:4.362

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

We have.

1:6:5.962 --> 1:6:8.962

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

A amortization payment of 4.1 million.

1:6:11.672 --> 1:6:15.232

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Scheduled for January 1st, 2026.

1:6:17.452 --> 1:6:22.412

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And we are projected to see a 21.8% payment.

1:6:25.282 --> 1:6:37.522

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

To in, for future or fiscal year, projected benefit payments and this 21.8 represents the amount that would essentially draw out this fund to 0 by 2039.

1:6:42.552 --> 1:6:44.312

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

And we are. So we also have a.

1:6:45.822 --> 1:6:54.462

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Posing a 2.2 or we're seeing a 2.2 million contribution for January 1st, 2027.

1:7:3.912 --> 1:7:8.552

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

In this page is more or less the exact same pages or same.

1:7:11.562 --> 1:7:16.2

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Story as this previous page, but this shows the decreasing advertisement payments.

1:7:33.512 --> 1:7:40.672

John Moore

So I'll I'll just jump in and highlight the we're trying not to over fund this plan.

1:7:41.352 --> 1:7:43.792

John Moore

So it's got a fixed time frame.

1:7:45.202 --> 1:7:46.162

John Moore

We don't want to leave.

1:7:47.882 --> 1:7:51.522

John Moore

Money in the plan, when it finally wraps up.

1:7:51.522 --> 1:7:57.722

John Moore

So our amortization method is trying to do a slow landing to hit the target, correct?

1:8:0.632 --> 1:8:1.192

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

That's right.

1:8:6.882 --> 1:8:7.282

John Moore

OK.

1:8:12.52 --> 1:8:14.252

John Moore

Jonathan, anything further or Jonathan, anything further?

1:8:14.252 --> 1:8:15.932

John Moore

Do you want us to move to a motion?

1:8:19.602 --> 1:8:20.722

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Nothing on my end.

1:8:21.472 --> 1:8:21.752

John Moore

OK.

1:8:23.842 --> 1:8:28.882

John Moore

I'll do that. Why? Don't go ahead and do a motion and get everything on the table and then we'll.

1:8:30.762 --> 1:8:32.362

John Moore

Further talk about each piece as needed.

1:8:33.42 --> 1:8:33.482

Margaret Berger

OK.

1:8:33.482 --> 1:8:35.482

Margaret Berger

So clarify me just.

1:8:33.592 --> 1:8:33.712

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Hmm.

1:8:36.472 --> 1:8:46.912

Margaret Berger

If, because we're approving the assumptions and then we're also approving the amortization policy and the payment, and I'm not sure if that should be two motions or one motion.

1:8:48.132 --> 1:8:49.692

John Moore

We can do it all in one motion, Margaret.

1:8:49.582 --> 1:8:52.542

Margaret Berger

OK. And then are we approving the?

1:8:52.542 --> 1:8:59.222

Margaret Berger

I think we're approving the 4.1 for 1/1/26 or are we approving the 2.2 for 27?

1:9:2.212 --> 1:9:5.572

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

It would be the 2.2 I believe.

1:9:5.722 --> 1:9:9.202

Margaret Berger

2.2. OK, just so I'll read that that out in the formal motion.

1:9:10.782 --> 1:9:10.942

Margaret Berger

OK.

1:9:12.422 --> 1:9:33.462

Margaret Berger

So I move to approve the assumptions the interest rate of 3 1/2 percent. The cola increase on the VA offsets of 2.2%, the non cola increase on the VA offsets of 2.0% and the amortization policy payment that is shown on.

1:9:33.622 --> 1:9:35.62

Margaret Berger

This page in the presentation.

1:9:35.612 --> 1:9:44.532

Margaret Berger

Including the \$2.2 million contribution for fiscal year 2027 and perhaps.

1:9:45.942 --> 1:9:50.982

Margaret Berger

To approve the entire valuation, the 93024 evaluation. If I can have that all in one motion.

1:9:54.42 --> 1:9:54.842

John Moore

I get a second.

1:9:56.262 --> 1:9:57.142

Mike Clark

I will second that.

1:9:58.622 --> 1:9:59.782

John Moore

Well done, Margaret.

1:9:59.782 --> 1:10:1.982

John Moore

Big motion for the first year.

1:10:3.702 --> 1:10:14.182

John Moore

I'll just note that the well the primarily on the MRF side, the board proves the assumptions, the VSI side, we also approved the actual valuation.

1:10:15.862 --> 1:10:18.342

John Moore

Which is why Margaret included that in the motion.

1:10:19.942 --> 1:10:20.182

John Moore

Any.

1:10:21.822 --> 1:10:23.342

John Moore

In terms of just further discussion.

1:10:23.892 --> 1:10:28.212

John Moore

Again, we kinda talked about the VA offsets a little bit already. We're trying to keep up with that.

1:10:28.292 --> 1:10:30.692

John Moore

On the amortization method, we're trying not to overfund.

1:10:32.142 --> 1:10:33.742

John Moore

But otherwise this all looks good to me.

1:10:35.382 --> 1:10:36.342

John Moore

Any other comments from the board?

1:10:37.702 --> 1:10:38.702

Mike Clark

No further comments.

1:10:40.42 --> 1:10:42.42

John Moore

Tay, all in favor, please say aye, aye.

1:10:42.742 --> 1:10:42.902

Margaret Berger

Aye.

1:10:42.782 --> 1:10:43.102

Mike Clark

Hi.

1:10:44.462 --> 1:10:46.622

John Moore

All right, motion carries.

1:10:50.572 --> 1:10:51.452

John Moore

John, John.

1:10:51.452 --> 1:10:52.772

John Moore

That wraps up VSI, correct?

1:10:54.102 --> 1:10:54.502

Wong Lau, Jonathan CIV DODHRA DPAC (USA)

Select.

1:10:55.752 --> 1:10:56.712

John Moore

May we?

1:10:57.592 --> 1:11:1.392

John Moore

I think Pete Rossi thought we had more time to kill, so I'm gonna blame him for this.

1:11:1.752 --> 1:11:4.952

John Moore

We're running a hair behind on EBF. It's still if.

1:11:4.952 --> 1:11:12.352

John Moore

The If they're not, objection like to do a quick 5 minute break as we reset to move into the Education Benefits fund, so.

1:11:13.822 --> 1:11:15.422

John Moore

Is that all right if we go on a quick 5 minute break?

1:11:16.862 --> 1:11:17.542

Zouras, Peter M (Pete) SL DODHRA DPAC (USA)

Yes.

1:11:18.52 --> 1:11:20.52

John Moore

Alright, EBF in 5 minutes.

1:11:20.52 --> 1:11:22.452

John Moore

Thank you, everybody. Be we'll be back shortly.

1:11:22.362 --> 1:11:25.562

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

12/12/16 five minute 1216 everybody.

1:11:26.242 --> 1:11:26.962

John Moore

Sounds good.

1:13:31.452 --> 1:13:39.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

You have one calling number last 42760. If you can just identify yourself for purposes of attendance, please.

1:13:40.922 --> 1:13:44.242

+17*****60

Yeah, Major Jasmine Herrera with the Army National Guard.

1:13:45.952 --> 1:13:46.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Thank you. Appreciate it.

1:18:1.2 --> 1:18:1.802

Mike Clark

We good, Pete?

1:18:2.322 --> 1:18:3.2

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Ready to roll?

1:18:4.662 --> 1:18:14.822

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right. We'll see fewer attendees and it being a Buffalo Bills fan, I mean, my Buffalo Bills, blue myself, I will say never walk out on a on a bills fan here.

1:18:14.822 --> 1:18:15.622

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So I will.

1:18:15.662 --> 1:18:21.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I will wow everybody with my Josh Allen Esque EBF presentation here.

1:18:21.222 --> 1:18:22.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So let's see what we can do.

1:18:24.932 --> 1:18:27.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we start with much smaller overview.

1:18:27.532 --> 1:18:31.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But again, this is the the the mid Size fund I would say.

1:18:31.212 --> 1:18:33.52

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So retirement was the largest one.

1:18:33.332 --> 1:18:36.812

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Education is the the next in the VSI smaller one.

1:18:36.812 --> 1:18:38.852

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we'll start with a brief fund overview.

1:18:40.382 --> 1:18:53.382

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Go into some of the assumptions for this past cycle. So for the September 30, 2024 valuation and then we'll we'll look at just valuation results for the three separate programs.

1:18:53.732 --> 1:18:55.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Step 30/15/06.

1:18:55.712 --> 1:18:56.632

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
That the category 3.

1:19:0.912 --> 1:19:6.792

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
And even though we have the asterisks, this is the the actual objectives of this meeting
and what we're going to prove and and.

1:19:8.542 --> 1:19:9.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Say work work over.

1:19:12.182 --> 1:19:14.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Starting with a very brief overview.

1:19:15.952 --> 1:19:24.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
The Education Benefits Fund itself is comprised of many different programs, of which
some of those are administered by.

1:19:24.312 --> 1:19:30.912

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Almost all of them are administered by by the VA Department of Veterans Affairs, and
some are funded by the department.

1:19:32.592 --> 1:19:36.472

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So the ones that are still funded by the department are the Chapter 30 kicker.

1:19:36.472 --> 1:19:41.112

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So this is for active duty personnel and we're only talking about.

1:19:41.422 --> 1:19:42.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Out the kicker portion of it so.

1:19:44.512 --> 1:19:46.992

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The kicker is from various amounts and and some of them index.

1:19:49.152 --> 1:19:50.112

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This one is not an index.

1:19:50.112 --> 1:19:53.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Some of the programs have have indexations and some of them don't.

1:19:53.552 --> 1:19:54.792

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This one does not.

1:19:55.112 --> 1:19:57.272

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And there is.

1:19:59.312 --> 1:20:6.952

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A transfer. This is the program that has not been offered, so these kickers have not been offered since 2012.

1:20:7.112 --> 1:20:9.72

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But this has a kind of reminders we work through.

1:20:9.72 --> 1:20:11.112

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So it's just chapter 30 active duty kickers.

1:20:13.462 --> 1:20:22.142

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Two other programs were really going to look at are the category 3, which is the

smallest of the of the EVF programs as opposed to Vietnam era Educational systems program or BEP.

1:20:22.982 --> 1:20:24.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is also an active duty program.

1:20:25.262 --> 1:20:36.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is only for Members who entered service between January 1977 and June of 1985 and and had some special separation reasons.

1:20:36.262 --> 1:20:39.302

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So again, much smaller and we'll see this as we go.

1:20:40.32 --> 1:20:41.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Or go work through the presentation.

1:20:42.862 --> 1:20:52.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then there's chapter 1606, which for the selected reserves, and here we're going to talk about things, the basic forms or the basic level of benefit, and then the kickers.

1:20:52.862 --> 1:20:55.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So the additional the payments that that can be made.

1:20:55.502 --> 1:21:9.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So 1606 basic receive up to \$481.00 per month this year, 2025. And then we have 3 kicker amounts of 102 hundred and 350 which are not indexed of all the programs that we're speaking to.

1:21:9.312 --> 1:21:9.382

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Today.

1:21:10.112 --> 1:21:12.632

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The only one that is still indexed and covered by the department.

1:21:13.472 --> 1:21:20.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Is the 1606 basic picker and we'll get into that a few.

1:21:23.142 --> 1:21:23.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Pause here.

1:21:23.542 --> 1:21:26.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This concludes the overview of EVF.

1:21:33.432 --> 1:21:33.592

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Yeah.

1:21:34.532 --> 1:21:35.92

Mike Clark

Thank you, Pete.

1:21:35.52 --> 1:21:35.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There we go.

1:21:35.92 --> 1:21:36.852

Mike Clark

I don't know what I would do without these tables.

1:21:38.612 --> 1:21:39.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

You would.

1:21:39.212 --> 1:21:42.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

You would not sleep in that, I think is the answer.

1:21:43.822 --> 1:21:45.702

Mike Clark

I would get confused.

1:21:43.912 --> 1:21:45.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That you work for me? Asleep.

1:21:47.662 --> 1:21:48.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Chapter what?

1:21:48.422 --> 1:21:49.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

What chapter you want?

1:21:49.502 --> 1:21:50.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Well, that's only two chapters.

1:21:52.862 --> 1:22:3.142

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right, moving into considerations for setting long term economic assumptions, but for this one, this is not a longer term economic assumption.

1:22:3.262 --> 1:22:6.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is what we saw in the in the last.

1:22:7.912 --> 1:22:19.352

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Version with the Military Retirement Fund, but here we're looking at the Education Benefits Fund, which really is only it's a much shorter duration, much shorter timeline for things there. There are some tail periods that can go out.

1:22:19.562 --> 1:22:21.122

Holcombe, Montreville D. (Monty) CIV USCG COMDT (USA)

Yes, slides.

1:22:20.102 --> 1:22:21.262

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Up to 40 years.

1:22:25.232 --> 1:22:26.192

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The 40 years.

1:22:26.842 --> 1:22:31.2

Mike Clark

I think we have a hot mic on on the phone there, Pete.

1:22:28.192 --> 1:22:28.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But.

1:22:35.772 --> 1:22:37.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Hopefully that like cools down.

1:22:38.202 --> 1:22:39.642

Mike Clark

We can mute thank you.

1:22:40.352 --> 1:22:40.952

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But thank you.

1:22:44.752 --> 1:22:48.672

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And of the of the two. So there are two economic assumptions we're really looking for.

1:22:50.672 --> 1:23:1.872

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For the board approval on one is for use of a a certain measurement or or a source for the inflation, and the 2nd is for interest.

1:23:1.872 --> 1:23:5.272

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we're gonna break those up into two separate pieces, starting with inflation.

1:23:5.272 --> 1:23:10.872

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There is a consensus inflation forecast that that we now use.

1:23:12.552 --> 1:23:14.232

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And looking at the the chart here, this is.

1:23:14.542 --> 1:23:21.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The Bureau of Labor Statistics, or BLS. Urban wage ear coworkers actual inflation measures.

1:23:22.992 --> 1:23:37.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For mid year 20 calendar year 2022 through actual data of June of 2025 and then there we have some projections throughout the rest of this calendar year for 2025. If we look at the the index.

1:23:39.32 --> 1:23:41.512

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Is for the 1606 basic benefit.

1:23:43.72 --> 1:23:45.232

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For the July to June CPI increase.

1:23:46.142 --> 1:23:59.982

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For 20/24 was 3.2. We're projecting a 2.5 for 2025 and then we have this consensus inflation forecast for some of these out years from 2026.

1:24:1.902 --> 1:24:2.262

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Let's see.

1:24:2.262 --> 1:24:3.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Let's closer.

1:24:3.662 --> 1:24:5.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So for 2026.

1:24:6.552 --> 1:24:19.912

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

2.8 percent 2.4 percent 2.32.22.2 so ultimately, we're into a 2.2 which is, which is what many of the major forecasters ultimately tagged in long term inflation too, is is the underlying infl.

1:24:21.632 --> 1:24:23.472

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Ation of of what?

1:24:23.472 --> 1:24:32.672

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

What they target to be inflation and this consensus forecast itself really takes an unsolvable of of things.

1:24:33.62 --> 1:24:36.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So it's a forecast arrived from the tips treasury par spread.

1:24:36.542 --> 1:24:50.62

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So looking at expected inflation in in the market using these Treasury inflation expected securities compared to other provincial securities, CPI inflation, data inflation swaps and then Cleveland Fed's expectations model.

1:24:50.62 --> 1:24:58.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So all of that comes into play and ultimately we're looking for moving from actual data to to partially projected to.

1:24:59.392 --> 1:25:1.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

What we see long term for long term?

1:25:4.342 --> 1:25:7.462

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Medium term trend inflation of 2.2%.

1:25:8.752 --> 1:25:17.592

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So I will pause here for a board discussion on using this forecast to index chapter 1606 basic benefits.

1:25:20.572 --> 1:25:26.852

John Moore

I've been, and so Pete, really, again, this is the methodology the board has been using.

1:25:28.232 --> 1:25:40.552

John Moore

Historically, except for the, we're really swapping out our source of the projected CPI increases because as you mentioned earlier, Blue Book is not really available for us for this purpose.

1:25:41.72 --> 1:25:43.832

John Moore

So the key change is the source of that.

1:25:45.792 --> 1:25:47.152

John Moore

Those projected increases correct.

1:25:49.712 --> 1:25:50.352

John Moore

There so.

1:25:50.622 --> 1:26:3.302

John Moore

With that, Mike, I'll suggest I'll make a motion since we're kind of changing that basis to make a motion to use the consensus inflation forecast to project a 1606 monthly basic benefit.

1:25:56.282 --> 1:25:56.722

Mike Clark

Yeah.

1:26:5.312 --> 1:26:11.312

John Moore

Again, with that swap, same same process as before, but just changing the source of our projections.

1:26:12.742 --> 1:26:14.742

Mike Clark

All right. I guess as acting chair on EBF.

1:26:14.742 --> 1:26:16.662

Mike Clark

I'll ask Margaret a second, please.

1:26:20.502 --> 1:26:22.262

Margaret Berger

Now I will second with my mic on.

1:26:24.632 --> 1:26:28.72

Mike Clark

Any further discussion on the inflation assumption?

1:26:30.442 --> 1:26:31.162

John Moore

After me.

1:26:32.222 --> 1:26:34.182

Margaret Berger

No, I'm very comfortable with 2.2.

1:26:34.852 --> 1:26:36.132

Mike Clark

All right, all in favor.

1:26:37.652 --> 1:26:37.772

Mike Clark

Aye.

1:26:41.182 --> 1:26:41.982

Mike Clark

Motion carries.

1:26:42.702 --> 1:26:52.142

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Great. Moving on to slide #8 here, we're going to talk a little bit about the the current interest assumptions.

1:26:52.142 --> 1:26:57.302

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So by now the board has seen this is the third time we've seen a chart that looks like this.

1:26:58.462 --> 1:27:1.262

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Same layout as as before, we have inflation.

1:27:2.752 --> 1:27:13.512

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Real fun yield going across the columns here with a a return on new investments and just looking at a 10 year waited fund yield we have a.

1:27:13.942 --> 1:27:20.742

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So an average of 2025 through 2034 here, so an average of 2.4%.

1:27:22.192 --> 1:27:22.752

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Inflation.

1:27:24.952 --> 1:27:29.832

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And a one year of 3.64 and applied real yield of 1.18.

1:27:31.592 --> 1:27:32.232

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So looking at.

1:27:35.162 --> 1:27:50.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

At the current assumption, current assumption of 3.5% with the duration of 3.69, I think we're we're proposing a leaving the economic assumption the same again that is subject to the board discussion.

1:27:52.352 --> 1:27:53.992

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And just wanted to move back to.

1:27:55.752 --> 1:28:4.912

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The yet again kind of more dashboard approach to that last slide that shows the duration of the actual reliability.

1:28:5.342 --> 1:28:6.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

About 3.7.

1:28:6.662 --> 1:28:13.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Current assumptions are 2.2 cola and 3.5 interest, and we have this.

1:28:13.662 --> 1:28:31.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is a little bit different, so the investment policy is different than than the other funds. For example, on an EPF here, part C, the portfolio allocation is about 50% in conventional notes or conventional treasury securities and about 50% in the Treasury protected.

1:28:32.512 --> 1:28:34.752

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And there's a mix of T-bills and overnights for short term.

1:28:35.142 --> 1:28:39.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

What if he needs 'cause 'cause? The program does does has a much less predictable path.

1:28:39.942 --> 1:28:43.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Then we see retired pay, for example.

1:28:45.112 --> 1:28:49.832

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Then we have our our chart that graphs the values we saw prior.

1:28:48.142 --> 1:28:48.302

Margaret Berger

Yeah.

1:28:51.552 --> 1:29:6.192

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Page and so the the projection model projects a a nominal flow following solid Blue line board of Assumption 3.5% across the data blue line in the red model results in the solid red and then four assumptions for assumption in a.

1:29:6.462 --> 1:29:9.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Dotted dash red line.

1:29:12.462 --> 1:29:14.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

With that, I will pause for discussion.

1:29:12.762 --> 1:29:19.82

Mike Clark

In a way, Pete, the the so the real yield really only impacts the 1606 basic, right?

1:29:17.452 --> 1:29:17.932

Margaret Berger

Hello.

1:29:19.82 --> 1:29:24.962

Mike Clark

That's the only indexed benefit that we have essentially for the kickers. The real yield is 3 1/2.

1:29:26.322 --> 1:29:29.562

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Correct. That's fair. Yep, yes.

1:29:26.462 --> 1:29:26.902

Mike Clark

Is that fair?

1:29:33.812 --> 1:29:34.452

Mike Clark

All right.

1:29:34.812 --> 1:29:36.572

Mike Clark

Any other comments from the board?

1:29:39.452 --> 1:29:44.892

Mike Clark

If not, I will ask for a motion to accept the interest rate assumption for the valuation.

1:29:45.682 --> 1:29:49.842

Margaret Berger

I move to accept the interest rate assumption of 3 1/2 percent.

1:29:54.602 --> 1:29:56.42

Mike Clark

Any further discussion?

1:29:58.902 --> 1:30:1.822

Mike Clark

Hearing none, we will all in favor.

1:29:59.52 --> 1:29:59.852

John Moore

On here.

1:30:3.52 --> 1:30:3.332

John Moore

Hi.

1:30:3.92 --> 1:30:3.212

Margaret Berger

Aye.

1:30:5.652 --> 1:30:6.492

Mike Clark

Aye. Motion carries.

1:30:9.312 --> 1:30:9.592

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Perfect.

1:30:12.492 --> 1:30:15.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right, now we're starting to move to the the meat of the results here.

1:30:16.172 --> 1:30:17.622

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Why everybody's here?

1:30:17.622 --> 1:30:24.452

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I I like to think so. Just starting with an executive summary of a real high level look at the programs themselves under EBF.

1:30:24.452 --> 1:30:27.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I'm not going to go into every number here.

1:30:27.12 --> 1:30:37.92

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We'll, we'll talk about it with individual programs, but we will cover chapter 30, chapter 1606, basic kickers, and then CAT3 says other program, but it's all Cat 3 for now.

1:30:41.552 --> 1:30:42.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Again, I don't.

1:30:42.432 --> 1:30:47.712

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I think we we can cover these more details we go through, but this is the the dashboard look at the program itself.

1:30:47.712 --> 1:31:1.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So if we're looking at it from an unfunded liability or or surplus, we had a surplus of of as of the last valuation September 30th, 2020 three 460,000 month numbers or million.

1:31:1.312 --> 1:31:6.712

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So far, million a bunch of fund activity and then we resulted in.

1:31:8.462 --> 1:31:10.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A liability surplus of 208,000,000.

1:31:11.92 --> 1:31:25.652

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So there was a there was a decrease in the fund balance, there was an increase in the actuarial liability and because the unfunded liability or surplus is calculated as a difference, there would decrease the unfunded liability. We'll get into the why shortly.

1:31:29.892 --> 1:31:38.52

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And as part of the Y. So it's kind of setting the table for for the individual programs. Just looking at the summary of of the actuarial evaluation work.

1:31:38.92 --> 1:31:45.732

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So the key assumptions for for this program were 3.5% interest and 2.2% or inflation.

1:31:48.22 --> 1:31:54.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The benefit usage and withdrawal rate assumptions are based on fund experience, and we'll see some of that in a couple slides, data sources.

1:31:54.782 --> 1:31:56.262

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We have two sources of data.

1:31:56.302 --> 1:31:58.982

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

One is from DFAS providing trust fund activity.

1:31:59.292 --> 1:32:7.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Each year and then we have one from the NBC that that's manpower data Center that provides individual submits and provides individual Member data.

1:32:10.82 --> 1:32:14.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Again, this this was a bit of a challenging year for oaxac, especially on the ebf side.

1:32:15.242 --> 1:32:17.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Model the changes. We're not.

1:32:17.802 --> 1:32:17.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We did not.

1:32:17.922 --> 1:32:30.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We're not. We're not going to show any modeling changes for Chapter 30 kickers or Chapter 16 O 6 basic in kickers and then part of the why behind that one is just incomplete data that we need to.

1:32:32.182 --> 1:32:32.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

See.

1:32:34.302 --> 1:32:39.622

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Particularly on on Chapter 16 O 6 and and then there was a loss of institutional knowledge.

1:32:40.292 --> 1:32:52.132

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Throughout the services, Stakehold support offices and including our our office staff

here usually typically that this historically this presentation has been given by Mr. Rich Allen.

1:32:52.692 --> 1:32:54.812

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Recently it was Mr. Phil Davis.

1:32:54.932 --> 1:32:58.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Both have the part of the office for various reasons.

1:32:58.12 --> 1:33:4.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So now we're we're looking at maybe assessing the the ability to simplify and restructure the model for next year.

1:33:6.182 --> 1:33:7.382

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Kind of getting into.

1:33:9.182 --> 1:33:11.982

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Mr. Clarkson earlier statements about simplification is good.

1:33:12.572 --> 1:33:18.812

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is a it's a very challenging program to value just by. Again, kind of the inconsistent data, incomplete data. So we will.

1:33:20.302 --> 1:33:22.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Staff is, as at least now, intended resources pending to.

1:33:24.902 --> 1:33:28.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Kind of look at the model again with an eye towards simplicity and and.

1:33:30.582 --> 1:33:31.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Explain what we're doing.

1:33:35.342 --> 1:33:36.942

Mike Clark

Pizza. I'll just comment.

1:33:36.942 --> 1:33:55.862

Mike Clark

I mean, I do appreciate the O act staff's work on this under really tight timelines with what is pretty unreliable data coming in from year to year. When you combine a methodology that does 10 year weighted averaging, that puts a lot of weight on the most recent.

1:33:55.862 --> 1:34:2.422

Mike Clark

Year and you combine that with fluctuating data numbers from year to year, you get fluctuating results so.

1:34:3.822 --> 1:34:4.342

Mike Clark

I I do agree.

1:34:4.892 --> 1:34:7.892

Mike Clark

That if we don't expect the data to improve.

1:34:9.302 --> 1:34:17.542

Mike Clark

A lot in the near term, I I think it would be maybe a nice opportunity to explore whether we could find a simplified methodology to to work with this program.

1:34:23.62 --> 1:34:25.302

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Great. Thank you, Mike. And I think that sets the stage for.

1:34:27.22 --> 1:34:32.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Kind of getting to the the core methodology that that we're proposing to maintain for for this particular year.

1:34:34.502 --> 1:34:38.302

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So here's a look at just kind of the education benefit usage model, right?

1:34:38.302 --> 1:34:47.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So somebody a member interservice here, 1890 years old, and then there's four different states that can happen at the end of the the next year, continue in service, don't use your benefits.

1:34:48.422 --> 1:34:50.382

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The new news benefits withdrawal.

1:34:50.422 --> 1:34:54.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Do not use your benefits withdrawal and use your benefits and you can see why the arrows here.

1:34:54.902 --> 1:35:9.462

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

You can move to different states in a multi state and ultimately it's many, many number of years and as our footnote has here, the active duty model for the Chapter 30 kickers can go out for about 40 years and the reserve model can continue for about 15 years.

1:35:9.462 --> 1:35:11.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So there there is.

1:35:12.102 --> 1:35:15.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

These do have some some longer tail in some of the programs we were looking at.

1:35:18.32 --> 1:35:23.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And here is just an explanation of the model itself, of the OFDM usage model.

1:35:23.752 --> 1:35:32.472

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So the activity duty most recent years given away to 100% the next year given a weight of 80% in each excess of years, given 80% of the prior year.

1:35:32.552 --> 1:35:43.192

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So ultimately, as the most recent year gets were received, the highest weight of any of the past 10 years. Using this approach, we have very similar.

1:35:44.22 --> 1:35:46.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Usage model for the reserve model of the 6006 model.

1:35:48.2 --> 1:35:50.722

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Except instead of 80% is given a 60%.

1:35:52.502 --> 1:35:52.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Weighting.

1:35:55.692 --> 1:36:5.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then just for the the boards, a reminder for the board of this is how we would end up computing the educational normal cost factors.

1:36:5.772 --> 1:36:6.372

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So it's a lot.

1:36:6.372 --> 1:36:9.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A lot of math here for those who are not into math.

1:36:9.12 --> 1:36:11.332

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Again, this is an actuarial meeting, but I will.

1:36:11.452 --> 1:36:15.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I will just quickly go through that and demystify what has happened here.

1:36:15.172 --> 1:36:21.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So it really what this comes down to is a discount rate factor. Since first term everything to the left of my cursor.

1:36:21.292 --> 1:36:22.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's just a discount rate.

1:36:23.62 --> 1:36:24.262

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then we have the middle.

1:36:24.652 --> 1:36:29.52

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

An average monthly factor and then we have a utilization times 36 months.

1:36:29.602 --> 1:36:31.402

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Very basic actual world principles, right?

1:36:31.402 --> 1:36:33.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So we're we're discounting a future cash flow.

1:36:33.922 --> 1:36:35.242

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There's some average amount.

1:36:35.482 --> 1:36:38.362

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

How many are going to use it? For how long they're going to use it?

1:36:38.402 --> 1:36:43.42

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So it very much breaks down into. That's how we compute the the normal cost.

1:36:44.942 --> 1:36:58.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then one more slide before we go back to the the primary version, the primary

three thing is just our data sources and this this goes into a little more detail of what information we receive from the fast events guide.

1:36:58.532 --> 1:37:3.612

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Finance, accounting service. No information we received from DODC, the defense finance Power Data Center.

1:37:7.822 --> 1:37:9.462

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I will be back to.

1:37:11.532 --> 1:37:12.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The main text.

1:37:14.52 --> 1:37:16.852

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I think here is where we would.

1:37:18.382 --> 1:37:25.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Need a motion from the board to continue to use the current education benefits methodology.

1:37:27.122 --> 1:37:37.482

John Moore

Pete, I'll be happy to make that motion. So I'll make a motion to approve them through the model and the model and methodology presented the 93024 evaluation.

1:37:38.802 --> 1:37:40.402

Margaret Berger

I will second that motion.

1:37:41.982 --> 1:37:43.942

Mike Clark

Any further discussion?

1:37:46.222 --> 1:37:50.182

John Moore

Just again echoing Mike, what you said earlier, the data changes.

1:37:51.622 --> 1:37:53.782

John Moore

May cause us to have, you know, have to make further.

1:37:55.502 --> 1:38:1.582

John Moore

Changes to this methodology, the overall methodology, or something next year, but for this year I'm fine continuing it.

1:38:4.302 --> 1:38:5.822

John Moore

I think also with respect to.

1:38:7.822 --> 1:38:14.142

John Moore

I guess it'll come later, but maybe maybe this comments better for later, but when we get to the point of projecting kicker costs.

1:38:15.942 --> 1:38:16.542

John Moore

There may be.

1:38:16.852 --> 1:38:19.12

John Moore

Further simplifications that we wanna try.

1:38:20.502 --> 1:38:24.942

John Moore

In the next next year, but for this year, I'm fine continuing the methodology we're using.

1:38:27.512 --> 1:38:29.72

Mike Clark

I agree with those points, John. Thanks.

1:38:31.62 --> 1:38:32.782

Mike Clark

All right, let's vote on it then.

1:38:32.782 --> 1:38:40.742

Mike Clark

All in favor of accepting John's motion to accept the methodology for the 9/30/2024 evaluation.

1:38:42.482 --> 1:38:42.802

John Moore

Hi.

1:38:42.552 --> 1:38:42.752

Margaret Berger

Hi.

1:38:43.422 --> 1:38:45.662

Mike Clark

Aye. Motion carries.

1:38:49.32 --> 1:38:49.272

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Seat.

1:38:52.32 --> 1:39:4.192

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right, now we are on to last and final topic for this meeting is the September 30, 2024 vacate evaluation of the Education Benefits Fund using.

1:39:5.622 --> 1:39:10.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

These these methods and assumptions that were just adopted by the board broken out by the free program.

1:39:10.652 --> 1:39:13.372

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Gramm. So first we'll start with Chapter 30, kicker.

1:39:13.452 --> 1:39:19.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is the active duty members and this hasn't been offered by a service by the services since 2012.

1:39:20.742 --> 1:39:30.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Here is the current group of of members for the army by contract like Navy Marines and Coast Guard for a total amount of 118,000.

1:39:32.222 --> 1:39:37.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

785 still members active with top third kickers.

1:39:38.982 --> 1:39:42.742

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We also have a few. We would break it out a little bit separately as well.

1:39:44.972 --> 1:39:48.692

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

By the number of approved transfers to either a spouse or a child.

1:39:50.462 --> 1:39:55.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Then we also have breakdown a little bit further by those who are still on it and maca duty component and those who are separated.

1:39:56.342 --> 1:40:2.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So again, this is we still have 13,004 active duty and 104,000 separated.

1:40:3.142 --> 1:40:11.302

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then also number who have used the benefit over time, so about 66,000 of 118 have used the benefit of 52,000 have not.

1:40:13.692 --> 1:40:15.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is just a high level.

1:40:16.292 --> 1:40:17.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Count of personnel.

1:40:19.772 --> 1:40:23.452

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Next, we'll move into our first big data piece.

1:40:23.452 --> 1:40:26.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So this is DMVC and D fast reported activities.

1:40:26.572 --> 1:40:29.652

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Again, we've received ratio 2 separate sources.

1:40:30.212 --> 1:40:40.132

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So if we're looking at and this is part for actual benefit payments going out from Chapter 30 kickers, so we have DMVC results of about 30 million for the actual dollars.

1:40:41.742 --> 1:40:47.982

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
And then we have DFAS report DFS reporting number about \$27 million.

1:40:48.372 --> 1:40:52.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Difference about 3 million or 111.9%.

1:40:52.772 --> 1:41:10.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So that is the percent of DMDC extracts as a percent of total DFS numbers. And if you just we we show a couple other years for historical purposes. So we could see in 2023 fiscal year 23 that that percent was 66.

1:41:10.102 --> 1:41:11.972

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
.8. And then it was.

1:41:12.452 --> 1:41:13.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It was a different number.

1:41:14.302 --> 1:41:17.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

In oh, it was more what we see this year in in school year 22 and 21.

1:41:19.282 --> 1:41:20.642

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So that this is.

1:41:22.682 --> 1:41:34.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The data issues that that we have really talked about are more on the 16 O 6 size side, but also pointing out that they they do exist here on the chapter 30 keeper side.

1:41:37.622 --> 1:41:42.862

Mike Clark

If you knockout 2023, it's actually a pretty good consistency there.

1:41:45.682 --> 1:41:46.282

John Moore

Agreed.

1:41:50.32 --> 1:41:56.472

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Now we're gonna get into. How do we come up with the payments using the methodology?

1:41:56.472 --> 1:41:57.712

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So walking through from.

1:41:59.222 --> 1:42:4.382

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The front. So right these services that are offering the benefit currently or have offered the benefit.

1:42:4.622 --> 1:42:6.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Army, Navy, Marines and Coast Guard.

1:42:7.502 --> 1:42:9.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So we have a fund balance.

1:42:12.222 --> 1:42:17.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
295 we have present value of benefits which is our actual liability.

1:42:17.982 --> 1:42:18.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Here we have an unfunded.

1:42:19.252 --> 1:42:21.772

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
Or liability? Or if it's negative, it's a surplus.

1:42:21.772 --> 1:42:24.932

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So we have more of the fund that we have as natural liability.

1:42:26.582 --> 1:42:28.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
And then as we we we flow.

1:42:28.422 --> 1:42:30.822

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So let's keep an eye on the surplus amount.

1:42:30.822 --> 1:42:37.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
So go we go from 170 for the 24 valuation to 175 for the 25 valuation.

1:42:39.542 --> 1:42:41.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)
To 181, so the surplus is getting larger.

1:42:43.302 --> 1:42:48.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's getting larger for each of the services as we as we see here, if you see all these different surplus lines by service.

1:42:49.62 --> 1:42:51.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And they're all. They're still in a surplus state.

1:42:53.142 --> 1:43:9.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So based on the methods and assumptions that we use to value the top 30 ticker benefits, we are we've calculated that there's no amortization to be made on this company October 1st for any of these four services for the Chapter 30 kicker program.

1:43:18.182 --> 1:43:27.142

Mike Clark

So it's considering this as a closed program in for all intents and purposes, unless one of the services would start offering kickers again.

1:43:28.582 --> 1:43:31.462

Mike Clark

It it appears there's going to be a question about a surplus, some point down the road.

1:43:33.222 --> 1:43:33.462

Mike Clark

Agreed.

1:43:34.852 --> 1:43:39.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Great. It's a close program until it's open again.

1:43:44.942 --> 1:43:45.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right.

1:43:46.842 --> 1:43:48.682

Rick Virgile

Are you taking questions?

1:43:50.762 --> 1:43:53.642

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That's a familiar voice from the crowd, I think.

1:43:52.552 --> 1:43:54.592

Rick Virgile

Hi yeah I.

1:43:54.2 --> 1:43:56.242

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I think we could take a question or two.

1:43:56.572 --> 1:44:1.532

Rick Virgile

This this is Richard Virgil, the recently retired Coast Guard actuary.

1:44:2.982 --> 1:44:8.102

Rick Virgile

Who probably shouldn't have dialed in, but I know the Peach would be disappointed if I didn't so.

1:44:10.542 --> 1:44:17.222

Rick Virgile

My my question is eventually what happens to the money if it continues to grow?

1:44:17.542 --> 1:44:22.902

Rick Virgile

You know, do the services get it back someday, or does it just sit there forever?

1:44:27.372 --> 1:44:40.212

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That is a great question, Rick. And I know one that has been discussed by many different iterations of this board going back many years. And I think that is a it's a good open point.

1:44:41.782 --> 1:44:50.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It probably requires a lot of change at some point, but we we don't yet know and that is something that is of interest to us and others as well.

1:44:42.382 --> 1:44:42.462

Rick Virgile

Oh.

1:44:50.992 --> 1:44:51.312

Rick Virgile

All right.

1:44:51.312 --> 1:44:52.32

Rick Virgile

Thank you.

1:44:59.432 --> 1:45:4.832

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right, so let's look at some key results. And even though this program is closed, the door does require.

1:45:6.222 --> 1:45:10.62

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The board to promulgate kicker results or or per capita results.

1:45:10.62 --> 1:45:21.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So this is the single this net single premium that would be provided to an eligible member when they would become eligible for Chapter 30 kicker benefits.

1:45:21.702 --> 1:45:25.982

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So how much are we service contributing for that particular member?

1:45:26.952 --> 1:45:35.512

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Last year at the 2024 board meeting, we moved away from a A service specific kicker amount to a an all services number.

1:45:35.512 --> 1:45:40.432

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So in the past we we we used this army two year Army three-year army.

1:45:40.432 --> 1:45:43.312

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For now, it's just an all services 23456.

1:45:43.672 --> 1:45:46.952

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Here are the amounts that were approved last year.

1:45:48.172 --> 1:45:54.732

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

In and here are the amounts for FY20 7 that would be.

1:45:57.542 --> 1:46:1.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

If, if, if approved, that would be before for FY20 7.

1:46:4.582 --> 1:46:8.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Eligibilities if they get again this, if the program is opened again.

1:46:9.102 --> 1:46:9.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That's the point.

1:46:9.782 --> 1:46:15.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Now which is? It's where we're computing these numbers for the purpose of satisfying the statute.

1:46:21.492 --> 1:46:21.892

Rick Virgile

Almost over.

1:46:23.592 --> 1:46:24.912

Rick Virgile

Why do you want to pick? That's.

1:46:26.192 --> 1:46:30.622

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I do have a hot mic. If a hot mic can cool down that would be appreciated.

1:46:30.882 --> 1:46:31.882

Rick Virgile

This is a long meeting.

1:46:32.402 --> 1:46:37.962

Rick Virgile

It's once a year scheduled at three hours and usually ends after about two.

1:46:33.142 --> 1:46:33.742

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It is.

1:46:35.782 --> 1:46:35.862

Margaret Berger

No.

1:46:38.492 --> 1:46:39.732

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Rick, I think I hear you.

1:46:44.312 --> 1:46:44.992

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I think we're good.

1:46:46.492 --> 1:46:46.892

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Alright.

1:46:48.972 --> 1:46:50.812

Mike Clark

Second emotion that this is a long meeting.

1:46:53.742 --> 1:46:55.62

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Goodbye. Goodbye. Goodbye.

1:46:55.742 --> 1:46:57.22

Mike Clark

All right, back to business.

1:46:56.102 --> 1:46:59.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is this is shorter than we've seen in history, so.

1:46:58.742 --> 1:46:59.862

Mike Clark

Please continue.

1:47:1.422 --> 1:47:5.462

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I promise you will be tired of talking to me or hearing from me and maybe not.

1:47:5.462 --> 1:47:5.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I don't know.

1:47:5.862 --> 1:47:7.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Maybe everybody wants to hear from me.

1:47:8.582 --> 1:47:9.622

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I can tell you my wife does it.

1:47:9.742 --> 1:47:11.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That's a different story, all right.

1:47:13.302 --> 1:47:14.742

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Let's move on to 1606 kicker.

1:47:14.742 --> 1:47:17.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So this is the the active.

1:47:17.662 --> 1:47:17.712

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's a reserve.

1:47:17.782 --> 1:47:19.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's a program for reserve members.

1:47:19.502 --> 1:47:21.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is the currently active program.

1:47:23.822 --> 1:47:30.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Or that DoD is still our department still funding members for. So just looking at current count of of people.

1:47:31.212 --> 1:47:38.772

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

People who are eligible for the basic benefit for 2023 through 2024, so we could see a very large increase in the change.

1:47:39.252 --> 1:47:42.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Most of that is coming from the Army Guard.

1:47:42.692 --> 1:47:44.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

See if they jump the Navy reserve.

1:47:45.782 --> 1:47:53.342

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We'll, we'll this is one of the first things that that actually is really trained to look at, right is is the counts and the year to year counts.

1:47:53.342 --> 1:48:0.742

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And so this is the first one that really jumped out at us as as maybe there there is the first clue that there could be some.

1:48:1.672 --> 1:48:10.952

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Lingering data issues with this this year and this valuation eligible for kicker benefits 140 to 174 and change.

1:48:10.952 --> 1:48:12.632

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That's only 100.

1:48:12.632 --> 1:48:19.712

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's only a 25% increase, so that's that's less of a less of a concern. But again, it kind of still comes from same groups.

1:48:19.712 --> 1:48:23.72

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We have the Army Reserve here on the on the kicker side. That's all larger increase.

1:48:25.782 --> 1:48:28.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

More on this in a second.

1:48:30.972 --> 1:48:32.12

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So go to the next slide.

1:48:32.12 --> 1:48:37.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Look, here's a another comparison that we saw apologize because it's going to be.

1:48:38.662 --> 1:48:58.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Very small type on this chart, but again this is the reported benefit payments for both 1606 kicker and basic compared to DMBC reporting DFAST reporting and the difference between the two. So if we take it right to the very end we say we see all comp.

1:48:58.582 --> 1:49:0.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

DMV CS reporting 123 million.

1:49:1.572 --> 1:49:3.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Be fast is 48132 million.

1:49:3.572 --> 1:49:7.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The difference is about 9494%.

1:49:10.62 --> 1:49:22.142

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's really it's and if we zoom in and we see what happened last year again, 2023 was much larger difference, 22 was closer, 21 was was further away.

1:49:23.972 --> 1:49:42.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I, as part of this valuation we we we talked with some of the data stewards at DMVC who put us in contact with some of the the services themselves that we're submitting the information and there were some some known issues, some were were data that was transmitted that.

1:49:42.502 --> 1:49:43.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Was were issues.

1:49:43.292 --> 1:49:46.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Some were miscoded personnel.

1:49:46.172 --> 1:49:47.412

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So there there's a few different.

1:49:48.382 --> 1:49:51.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Challenges that services are aware of that DMVC is aware of.

1:49:52.652 --> 1:50:3.132

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Some of these are long standing issues. Some of these are more year specific type issues, but this is on the on the kicker and and benefits side of the Ledger.

1:50:6.32 --> 1:50:11.832

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I will pause here because I I would like if the board has any commentary on.

1:50:13.502 --> 1:50:16.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Some of the data challenges that that we have, especially this year they would like to comment.

1:50:24.872 --> 1:50:37.632

Mike Clark

I'm I guess I'm just this is we've been doing this for a number of years now and it's some years you it looks like it might be improving and then we kind of revert back to some a year that makes you wonder about that.

1:50:39.142 --> 1:50:43.182

Mike Clark

Yeah. I appreciate the efforts to try to work through the data to come up with the results as they are.

1:50:43.182 --> 1:50:54.102

Mike Clark

And again, I I don't know that there's an easy solution as to how to get this reconcile better going forward, but I think that's something we can we can look ahead to next year for.

1:51:2.702 --> 1:51:8.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Just one more since this this data is a topic du jour here for 1606.

1:51:8.942 --> 1:51:14.582

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is the not so not on payment, though. This is for numbers of new entrants, right?

1:51:14.582 --> 1:51:15.302

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So this is a.

1:51:15.302 --> 1:51:16.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's a key component.

1:51:16.182 --> 1:51:30.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

There's new entrance become eligible for basic and and kicker benefits, and then they start to feed into. So the number of new entrants is important because it feeds into the per capita amount that that we'll see a few slides from now.

1:51:31.662 --> 1:51:32.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So again, looking at DMVC.

1:51:33.732 --> 1:51:42.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Extracts we had a total cut, about 16,000 new entrants from the DMVC account, whereas DFAS shows 51,000.

1:51:42.772 --> 1:51:52.572

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So that that that is a very, very large number and here we have DMVC as a percent of DFAS with 16,000 / 51,000, that's about 32%.

1:51:52.572 --> 1:52:2.892

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So that that was we do have we do true up to some actual data we true up to DFAS numbers but again this this was a a very large.

1:52:3.312 --> 1:52:20.22

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Different we had seen before and and we have some insight as to why but but doesn't cover all of the why? If we look back here we see 2024 or 23 was was a little closer together in 2022 was further away and then?

1:52:20.22 --> 1:52:24.822

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

21 was almost right on top of each other, and this this is kind of the theme here.

1:52:24.822 --> 1:52:28.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

It's a very, very whoopsaw like year where we're going from multi years where we're.

1:52:29.342 --> 1:52:33.382

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Trying to adjust the the volatility of the results just based on the input data.

1:52:33.812 --> 1:52:49.92

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So Mike, as you noted earlier, the data we use and the current methodology is new data issues for valuation purposes, but it's also used for experience purposes every year as far as usage and utilization.

1:52:50.502 --> 1:53:3.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That that's perhaps something that that at least our office in particular would look to maybe separate to something to rely less on the data or rely very heavily on the data for something that is you know is is.

1:53:5.382 --> 1:53:6.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Challenging to work with.

1:53:10.892 --> 1:53:13.132

Mike Clark

Especially when you compare the head count.

1:53:14.822 --> 1:53:17.702

Mike Clark

Information to the benefits paid information, which is much more stable.

1:53:19.662 --> 1:53:20.702

Mike Clark

Than than the head counts.

1:53:20.702 --> 1:53:22.62

Mike Clark

It really does make you wonder.

1:53:24.802 --> 1:53:26.562

Mike Clark

What the truth is underneath this.

1:53:34.982 --> 1:53:37.262

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Hey, that's good. Some some results now.

1:53:38.902 --> 1:53:41.662

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So here's 1606 for we're almost to the end, I promise.

1:53:41.902 --> 1:53:43.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Three more slides to go.

1:53:44.822 --> 1:53:45.822

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

SO16O6 results.

1:53:45.822 --> 1:53:46.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We're here.

1:53:46.102 --> 1:53:51.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We're looking at the amortization payments and and the adjustments for the 1606 basic and kicker program.

1:53:51.782 --> 1:54:3.942

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So again, we break it all. The different Reserve National Guard components over the top per column and then we have a total amount over here. So as we have a fund balance of 462 million.

1:54:4.582 --> 1:54:10.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Present value benefits or natural reliability of 424. So now again we see that familiar surplus status.

1:54:12.102 --> 1:54:29.222

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

For for the this particular program in total, look, look back over here by different benefit program where we see the Air Guard that has that is in a as an unfunded liability is in a deficit state and also the Army National Guard as we project forward to into.

1:54:29.222 --> 1:54:30.902

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

2025 and into 2026.

1:54:32.662 --> 1:54:34.502

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And just using using this data.

1:54:34.812 --> 1:54:35.492

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That is available.

1:54:35.492 --> 1:54:51.432

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We see that that the surplus that we have here turns into a deficit next year on a on a total program basis and even larger in 2026. Some of these, some of the the different programs or the different service programs end up also moving from a.

1:54:51.422 --> 1:54:54.252

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Deficit state into a surplus state to a deficit state.

1:54:55.782 --> 1:55:4.22

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So ultimately the net of everything is that when we have an unfunded liability or a deficit that is, that is amortized over five years.

1:55:5.532 --> 1:55:10.532

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So at the interest rate of 3.5% here at the bottom, we're going to show.

1:55:12.62 --> 1:55:18.462

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

An Army National Guard amortization payment for this coming October 1st, 2026 of about \$26 million.

1:55:19.142 --> 1:55:24.782

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We have the Army Reserve at 7.9 million at the Air Guard.

1:55:26.502 --> 1:55:32.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

At 6.3 million for a total amount for this particular program of 40 point.

1:55:34.292 --> 1:55:35.292

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

8:00-ish million.

1:55:39.442 --> 1:55:42.122

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And we see here this this one line, this last line.

1:55:42.122 --> 1:55:44.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This is a modeling methodology.

1:55:46.302 --> 1:55:53.822

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Evaluation approach that the board has adopted, that we will need a motion for and I'll explain what it is and it is.

1:55:53.822 --> 1:55:59.182

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

See Justin Adjustment to the fiscal year 27 basic benefit normal cost.

1:55:59.182 --> 1:56:8.622

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So essentially what happens is that if there if a program is in a surplus status as we project forward, if they're projected to be in one.

1:56:9.672 --> 1:56:10.672

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

As of.

1:56:12.922 --> 1:56:19.642

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Two years from now, so September 30, 2026 valuation. That surplus can be applied to.

1:56:22.102 --> 1:56:36.862

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The the per capita normal cost, the normal costs and the per capita amounts contribute from the services to the EBF. So the Navy Reserve, Marine Corps and Air Force Reserve postcard reserve all were in a circle status.

1:56:37.142 --> 1:56:43.102

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So there will be adjustment to their basic normal cost. We'll see on the on the next slide over.

1:56:45.162 --> 1:56:57.42

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

But here is where we will need a motion from the board to continue to use this adjustment mechanism in order to reduce the school year 27 at normal costs.

1:57:0.572 --> 1:57:7.892

Mike Clark

Pete, just for the record, that amortization methodology for the surplus that offsets normal cost is the same as the amortization payment if you're underfunded.

1:57:9.182 --> 1:57:10.462

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Correct it is.

1:57:10.72 --> 1:57:10.392

Mike Clark

OK.

1:57:10.462 --> 1:57:11.542

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Five years or both? Yep.

1:57:11.862 --> 1:57:12.22

Mike Clark

Good.

1:57:12.892 --> 1:57:13.612

Mike Clark

Thank you.

1:57:13.612 --> 1:57:29.532

Mike Clark

So overall, you know what, what what I see here is that we've got a big experience loss in the liabilities from the data mostly that's driving more of the branches into an unfunded position and and causing some of those amortization payments to emerge.

1:57:33.552 --> 1:57:37.432

Mike Clark

So if any of the other members of the board have any comments.

1:57:39.342 --> 1:57:41.702

Margaret Berger

I mean, I think it's something that needs to be.

1:57:42.772 --> 1:57:45.692

Margaret Berger

Look that closer next year.

1:57:45.932 --> 1:57:46.932

Margaret Berger

I I would say.

1:57:48.462 --> 1:57:53.582

Margaret Berger

We do have a little bit of a sense that we don't actually know the funded status of this program at all really.

1:57:53.742 --> 1:58:0.142

Margaret Berger

And there's, you know, you have to go with the best. You have to go with what you have. And this is what we have.

1:58:0.142 --> 1:58:5.662

Margaret Berger

But it would be nice if we could get something better and find some way to reconcile a little bit.

1:58:5.662 --> 1:58:6.942

Margaret Berger

So we had a little more comfort.

1:58:8.582 --> 1:58:13.942

Margaret Berger

In the underlying funded status, I don't I I agree the methodology.

1:58:14.252 --> 1:58:17.692

Margaret Berger

Is reasonable in the amortization methodology is reasonable.

1:58:17.692 --> 1:58:24.332

Margaret Berger

But you know, garbage in, garbage out. They they say so. Not that this is garbage.

1:58:24.332 --> 1:58:30.572

Margaret Berger

That's a bit of a, but you know if the data is not good, you can't rely on the results so.

1:58:34.192 --> 1:58:37.312

Margaret Berger

Unless John has commentary. Yeah, I'll move.

1:58:34.432 --> 1:58:35.712

Mike Clark

Got anything further for you?

1:58:36.902 --> 1:58:37.462

John Moore

I'm good.

1:58:38.172 --> 1:58:42.332

Mike Clark

All right. I guess I'll ask for a motion then to accept the amortization methodology.

1:58:43.742 --> 1:58:44.302

Mike Clark

Outlined by Pete.

1:58:45.182 --> 1:58:49.702

Margaret Berger

I will make that motion to approve the amortization methodology.

1:58:52.462 --> 1:58:56.702

Mike Clark

For the what for do we need to send any further Pete or is that good?

1:58:52.882 --> 1:58:53.282

John Moore

2nd.

1:58:54.72 --> 1:59:1.352

Margaret Berger

Oh, for the fiscal for the adjustment of the fiscal 2027 basic benefit, normal costs, I believe.

1:59:0.832 --> 1:59:1.232

Mike Clark

All right.

1:59:1.232 --> 1:59:1.752

Mike Clark

Thank you.

1:59:3.102 --> 1:59:3.902

John Moore

A second.

1:59:5.692 --> 1:59:6.652

Mike Clark

All right, all in favor.

1:59:8.262 --> 1:59:8.462

Margaret Berger

Hi.

1:59:8.412 --> 1:59:8.532

John Moore

Aye.

1:59:10.932 --> 1:59:12.532

Mike Clark

Aye. Motion carries. Thank you.

1:59:15.832 --> 1:59:17.72

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

All right, final 2.

1:59:19.402 --> 1:59:35.322

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Here are the 16 O 6 per capita contribution amounts of fiscal top fiscal year 26 that was set last year at last year's board meeting and by component the basic. And then we have kicker amounts highlighted.

1:59:35.852 --> 1:59:43.932

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Folded boxes are signifying that that amount is currently offered by the back component and here we have for fiscal year 27.

1:59:45.802 --> 1:59:51.362

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

We could see here that that the Navy Reserve Air Reserve and Coast Guard reserve are all \$100.

1:59:51.522 --> 1:59:56.602

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That is the minimum amount of required by statute to have.

1:59:58.682 --> 2:0:6.722

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Zero 100 is is a minimum amount, so these recognize that there would be offset from we just discussed.

2:0:7.112 --> 2:0:17.592

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Board approved of offsetting surplus amounts in your line of accounting specific component or or service line of accounting to offset these per capital contributions.

2:0:19.642 --> 2:0:22.402

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Again, I think this is this is another area that.

2:0:24.442 --> 2:0:30.162

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That that oak recognized that that perhaps needs to be looked at again and assessed next year.

2:0:30.162 --> 2:0:31.82

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Next year, valuation.

2:0:39.602 --> 2:1:0.522

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

I don't think it was said. Typically the not typically as part of the board's duty there are there will be letters that our office will or O act will file and forward will review and that will promulgate the amounts for education benefit amortization payments and the per.

2:1:0.522 --> 2:1:3.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Capita amount that we see on this slide that we saw a few slides back.

2:1:4.682 --> 2:1:7.162

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And then also for specific one for the Coast Guard?

2:1:7.912 --> 2:1:8.152

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

As well.

2:1:12.492 --> 2:1:17.172

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Any any other comments on 1606 before we move to our final slide and our final program?

2:1:18.822 --> 2:1:20.222

Mike Clark

I have no further comments.

2:1:24.702 --> 2:1:34.422

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

What I like about this slide is this might be the only time any government program where you're actually dealing with actual dollar amounts without millions, not thousands.

2:1:34.542 --> 2:1:50.702

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

These are actual dollar amounts, so this is the the the oldest one of the programs that we had discussed for new entrance from 1977 to 1980, one 1985. This is the post Vietnam Educational Assistance Program or CAT3.

2:1:51.722 --> 2:1:53.882

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This program is is valued a little bit different.

2:1:54.312 --> 2:1:56.552

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A lot differently than the others, actually.

2:1:56.552 --> 2:2:2.232

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

So it's it's after the year and fund activity takes place that we then amortize the.

2:2:4.282 --> 2:2:5.722

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The If there's a surplus or a.

2:2:7.792 --> 2:2:22.672

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

If we, if we advertise any depth, then we have a fund balance again broken out by by primary service both 16,001, seven, seven for this program. In total there was a bunch of activity and then we have a projected fund balance.

2:2:24.82 --> 2:2:36.802

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

This coming October 1st, about 11,296, which means of the only the only service that has in a negative state was the Air Force. They were -3000.

2:2:37.152 --> 2:2:38.82

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Thousand at 400.

2:2:38.472 --> 2:2:42.272

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

\$70.00, which would mean that they would cover that.

2:2:43.762 --> 2:2:49.922

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

That deficit amount for an amount due on October 1st, 2025, but one of.

2:2:51.882 --> 2:3:7.962

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

The the one of the recommendations that that oaks make is that no contribution is required required at this time, just due to the it's a de minimis amount and will be covered by other other funds of of EPF that think that would also.

2:3:9.682 --> 2:3:10.562

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

Require a motion.

2:3:11.72 --> 2:3:11.472

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

A bolt.

2:3:11.472 --> 2:3:14.432

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

How this is advertised in the fact that no contribution would be required?

2:3:23.712 --> 2:3:26.872

Rossi, Peter G (Pete) CIV DODHRA DPAC (USA)

And that's where I'm going to stop on on kathry.

2:3:24.432 --> 2:3:24.552

John Moore

I'm.

2:3:28.232 --> 2:3:29.672

John Moore

I will chair.

2:3:29.672 --> 2:3:40.392

John Moore

I'll make a motion to continue to use the Cat 3 methodology to determine the October 125 costs and the transfer assets between CAT3 and Chapter 30 kicker.

2:3:41.712 --> 2:3:42.432

John Moore

Accordingly.

2:3:43.752 --> 2:3:46.72

Margaret Berger

2nd 2nd.

2:3:47.912 --> 2:3:48.432

Mike Clark

All right.

2:3:48.432 --> 2:3:50.72

Mike Clark

Any further discussion on that point?

2:3:51.732 --> 2:3:53.12

Mike Clark

Not all in favor.

2:3:53.832 --> 2:3:54.192

John Moore

Hi.

2:3:54.512 --> 2:3:55.72

Margaret Berger

Right.

2:3:54.842 --> 2:3:57.362

Mike Clark

Aye. Motion carries.

2:4:0.672 --> 2:4:5.192

Mike Clark

I think that ends the EBF portion of the presentation.

2:4:5.192 --> 2:4:14.272

Mike Clark

So I will thank the OX staff for all their work on pulling this together for us on short notice and I'll turn it back over to the real chair, John Moore.

2:4:15.542 --> 2:4:17.222

John Moore

Well done Mike. Thank you.

2:4:17.992 --> 2:4:20.232

John Moore

So just a few closing items.

2:4:21.722 --> 2:4:29.602

John Moore

As Pete mentioned, the board will follow this meeting with some formal letters documenting the various items.

2:4:29.842 --> 2:4:32.522

John Moore

Those will be coming up in the next few days.

2:4:34.202 --> 2:4:37.962

John Moore

Minute. The Minutes from this meeting will be available in about a month.

2:4:39.642 --> 2:4:42.762

John Moore

Please contact oak staff if you have any follow up questions or comments.

2:4:44.642 --> 2:4:46.962

John Moore

I'd like to thank everyone in attendance today.

2:4:47.232 --> 2:4:50.352

John Moore

Hey. And then I'd like to finish from really again.

2:4:50.352 --> 2:5:5.992

John Moore

Thank you. No ex staff for being able to pull this together with a lot of disruption around around doing all this from staff and board and everything else since I was really amazed that we're sitting here today wrapping this up.

2:5:5.992 --> 2:5:11.792

John Moore

So with that, I'm going to call this meeting. I'm going to adjourn this meeting.

2:5:12.642 --> 2:5:14.362

John Moore

For the board, if we could meet.

2:5:16.202 --> 2:5:17.562

John Moore

In our other side room to.

2:5:17.992 --> 2:5:19.352

John Moore

Talk about those letters.

2:5:19.632 --> 2:5:22.712

John Moore

I will just have a few more minutes before word fully excused.