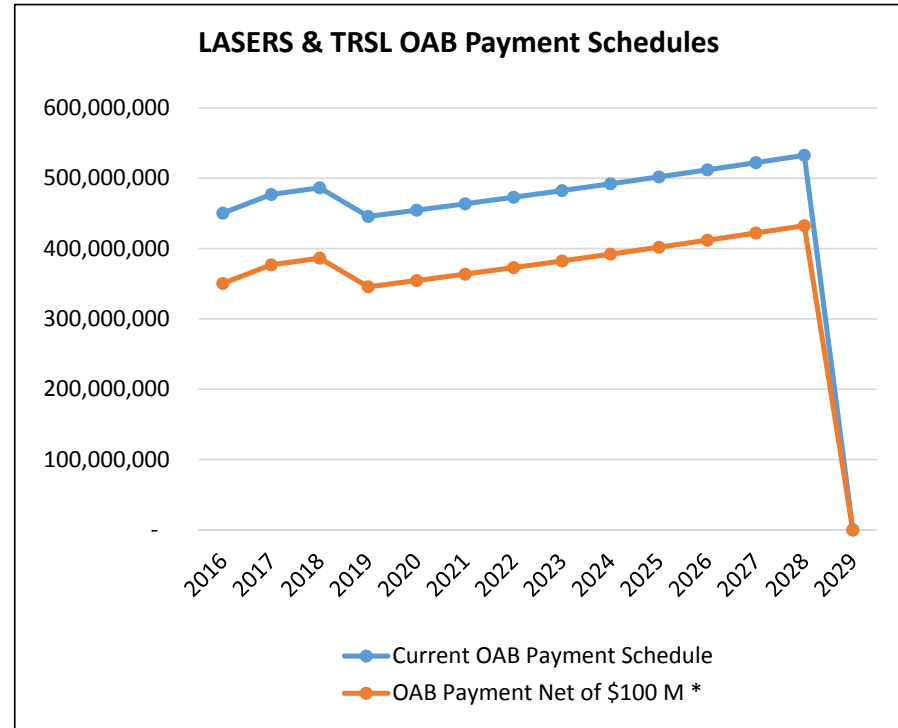


## Scenarios to Illustrate Potential Use of Additional \$100 Million to TRSL and LASERS

### Scenario 1

Additional \$100 million per year used to offset employer contributions  
Applied to debt as part of the current payment schedule

	Additional Payment	Current OAB Payment Schedule	OAB Payment Net of \$100 M *	OAB Payment Savings for Employers*
2016	100,000,000	450,447,783	350,447,783	(100,000,000)
2017	100,000,000	476,888,214	376,888,214	(100,000,000)
2018	100,000,000	486,425,979	386,425,979	(100,000,000)
2019	100,000,000	445,635,651	345,635,651	(100,000,000)
2020	100,000,000	454,548,364	354,548,364	(100,000,000)
2021	100,000,000	463,639,331	363,639,331	(100,000,000)
2022	100,000,000	472,912,118	372,912,118	(100,000,000)
2023	100,000,000	482,370,360	382,370,360	(100,000,000)
2024	100,000,000	492,017,767	392,017,767	(100,000,000)
2025	100,000,000	501,858,123	401,858,123	(100,000,000)
2026	100,000,000	511,895,285	411,895,285	(100,000,000)
2027	100,000,000	522,133,191	422,133,191	(100,000,000)
2028	100,000,000	532,575,854	432,575,854	(100,000,000)
2029	-	-	-	-
Total	1,300,000,000			(1,300,000,000)
<b>Net Savings</b>				-



#### Results:

- Would reduce employer contribution rates by an average of 1.5% of payroll
- No change in current funding structure (how funds are applied to debt) or in amount of total dollars applied to debt in any given year
- Does not result in early pay-off of debt or reduction in required total debt payments
- Provides immediate help to employers
- No interest savings for system/employers

#### Notes:

- Illustration does not anticipate future "hurdle" funds or appropriations, which may result in earlier pay off of OAB or reduced future OAB payments compared to those shown above.
- Scenario assumes discount rate will remain at 7.75% (for simplification)
- Assumes additional payments cease after the OAB is paid off.

\* Total required OAB payment is not reduced in this scenario. The employer payment is supplanted by the \$100 million additional payment.

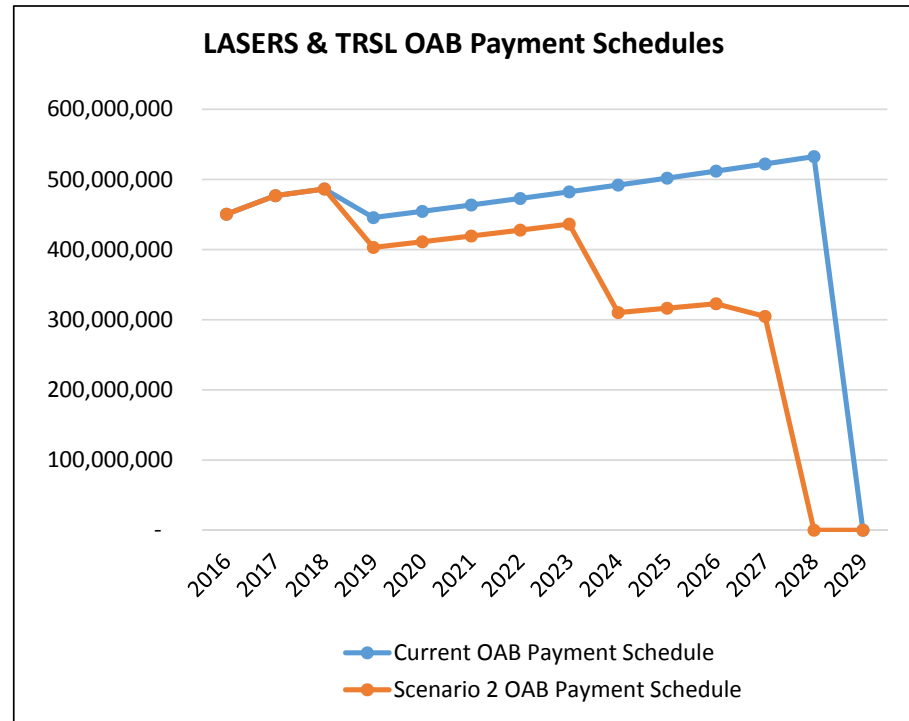
## Scenarios to Illustrate Potential Use of Additional \$100 Million to TRSL and LASERS

### Scenario 2

Additional \$100 million per year credited to OAB (IUAL) in a manner consistent with how other additional funds are currently applied (such as hurdle funds, contribution surplus, appropriations)

Not used for immediate employer relief, but will be used to pay off schedule early and/or reduce future employer contributions

	Additional Payment	Current OAB Payment Schedule	Scenario 2 OAB Payment Schedule	OAB Payment Savings
2016	100,000,000	450,447,783	450,447,783	-
2017	100,000,000	476,888,214	476,888,214	-
2018	100,000,000	486,425,979	486,425,979	-
2019	100,000,000	445,635,651	403,138,867	(42,496,783)
2020	100,000,000	454,548,364	411,201,645	(43,346,719)
2021	100,000,000	463,639,331	419,425,678	(44,213,653)
2022	100,000,000	472,912,118	427,814,191	(45,097,926)
2023	100,000,000	482,370,360	436,370,475	(45,999,885)
2024	100,000,000	492,017,767	310,267,139	(181,750,628)
2025	100,000,000	501,858,123	316,472,482	(185,385,640)
2026	100,000,000	511,895,285	322,801,932	(189,093,353)
2027	-	522,133,191	304,779,645	(217,353,545)
2028	-	532,575,854	-	(532,575,854)
2029	-	-	-	-
<b>Total</b>	<b>1,100,000,000</b>			<b>(1,527,313,988)</b>
<b>Net Savings</b>				<b>(427,313,988)</b>



### Results:

- Additional payments immediately used to reduce UAL, and improve funded ratio
- Works well with provisions of Act 95 of 2016, which requires for periodic reamortization to provides relief to employers while maintaining the possibility of early OAB pay-off
- All additional payments will be included in 2019 reamortization and every 5 years thereafter (per Act 95)
- Will mitigate or fully-offset (depending on amount of appropriations), employer increase expected in 2019 (resulting from the completion of Act 399's five year amortization of the 2014 investment credit)
- Will provide relief to employers only in years after reamortize

### Notes:

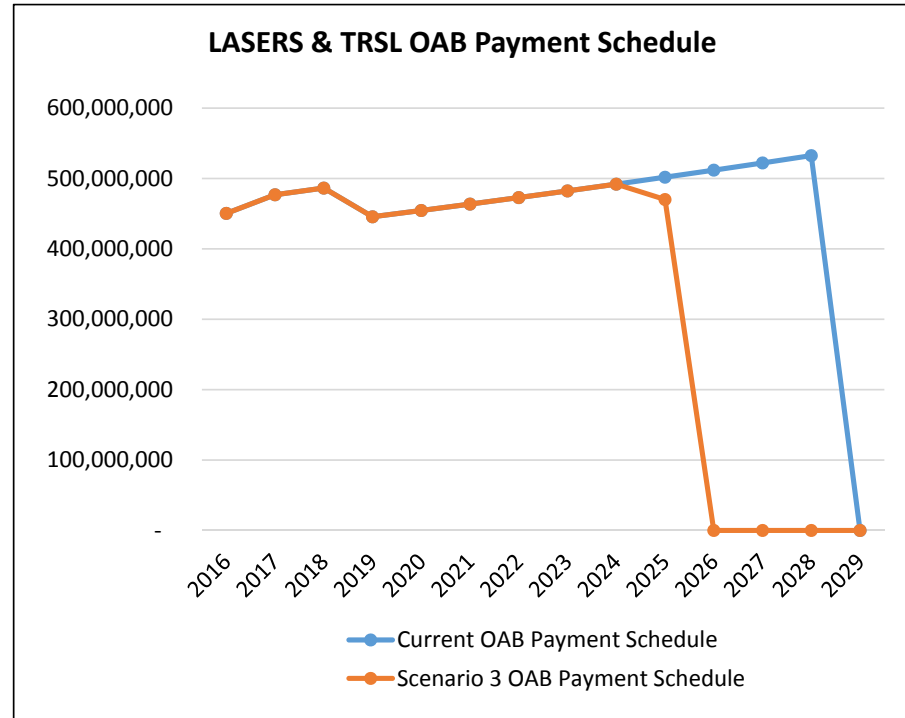
- Illustration does not anticipate future "hurdle" funds or appropriations, which may result in earlier pay off of OAB or reduced future OAB payments compared to those shown above.
- Scenario assumes discount rate will remain at 7.75% (for simplification)
- Assumes additional payments cease after the OAB is paid off.

## Scenarios to Illustrate Potential Use of Additional \$100 Million to TRSL and LASERS

### Scenario 3

Funds credited to side-fund, similar to experience account, so excluded from valuation assets  
Applied to UAL only when can pay-off OAB (IUAL)

	Additional Payment	Current OAB Payment Schedule	Scenario 3 OAB Payment Schedule	OAB Payment Savings
2016	100,000,000	450,447,783	450,447,783	-
2017	100,000,000	476,888,214	476,888,214	-
2018	100,000,000	486,425,979	486,425,979	-
2019	100,000,000	445,635,651	445,635,651	-
2020	100,000,000	454,548,364	454,548,364	-
2021	100,000,000	463,639,331	463,639,331	-
2022	100,000,000	472,912,118	472,912,118	-
2023	100,000,000	482,370,360	482,370,360	-
2024	100,000,000	492,017,767	492,017,767	-
2025	-	501,858,123	470,178,873	(31,679,249)
2026	-	511,895,285	-	(511,895,285)
2027	-	522,133,191	-	(522,133,191)
2028	-	532,575,854	-	(532,575,854)
2029	-	-	-	-
<b>Total</b>	<b>900,000,000</b>			<b>(1,598,283,579)</b>
<b>Net Savings</b>				<b>(698,283,579)</b>



#### Results:

- Structured to provide relief to employer contribution requirements only after balance sufficient to pay-off OAB.
- Side-fund credited (or debited) based on actuarial rate of return (similar to other side funds)
- Similar to current law for accounts created in the past (employer credit account, certain legislative appropriations, Texaco settlement funds)
- Maximum interest savings, minimum employer relief until OAB is paid-off.
- Could be modified to recognize side-fund account in funded ratio immediately.
- Would gradually add an additional 2.5% (approximately) to funded ratio over the next decade, over and above current expected improvement.

#### Notes:

- Illustration does not anticipate future "hurdle" funds or appropriations, which may result in earlier pay off of OAB or reduced future OAB payments compared to those shown above.
- Scenario assumes discount rate will remain at 7.75% (for simplification)
- Assumes additional payments cease after the OAB is paid off.