



METROPOLITAN TRANSIT AUTHORITY UNION PENSION PLAN

GASB 67 and 68 DISCLOSURE

Fiscal Year: October 1, 2023 to September 30, 2024

Prepared by

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Executive Summary

A. Summary of Key Results

| Reporting Date | September 30, 2023 | September 30, 2024 |
|--|---------------------------|---------------------------|
| Valuation Date | January 1, 2022 | January 1, 2023 |
| Participant Data | | |
| Number of participants | | |
| Active Participants | 1,238 | 948 |
| Terminated Vested Participants | 560 | 550 |
| Retired Participants | 1,506 | 1,726 |
| Disabled Participants | 175 | 168 |
| Beneficiaries | <u>385</u> | <u>400</u> |
| Total Participants | 3,864 | 3,792 |
| Covered payroll at reporting date | \$85,645,491 | \$71,122,108 |
| <hr/> | | |
| Measurement Date | December 31, 2022 | December 31, 2023 |
| Assets | | |
| Fiduciary net position | \$290,562,545 | \$299,834,850 |
| Money-weighted rate of return | (14.32%) | 8.90% |
| Net Pension Liability | | |
| Total pension liability | \$452,138,996 | \$450,462,920 |
| Fiduciary net position | <u>290,562,545</u> | <u>299,834,850</u> |
| Net Pension liability | \$161,576,451 | \$150,628,070 |
| Discount rate | 6.25% | 6.25% |
| Fiduciary net position as of % total pension liability | 64.26% | 66.56% |
| Net pension liability as of % covered payroll | 188.66% | 211.79% |
| <hr/> | | |
| Reporting Date | September 30, 2023 | September 30, 2024 |
| Pension Expense | | |
| Service cost | \$4,415,715 | \$3,154,530 |
| Interest on total pension liability | 27,387,593 | 27,527,976 |
| Effect of plan changes | 7,798,168 | 0 |
| Administrative expenses | 411,191 | 403,087 |
| Member contributions | (142,951) | (103,386) |
| Expected investment return net of investment expenses | (21,590,396) | (17,671,095) |
| Recognition of deferred inflows/outflows of resources | <u>3,281,243</u> | <u>(4,256,262)</u> |
| Pension expense | \$21,560,563 | \$9,054,850 |

B. Purpose of this Report

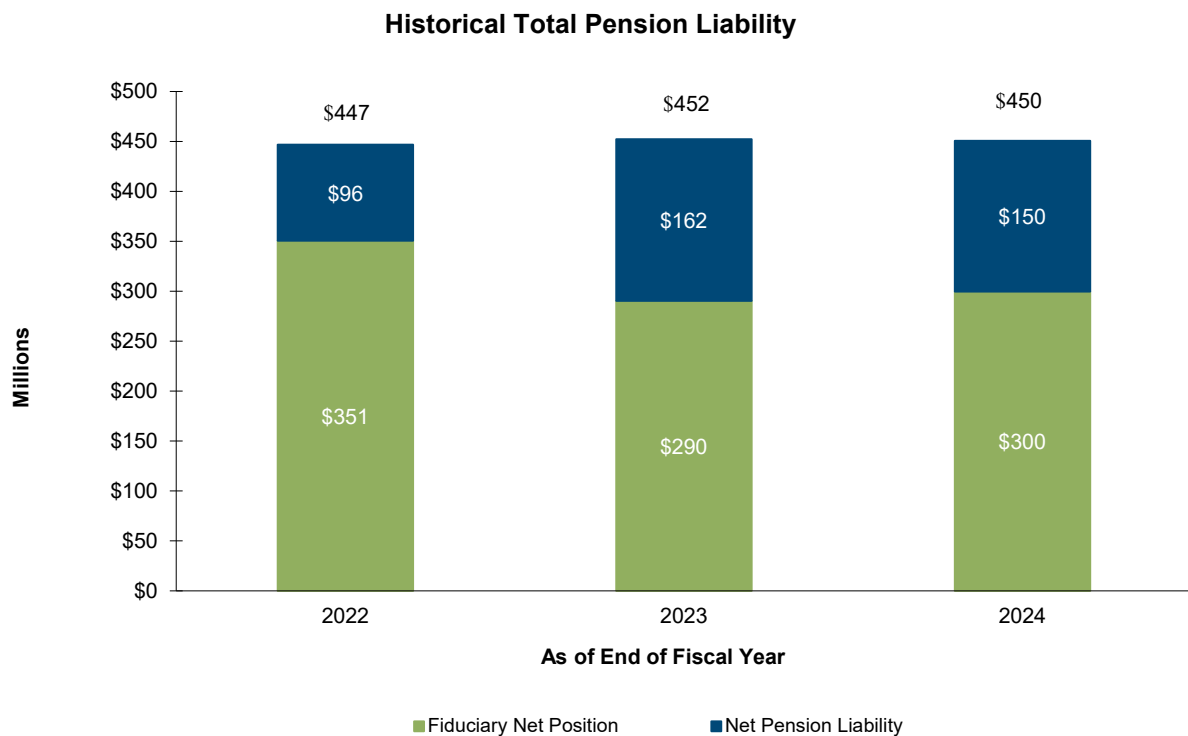
This accounting report has been prepared for the Metropolitan Transit Authority Union Pension Plan for the fiscal year October 1, 2023 to September 30, 2024 to:

- Calculate the Net Pension Liability.
- Prepare the Plan's Pension Expense.
- Review the Plan's depletion date projection.

The Valuation Date is January 1, 2023. This is the date as of which the actuarial valuation is performed. The Measurement Date is December 31, 2023. This is the date as of which the net pension liability is determined. The Reporting Date is September 30, 2024. This is the employer's fiscal year ending date.

C. Total Pension Liability and Net Pension Liability

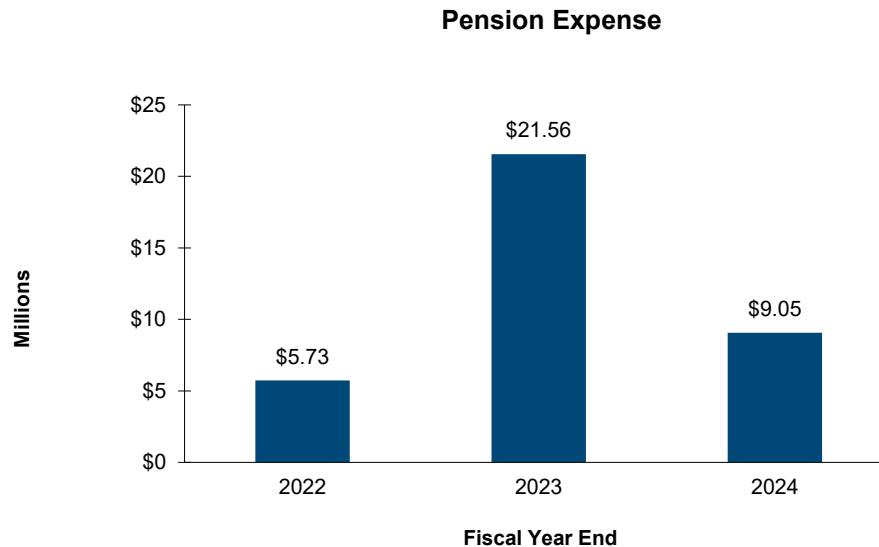
The graph below illustrates the total pension liability and the net pension liability (funded status) for the current and preceding two years.



D. Pension Expense for the 2024 Fiscal Year End

The Pension Expense measured for the plan year ending December 31, 2023 and reported for the fiscal year ending September 30, 2024 is \$9,054,850.

The graph below illustrates the Pension Expense for the current and preceding two fiscal years.



E. Depletion Date

As of December 31, 2023, our projections show the plan will have enough assets to make projected benefit payments under the assumptions outlined on page 9 and developed on page 12 of the report.

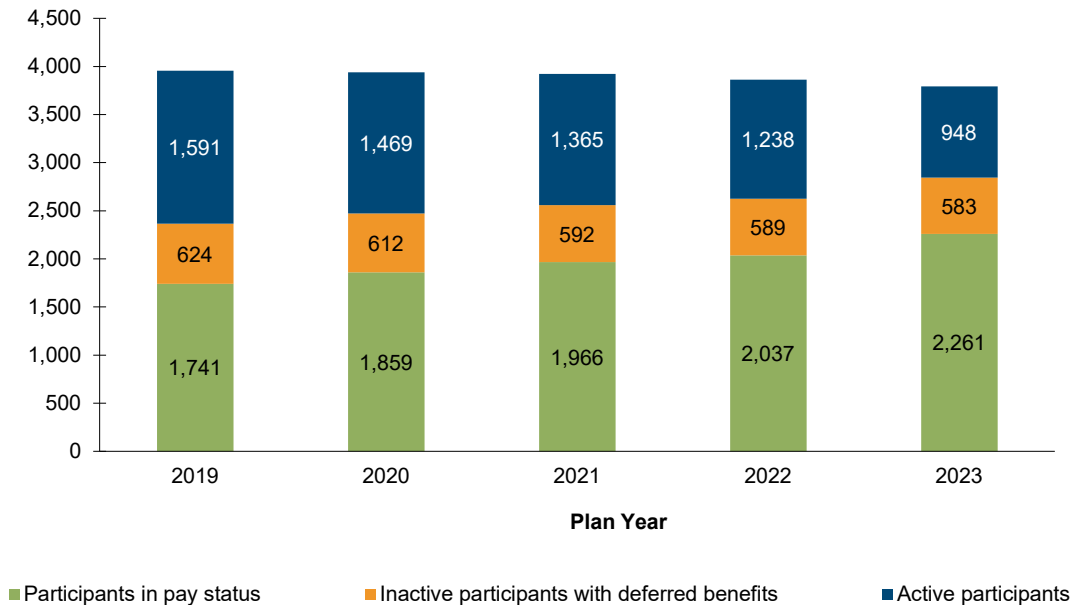
F. Plan Experience

Change in Demographics

From January 1, 2022 to January 1, 2023, the number of active participants in the Plan decreased by 23.4% from 1,238 to 948; while the total number of participants decreased by 1.9% from 3,864 to 3,792.

The following graph illustrates the count of participants, by category, as of the valuation date for the current and preceding four plan years.

Historical Participation



Total Pension Liability

Under the Entry Age Normal actuarial cost method, and prior to reflecting any plan, method or assumption changes, liability experience for the 2023 plan year was more favorable than expected, generating a net actuarial gain as follows:

- Demographic experience different from that assumed, which resulted in an actuarial gain of approximately \$2.2 million.

In addition, the actuarial assumption changes resulted in an overall loss of approximately \$13 thousand as follows:

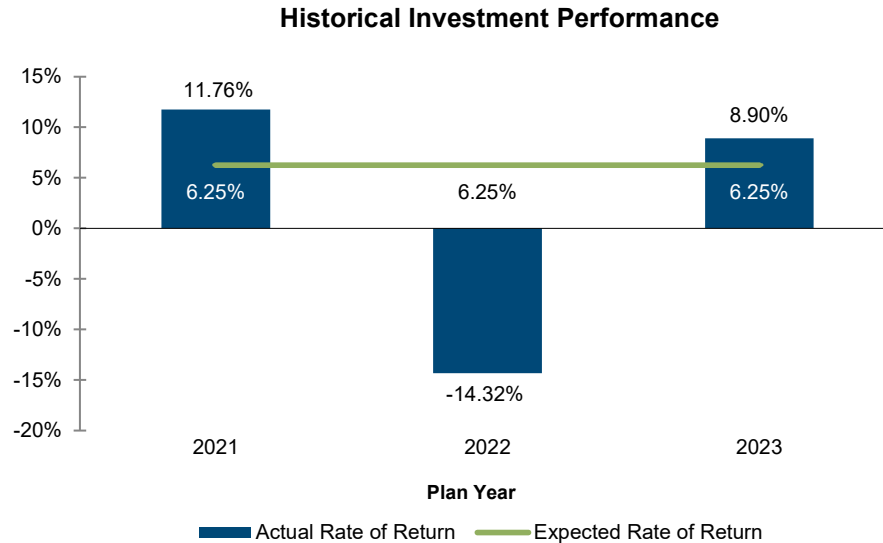
- The revised salary scale assumption resulted in an increase of the total pension liability of approximately \$13 thousand.
- The updated inflation assumption had an immaterial impact on the total pension liability.

Change in Assets

Asset experience for the 2023 plan year was more favorable than expected.

- The 2023 rate of return on the market value of plan assets was approximately 8.90%, above the assumed rate of 6.25%, resulting in an investment gain of approximately \$7.5 million.

The following graph illustrates the investment performance on a market value basis for the preceding three plan years.



G. Actuarial Methods and Assumptions

The actuarial methods and assumptions used in this measurement are the same as those used in the prior measurement except as follows:

- The salary scale assumption was updated from 4.85% for 2023, 4.25% for 2024, 4.275% for 2025, and 3.00% per year thereafter to 4.575% for 2023, 3.25% for 2024, 3.75% for 2025, 3.25% for 2026, 3.75% for 2027 and 3.00% per year thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999.
- Inflation was updated from 2.33% to 2.30%.

These changes were made to better reflect anticipated future plan experience and to align with negotiated increases in the 2024 Labor Agreement.

H. Plan Provisions

The plan provisions used in this measurement are the same as those used in the prior measurement.

Certification

Actuarial computations presented in this report under Statements No. 67 and 68 of the Governmental Accounting Standards Board are for purposes of assisting METRO in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year October 1, 2023 to September 30, 2024. The reporting date for determining plan assets and obligations is December 31, 2023. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information as of January 1, 2023 and December 31, 2023 furnished by METRO. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please see Milliman's funding valuation report issued August 3, 2023 for more information on the plan's participant group as of January 1, 2023 as well as a summary of the plan provisions and a summary of the actuarial methods used for funding purposes. Please see Milliman's preliminary December 31, 2023 valuation assumptions report dated April 17, 2024 for a summary of the assumptions used in this measurement.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

We hereby certify that, to the best of our knowledge, this report, including all costs and liabilities based on actuarial assumptions and methods, is complete and accurate and determined in conformance with generally recognized and accepted actuarial principles and practices, which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions and supporting Recommendations of the American Academy of Actuaries.

Each of the assumptions used in this valuation with the exception of those set by law was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Certification

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurements.

Milliman has developed certain models to estimate the values included in this report. The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

There is substantial uncertainty regarding the impact of the COVID-19 pandemic on projected plan costs. Therefore, for purposes of this report, we have chosen not to make any adjustments to these costs. However, please be aware that the COVID-19 pandemic could have a material cost impact in future valuations.

Milliman's work is prepared solely for the internal use and benefit of Metropolitan Transit Authority of Harris County, Texas. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit METRO; and (b) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



James Tumlinson, Jr., EA, MAAA
Principal and Consulting Actuary



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Overview of GASB 67 and GASB 68

The Governmental Accounting Standards Board (GASB) released new accounting standards for public pension plans and participating employers in 2012. These standards, GASB Statements No. 67 and 68, have substantially revised the accounting requirements previously mandated under GASB Statements No. 25 and 27. The most notable change is the distinct separation of funding from financial reporting. The Annual Required Contribution (ARC) has been eliminated under GASB 67 and 68 and is no longer relevant for financial reporting purposes. As a result, plan sponsors have been encouraged to establish a formal funding policy that is separate from financial reporting calculations.

GASB 67 applies to financial reporting for public pension plans and is required to be implemented for plan fiscal years beginning after June 15, 2013. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue standalone financial statements, but rather is considered a pension trust fund of a government, it is subject to GASB 67. Under GASB 67, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 68 governs the specifics of accounting for public pension plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2014. GASB 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Statement of Fiduciary Net Position

| | December 31, 2022 | December 31, 2023 |
|--|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$2,287,805 | \$5,832,862 |
| Receivables and prepaid expenses: | | |
| Receivable contributions | 0 | 0 |
| Receivable investment income | 37,464 | 67,312 |
| Receivables from brokers for unsettled trades | 0 | 0 |
| Prepaid expenses | 0 | 0 |
| Total receivables | 37,464 | 67,312 |
| Investments: | | |
| Fixed income | 73,606,447 | 81,109,406 |
| Stocks | 166,975,102 | 176,337,826 |
| Short-term investments | 0 | 0 |
| Real estate | 47,852,786 | 36,685,723 |
| Alternative investments | 0 | 0 |
| Total investments | 288,434,335 | 294,132,955 |
| Invested securities lending cash collateral | 0 | 0 |
| Capital assets net of accumulated depreciation | 0 | 0 |
| Total assets | 290,759,604 | 300,033,129 |
| Liabilities | | |
| Accrued expenses and benefits payable | 197,059 | 198,279 |
| Securities lending cash collateral | 0 | 0 |
| Payable to brokers for unsettled trades | 0 | 0 |
| Total liabilities | 197,059 | 198,279 |
| Net position restricted for pensions | \$290,562,545 | \$299,834,850 |

Statement of Changes in Fiduciary Net Position

December 31, 2023

Additions

| | |
|---|------------|
| Pick-Up contributions | \$103,386 |
| Employer contributions | 14,557,542 |
| Total contributions | 14,660,928 |
| Investment income (loss): | |
| Interest | 256,296 |
| Dividends | 1,715,924 |
| Equity fund income, net | 0 |
| Net increase in fair value of investments | 23,917,246 |
| Securities lending income | 0 |
| Less investment expenses: | |
| Direct investment expense | 726,297 |
| Securities lending management fees | 0 |
| Securities lending borrower rebates | 0 |
| Net investment income | 25,163,169 |
| Other income | 0 |
| Total additions | 39,824,097 |

Deductions

| | |
|---------------------------------|------------|
| Service benefits | 30,148,705 |
| Disability benefits | 0 |
| Death benefits | 0 |
| Refunds of member contributions | 0 |
| Administrative expenses | 403,087 |
| Total deductions | 30,551,792 |
| Net increase (decrease) | 9,272,305 |

Net position restricted for pensions

| | |
|---------------------------------------|---------------|
| Beginning of year (December 31, 2022) | 290,562,545 |
| End of year (December 31, 2023) | \$299,834,850 |

Money-Weighted Rate of Return

| Measurement Year Ending December 31 | Net Money-Weighted Rate of Return |
|---|---|
| 2014 | 4.24% |
| 2015 | (3.38%) |
| 2016 | 7.91% |
| 2017 | 16.90% |
| 2018 | (6.73%) |
| 2019 | 17.63% |
| 2020 | 11.55% |
| 2021 | 11.76% |
| 2022 | (14.32%) |
| 2023 | 8.90% |

Calculation of Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on an annual basis and are assumed to occur at the middle of the year. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each year. The money-weighted rate of return is calculated net of investment expenses.

| | Net External Cash Flows |
|-----------------------------------|----------------------------|
| Beginning Value - January 1, 2023 | \$290,562,545 |
| Annual net external cash flows: | |
| Employer contributions | 14,557,542 |
| Employee contributions | 103,386 |
| Benefit payments | (30,148,705) |
| Administrative expenses | (403,087) |
| Total | (15,890,864) |
| Investment Income | 25,163,169 |
| Ending Value - December 31, 2023 | 299,834,850 |
| Money-Weighted Rate of Return | 8.90% |

Net Pension Liability

| Net Pension Liability | December 31, 2022 | December 31, 2023 |
|--|--------------------|--------------------|
| Total pension liability | \$452,138,996 | \$450,462,920 |
| Fiduciary net position | <u>290,562,545</u> | <u>299,834,850</u> |
| Net pension liability | \$161,576,451 | \$150,628,070 |
| Fiduciary net position as a % of total pension liability | 64.26% | 66.56% |
| Covered payroll | 85,645,491 | 71,122,108 |
| Net pension liability as a % of covered payroll | 188.66% | 211.79% |

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 67 and 68.

Discount Rate

| | | |
|--|-------|-------|
| Discount rate | 6.25% | 6.25% |
| Long-term expected rate of return, net of investment expense | 6.25% | 6.25% |
| Municipal bond rate | N/A | N/A |

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2023 were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2018.

| | | |
|--------------------------------------|--|---|
| Valuation date | January 1, 2022 | January 1, 2023 |
| Measurement date | December 31, 2022 | December 31, 2023 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Inflation | 2.33% | 2.30% |
| Salary increases including inflation | 3.525% for 2022, 4.85% for 2023, 4.25% for 2024, 4.275% for 2025, and 3.00% thereafter | 4.575% for 2023, 3.25% for 2024, 3.75% for 2025, 3.25% for 2026, 3.75% for 2027 and 3.00% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999 |
| Mortality | Pub-2010 Mortality, projected forward (fully generational) with MP-2021 | Pub-2010 Mortality, projected forward (fully generational) with MP-2021 |

Please see Milliman's preliminary assumptions reports for December 31, 2022 measurements, dated April 18, 2023, and for December 31, 2023 measurements, dated April 17, 2024, for more detail.

Long-Term Expected Rate of Return

The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of January 1, 2024 based on a 30-year investment horizon.

| Asset Class | Index | Target Allocation* | Long-Term | Long-Term |
|--|-------------------------------------|--------------------|---|--|
| | | | Expected Arithmetic Real Rate of Return | Expected Geometric Real Rate of Return |
| US Core Fixed Income (Aggregate) | Bloomberg Barclays Aggregate | 21.00% | 2.21% | 2.08% |
| Global Bonds | FTSE WGBI USD | 9.00% | 1.00% | 0.70% |
| US Large & Mid Cap Equity | Russell 1000 TR USD | 21.00% | 5.42% | 3.78% |
| US Small Cap Equity | Russell 2000 TR USD | 6.00% | 6.94% | 4.39% |
| US Mid Cap Equity | Russell Mid Cap TR USD | 8.00% | 5.95% | 3.90% |
| Non-US Equity | MSCI ACWI Ex USA NR USD | 25.00% | 7.66% | 5.80% |
| US REITs | FTSE Nareit All Equity REITs TR USD | 10.00% | 6.63% | 4.49% |
| | | 100.00% | | |
| Assumed Inflation - Mean | | | 2.30% | 2.30% |
| Assumed Inflation - Standard Deviation | | | 1.44% | 1.44% |
| Portfolio Real Mean Return | | | 5.17% | 4.30% |
| Portfolio Nominal Mean Return | | | 7.47% | 6.74% |
| Portfolio Standard Deviation | | | | 12.79% |
| Long-Term Expected Rate of Return | | | | 6.25% |

* Target allocation as of December 31, 2023.

Depletion Date Projection

In order to determine if the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, we have prepared a depletion date projection using the following techniques and assumptions:

- Pick-up contributions which began October 1, 2018 have been reflected in this projection.
- The employer contributes the actuarially determined contribution amounts.
- Benefit payments are projected based on the actuarial assumptions and the current plan provisions.
- Members are assumed to receive pay increases, terminate, retire, become disabled, die, and so forth according to the actuarial assumptions used for the December 31, 2023 measurement.
- Terminating and retiring members will not be replaced with new employees.
- Current administrative expenses are assumed to increase by 1.00% per year.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.25%.
- The tax-exempt, high-quality general obligation municipal bond index rate is N/A.
- The funding policy used to determine actuarially determined contributions does not change. See the last page of this report for details.
- The actuarial assumptions do not change.
- The plan provisions do not change except if any material future changes have been agreed upon as of the measurement date.

Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

In accordance with ASOP 51, please refer to Appendix C of the valuation report issued August 3, 2023 which identifies, assesses, and provides illustrations of risks that are significant to the Plan, and in some cases to the Plan's participants.

Projection of Contributions

| Year | Projected Payroll Current Employees | Projected Payroll Future Employees | Total Employee Payroll | Contributions from Current Employees | Employer Contributions for Current Employees | Contributions from Future Employees | Total Contributions |
|------|--|---|------------------------------|---|---|--|------------------------|
| 1 | \$60,993,657 | \$0 | \$60,993,657 | \$133,692 | \$14,479,165 | \$0 | \$14,612,857 |
| 2 | 57,147,391 | 0 | 57,147,391 | 121,992 | 14,970,721 | 0 | 15,092,713 |
| 3 | 53,660,008 | 0 | 53,660,008 | 110,916 | 15,738,190 | 0 | 15,849,106 |
| 4 | 49,865,119 | 0 | 49,865,119 | 100,152 | 16,839,725 | 0 | 16,939,877 |
| 5 | 45,896,878 | 0 | 45,896,878 | 90,324 | 16,454,904 | 0 | 16,545,228 |
| 6 | 41,953,042 | 0 | 41,953,042 | 80,808 | 16,240,309 | 0 | 16,321,117 |
| 7 | 38,305,477 | 0 | 38,305,477 | 71,916 | 16,030,803 | 0 | 16,102,719 |
| 8 | 34,942,088 | 0 | 34,942,088 | 63,960 | 15,839,647 | 0 | 15,903,607 |
| 9 | 31,386,008 | 0 | 31,386,008 | 56,628 | 15,658,123 | 0 | 15,714,751 |
| 10 | 28,106,838 | 0 | 28,106,838 | 49,452 | 15,482,551 | 0 | 15,532,003 |

Note: Years subsequent to year 10 have been omitted from this table.

Projection of Fiduciary Net Position

| Year | Projected Beginning Fiduciary Net Position | Projected Total Contributions | Projected Benefit Payments | Projected Administrative Expenses | Projected Investment Earnings | Projected Ending Fiduciary Net Position |
|------|---|-------------------------------------|----------------------------------|---|-------------------------------------|--|
| 1 | \$299,834,850 | \$14,612,857 | \$31,338,963 | \$407,118 | \$18,204,265 | \$300,905,891 |
| 2 | 300,905,891 | 15,092,713 | 32,227,178 | 411,189 | 18,258,317 | 301,618,554 |
| 3 | 301,618,554 | 15,849,106 | 33,056,158 | 415,301 | 18,300,461 | 302,296,662 |
| 4 | 302,296,662 | 16,939,877 | 33,792,643 | 419,454 | 18,353,785 | 303,378,227 |
| 5 | 303,378,227 | 16,545,228 | 34,354,309 | 423,649 | 18,391,366 | 303,536,863 |
| 6 | 303,536,863 | 16,321,117 | 34,871,524 | 427,885 | 18,377,982 | 302,936,553 |
| 7 | 302,936,553 | 16,102,719 | 35,308,296 | 432,164 | 18,319,855 | 301,618,667 |
| 8 | 301,618,667 | 15,903,607 | 35,668,798 | 436,486 | 18,219,864 | 299,636,854 |
| 9 | 299,636,854 | 15,714,751 | 35,896,755 | 440,851 | 18,082,839 | 297,096,838 |
| 10 | 297,096,838 | 15,532,003 | 36,005,823 | 445,260 | 17,914,831 | 294,092,589 |

Note: Years subsequent to year 10 have been omitted from this table.

Actuarial Present Value of Projected Benefit Payments

| Year | Projected Beginning Fiduciary Net Position | Projected Benefit Payments | "Funded" Portion of Benefit Payments | "Unfunded" Portion of Benefit Payments | Present Value of "Funded" Benefit Payments* | Present Value of "Unfunded" Benefit Payments** | Present Value of Total Benefit Payments*** | |
|-------|--|----------------------------|--------------------------------------|--|---|--|--|---------------|
| 1 | \$299,834,850 | \$31,338,963 | \$31,338,963 | \$0 | \$30,403,260 | \$0 | \$30,403,260 | |
| 2 | 300,905,891 | 32,227,178 | 32,227,178 | 0 | 29,425,840 | 0 | 29,425,840 | |
| 3 | 301,618,554 | 33,056,158 | 33,056,158 | 0 | 28,407,305 | 0 | 28,407,305 | |
| 4 | 302,296,662 | 33,792,643 | 33,792,643 | 0 | 27,331,966 | 0 | 27,331,966 | |
| 5 | 303,378,227 | 34,354,309 | 34,354,309 | 0 | 26,151,764 | 0 | 26,151,764 | |
| 6 | 303,536,863 | 34,871,524 | 34,871,524 | 0 | 24,983,988 | 0 | 24,983,988 | |
| 7 | 302,936,553 | 35,308,296 | 35,308,296 | 0 | 23,808,863 | 0 | 23,808,863 | |
| 8 | 301,618,667 | 35,668,798 | 35,668,798 | 0 | 22,637,134 | 0 | 22,637,134 | |
| 9 | 299,636,854 | 35,896,755 | 35,896,755 | 0 | 21,441,700 | 0 | 21,441,700 | |
| 10 | 297,096,838 | 36,005,823 | 36,005,823 | 0 | 20,241,739 | 0 | 20,241,739 | |
| 95 | 53,278 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 96 | 53,847 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 97 | 54,416 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 98 | 54,880 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 99 | 55,458 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total | | | | | 468,380,347 | + | 0 | = 468,380,347 |

Note: Years 11-94 have been omitted from this table.

* Discounted at the long-term expected rate of return, 6.25%.

** Discounted at the municipal bond rate, N/A.

*** Discounted at the single interest rate that produces a total actuarial present value equal to the sum of the actuarial present values of "funded" and "unfunded" benefit payments, 6.25%.

Changes in Net Pension Liability

| Changes in Net Pension Liability | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances as of December 31, 2022 | \$452,138,996 | \$290,562,545 | \$161,576,451 |
| Changes for the year: | | | |
| Service cost | 3,154,530 | | 3,154,530 |
| Interest on total pension liability | 27,527,976 | | 27,527,976 |
| Effect of plan changes | 0 | | 0 |
| Effect of economic/demographic gains or losses | (2,222,985) | | (2,222,985) |
| Effect of assumptions changes or inputs | 13,108 | | 13,108 |
| Benefit payments | (30,148,705) | (30,148,705) | 0 |
| Employer contributions | | 14,557,542 | (14,557,542) |
| Member contributions | | 103,386 | (103,386) |
| Net investment income | | 25,163,169 | (25,163,169) |
| Administrative expenses | | (403,087) | 403,087 |
| Balances as of December 31, 2023 | \$450,462,920 | \$299,834,850 | \$150,628,070 |

Sensitivity Analysis

The following presents the net pension liability of METRO, calculated using the discount rate of 6.25%, as well as what METRO's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate.

| | 1% Decrease 5.25% | Current Discount Rate 6.25% | 1% Increase 7.25% |
|-------------------------|-------------------------|-----------------------------------|-------------------------|
| Total pension liability | \$496,974,860 | \$450,462,920 | \$410,857,791 |
| Fiduciary net position | <u>299,834,850</u> | <u>299,834,850</u> | <u>299,834,850</u> |
| Net pension liability | \$197,140,010 | \$150,628,070 | \$111,022,941 |

Pension Expense

| Pension Expense | October 1, 2022 to September 30, 2023 | October 1, 2023 to September 30, 2024 |
|---|--|--|
| Service cost | \$4,415,715 | \$3,154,530 |
| Interest on total pension liability | 27,387,593 | 27,527,976 |
| Effect of plan changes | 7,798,168 | 0 |
| Administrative expenses | 411,191 | 403,087 |
| Member contributions | (142,951) | (103,386) |
| Expected investment return net of investment expenses | (21,590,396) | (17,671,095) |
| Recognition of Deferred Inflows/Outflows of Resources | | |
| Recognition of economic/demographic gains or losses | (4,141,180) | (4,568,835) |
| Recognition of assumption changes or inputs | (1,990,485) | (183,763) |
| Recognition of investment gains or losses | <u>9,412,908</u> | <u>496,336</u> |
| Pension Expense | \$21,560,563 | \$9,054,850 |

As of September 30, 2024, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows / Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | (\$2,359,038) | \$0 |
| Changes of assumptions | (136,498) | 6,866 |
| Net difference between projected and actual earnings | 0 | 26,530,186 |
| Contributions made subsequent to measurement date* | N/A | Employer determined |

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--------------------------|-------------|
| Year ended September 30: | |
| 2025 | \$3,732,082 |
| 2026 | 9,100,378 |
| 2027 | 12,707,470 |
| 2028 | (1,498,414) |
| 2029 | 0 |
| Thereafter** | 0 |

* Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources related to pensions.

** Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Deferred Inflows and Outflows of Resources

| | Original Amount | Date Established | Original Rec. Period* | Amount Recognized in Pension Expense for FYE 09/30/2024 | Amount Recognized in Pension Expense through 09/30/2024 | Balance of Deferred Inflows as of 09/30/2024 | Balance of Deferred Outflows as of 09/30/2024 |
|--|--------------------|---------------------|-----------------------------|--|--|--|---|
| Economic/ demographic gains or losses | (\$2,222,985) | 9/30/2024 | 2.1 | (\$1,058,564) | (\$1,058,564) | (\$1,164,421) | \$0 |
| | (7,167,707) | 9/30/2023 | 2.4 | (2,986,545) | (5,973,090) | (1,194,617) | 0 |
| | (1,472,895) | 9/30/2022 | 2.9 | (457,105) | (1,472,895) | 0 | 0 |
| | (1,065,945) | 9/30/2021 | 3.2 | <u>(66,621)</u> | (1,065,945) | <u>0</u> | <u>0</u> |
| | | Total | | (4,568,835) | | (2,359,038) | 0 |
| Assumption changes or inputs | 13,108 | 9/30/2024 | 2.1 | 6,242 | 6,242 | 0 | 6,866 |
| | (818,994) | 9/30/2023 | 2.4 | (341,248) | (682,496) | (136,498) | 0 |
| | 865,954 | 9/30/2022 | 2.9 | 268,744 | 865,954 | 0 | 0 |
| | (1,880,019) | 9/30/2021 | 3.2 | <u>(117,501)</u> | (1,880,019) | <u>0</u> | <u>0</u> |
| | | Total | | (183,763) | | (136,498) | 6,866 |
| Investment gains or losses | (7,492,074) | 9/30/2024 | 5.0 | (1,498,415) | (1,498,415) | (5,993,659) | 0 |
| | 71,029,417 | 9/30/2023 | 5.0 | 14,205,883 | 28,411,766 | 0 | 42,617,651 |
| | (17,509,281) | 9/30/2022 | 5.0 | (3,501,856) | (10,505,568) | (7,003,713) | 0 |
| | (15,450,473) | 9/30/2021 | 5.0 | (3,090,095) | (12,360,380) | (3,090,093) | 0 |
| | (28,095,897) | 9/30/2020 | 5.0 | <u>(5,619,181)</u> | (28,095,897) | <u>0</u> | <u>0</u> |
| | | Total | | 496,336 | | (16,087,465) | 42,617,651 |
| Employer contributions made subsequent to measurement date.** | | | | | | | |
| Total for economic/demographic gains or losses and assumption changes or inputs | | | | | | (2,495,536) | 6,866 |
| Net deferred (inflows)/outflows for investment gains or losses | | | | | | 0 | 26,530,186 |
| Total deferred (inflows)/outflows | | | | | | (2,495,536) | 26,537,052 |
| Total net deferrals | | | | | | | 24,041,516 |

* Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

** Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources related to pensions.

Schedule of Changes in Net Pension Liability and Related Ratios (in 1,000s)

| | Fiscal Year Ending September 30 | | | | | | | | | |
|--|---------------------------------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$3,155 | \$4,416 | \$4,675 | \$5,231 | \$4,956 | \$4,647 | \$4,930 | \$5,329 | \$5,550 | \$5,435 |
| Interest on total pension liability | 27,528 | 27,388 | 26,720 | 26,440 | 27,494 | 25,780 | 25,075 | 24,589 | 24,786 | 22,447 |
| Effect of plan changes | 0 | 7,798 | 5,234 | 0 | 0 | 13,851 | 0 | 0 | 0 | 0 |
| Effect of economic/demographic gains or losses | (2,223) | (7,168) | (1,473) | (1,066) | (1,882) | (4,970) | (2,013) | (10,556) | (2,781) | 0 |
| Effect of assumption changes or inputs | 13 | (819) | 866 | (1,880) | (8,162) | 22,299 | (2,089) | (5,369) | 25,680 | 0 |
| Benefit payments | (30,149) | (26,127) | (24,084) | (23,306) | (21,934) | (19,795) | (18,800) | (17,657) | (16,567) | (15,924) |
| Net change in total pension liability | (\$1,676) | \$5,488 | \$11,939 | \$5,419 | \$472 | \$41,812 | \$7,104 | (\$3,664) | \$36,668 | \$11,958 |
| Total pension liability, beginning | \$452,139 | \$446,651 | \$434,712 | \$429,293 | \$428,821 | \$387,010 | \$379,906 | \$383,569 | \$346,901 | \$334,943 |
| Total pension liability, ending (a) | \$450,463 | \$452,139 | \$446,651 | \$434,712 | \$429,293 | \$428,821 | \$387,010 | \$379,906 | \$383,569 | \$346,901 |
| Fiduciary Net Position | | | | | | | | | | |
| Employer contributions | \$14,558 | \$15,668 | \$15,836 | \$17,079 | \$17,806 | \$15,631 | \$15,414 | \$16,565 | \$19,062 | \$13,477 |
| Pick-up contributions | 103 | 143 | 164 | 184 | 200 | 0 | 0 | 0 | 0 | 0 |
| Net investment income | 25,163 | (49,439) | 37,364 | 33,667 | 44,495 | (18,517) | 40,370 | 17,696 | (7,810) | 9,448 |
| Benefit payments | (30,149) | (26,127) | (24,084) | (23,306) | (21,934) | (19,795) | (18,800) | (17,657) | (16,567) | (15,924) |
| Administrative expenses | (403) | (411) | (418) | (388) | (337) | (326) | (315) | (278) | (314) | (1,333) |
| Net change in plan fiduciary net position | \$9,272 | (\$60,166) | \$28,863 | \$27,235 | \$40,230 | (\$22,957) | \$36,669 | \$16,327 | (\$5,629) | \$5,668 |
| Fiduciary net position, beginning | \$290,563 | \$350,729 | \$321,865 | \$294,630 | \$254,400 | \$277,357 | \$240,688 | \$224,361 | \$229,990 | \$224,322 |
| Fiduciary net position, ending (b) | \$299,835 | \$290,563 | \$350,729 | \$321,865 | \$294,630 | \$254,400 | \$277,357 | \$240,688 | \$224,361 | \$229,990 |
| Net pension liability, ending = (a) - (b) | \$150,628 | \$161,576 | \$95,923 | \$112,847 | \$134,663 | \$174,421 | \$109,652 | \$139,217 | \$159,208 | \$116,911 |
| Fiduciary net position as a % of total pension liability | 66.56% | 64.26% | 78.52% | 74.04% | 68.63% | 59.33% | 71.67% | 63.35% | 58.49% | 66.30% |
| Covered payroll | \$71,122 | \$85,645 | \$83,722 | \$90,602 | \$94,602 | \$97,251 | \$103,246 | \$106,575 | \$93,228 | \$92,277 |
| Net pension liability as a % of covered payroll | 211.79% | 188.66% | 114.57% | 124.55% | 142.35% | 179.35% | 106.21% | 130.63% | 170.77% | 126.70% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Notes to Schedule:

Please see Milliman's preliminary December 31, 2023 valuation assumptions report dated April 17, 2024 for a description of changes in principal plan provisions and actuarial assumptions since the prior valuation.

Schedule of Employer Contributions

| Fiscal Year Ending September 30 | Actuarially Determined Contribution | Actual Employer Contribution* | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a % of Covered Payroll |
|---------------------------------------|---|-------------------------------------|--|--------------------|--|
| 2015 | \$13,477,182 | \$13,477,182 | \$0 | \$92,277,465 | 14.61% |
| 2016 | 15,410,109 | 19,062,423 | (3,652,314) | 93,227,967 | 20.45% |
| 2017 | 16,565,280 | 16,565,280 | 0 | 106,574,630 | 15.54% |
| 2018 | 15,413,823 | 15,413,823 | 0 | 103,245,714 | 14.93% |
| 2019 | 15,631,361 | 15,680,817 | (49,456) | 97,250,761 | 16.12% |
| 2020 | 17,805,961 | 17,805,961 | 0 | 94,602,405 | 18.82% |
| 2021 | 17,078,683 | 17,078,683 | 0 | 90,601,821 | 18.85% |
| 2022 | 15,836,027 | 15,836,027 | 0 | 83,722,438 | 18.91% |
| 2023 | 15,165,514 | 15,668,399 | (502,885) | 85,645,491 | 18.29% |
| 2024 | 14,557,542 | 14,557,542 | 0 | 71,122,108 | 20.47% |

*2019 includes \$49,456 in pick-up contributions, none shown for 2020 (valued as employee contributions going forward).

Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions were used in the January 1, 2023 valuation unless stated otherwise. Please see Milliman's valuation report issued August 3, 2023 for more detail.

| | |
|-----------------------------------|--|
| Valuation Timing | Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st 20 months prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | |
| Level percent or level dollar | Level dollar |
| Closed, open, or layered periods | Closed |
| Amortization period at 01/01/2023 | 20 years |
| Amortization growth rate | 0.00% |
| Asset Valuation Method | |
| Smoothing period | 5 years |
| Recognition method | Non-asymptotic |
| Corridor | 80% - 120% of Market Value |
| Inflation | 2.30%, adopted for December 31, 2023 measurement and beyond. |
| Salary Increases | 4.575% for 2023, 3.25% for 2024, 3.75% for 2025, 3.25% for 2026, 3.75% for 2027 and 3.00% thereafter, with an additional 0.25% for 2025, 1.25% for 2026, and 1.5% for 2027 for bus operators hired after June 1, 1999, adopted for December 31, 2023 measurement and beyond. |
| Investment Rate of Return | 6.25%, adopted for December 31, 2019 measurement and beyond. |
| Cost of Living Adjustments | None. |
| Retirement | See retirement rates in the January 1, 2023 valuation report. Effective October 1, 2022, retirement rates were increased by 50% for participants age 60+ with at least 5 years of service to anticipate in-service benefits for currently active participants (excluding transfers). |
| Turnover | See turnover rates in the January 1, 2023 valuation report. |
| Mortality | Pub-2010 Mortality, projected forward (fully generational) with MP-2021 used for December 31, 2023 measurement). |

Summary Chart

| | Total | Plan | Net | Net Investment | | | | Net Pension Liability plus Net Deferrals | Annual Expense |
|---|-------------------|------------------------|-------------------|--------------------|-------------------|---------------------|---------------|--|----------------|
| | Pension Liability | Fiduciary Net Position | Pension Liability | Deferred (Inflows) | Deferred Outflows | (Inflows)/ Outflows | Net Deferrals | | |
| Balances as of September 30, 2023 | (\$452,138,996) | \$290,562,545 | (\$161,576,451) | (\$5,300,135) | \$268,744 | \$34,518,596 | \$29,487,205 | (\$132,089,246) | |
| Service cost | (3,154,530) | | (3,154,530) | | | | | | 3,154,530 |
| Interest on total pension liability | (27,527,976) | | (27,527,976) | | | | | | 27,527,976 |
| Effect of plan changes | 0 | | 0 | | | | | | 0 |
| Effect of liability gains or losses | 2,222,985 | | 2,222,985 | (2,222,985) | | | (2,222,985) | | |
| Effect of assumption changes or inputs | (13,108) | | (13,108) | | 13,108 | | 13,108 | | |
| Benefit payments | 30,148,705 | (30,148,705) | 0 | | | | | | |
| Administrative expenses | | (403,087) | (403,087) | | | | | | 403,087 |
| Member contributions | | 103,386 | 103,386 | | | | | | (103,386) |
| Expected net investment income | | 17,671,095 | 17,671,095 | | | | | | (17,671,095) |
| Investment gains or losses | | 7,492,074 | 7,492,074 | | | (7,492,074) | (7,492,074) | | |
| Employer contributions | | 14,557,542 | 14,557,542 | | | | | 14,557,542 | |
| Recognition of liability gains or losses | | | | 4,568,835 | | | 4,568,835 | | (4,568,835) |
| Recognition of assumption changes or inputs | | | | 458,749 | (274,986) | | 183,763 | | (183,763) |
| Recognition of investment gains or losses | | | | | | (496,336) | (496,336) | | 496,336 |
| Annual expense | | | | | | | | (9,054,850) | 9,054,850 |
| Balances as of September 30, 2024 | (450,462,920) | 299,834,850 | (150,628,070) | (2,495,536) | 6,866 | 26,530,186 | 24,041,516 | (126,586,554) | |

Glossary

| | |
|---|--|
| Actuarially Determined Contribution | A target or recommended contribution to a defined benefit pension plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. |
| Deferred Inflows/Outflows of Resources | Portion of changes in net pension liability that is not immediately recognized in Pension Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments. |
| Discount Rate | Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of: <ol style="list-style-type: none">1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. |
| Fiduciary Net Position | Equal to market value of assets. |
| Long-Term Expected Rate of Return | Long-term expected rate of return on pension plan investments expected to be used to finance the payment of benefits, net of investment |
| Money-Weighted Rate of Return | The internal rate of return on pension plan investments, net of investment expenses. |
| Net Pension Liability | Total Pension Liability minus the Plan's Fiduciary Net Position (unfunded accrued liability). |
| Projected Benefit Payments | All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and expected future service. |
| Service Cost | The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year. |
| Total Pension Liability | The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 67 and 68. |