

Effect of Overfunding

- Consider the illustrative Hourly Cost at different funding levels:

Hourly Cost, if 1/1/2017 Funded Percent Was:	80%	90%	100%	110%	120%	140%
Normal Cost	\$2.52	\$2.52	\$2.52	\$2.52	\$2.52	\$2.52
Operating Expenses	0.20	0.20	0.20	0.20	0.20	0.20
Amortization/(Surplus Earnings)	<u>4.75</u>	<u>2.38</u>	<u>0.00</u>	<u>(0.62)</u>	<u>(1.23)</u>	<u>(2.47)</u>
Illustrative Hourly Cost	\$7.47	\$5.10	\$2.72	\$2.10	\$1.49	\$0.25
Ultimate Avg. Contribution Rate	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87
Difference	\$1.60	\$(0.77)	\$(3.15)	\$(3.77)	\$(4.38)	\$(5.62)

- In these illustrations, Hourly Cost is defined as Normal Cost + Operating Expenses + Amortization/(Surplus Earnings) [see Note below]
- Some or all of the difference between the average contribution rate and a lower Hourly Cost could become available for benefit improvements and/or contribution rate reductions, or to increase the overfunding

Note: For the 80% and 90% funded scenarios, the amortization is the amount needed to achieve full funding by 1/1/2021. For the 110%, 120%, and 140% funded scenarios, the surplus earnings is 7.5% of the investment return on the funding surplus