

ACTUARIAL PROJECTIONS FOR THE NATIONAL RELIGIOUS RETIREMENT OFFICE

MAY 5, 2016

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Introduction

Mercer has prepared this report exclusively for the National Religious Retirement Office (NRRO) for the following purposes:

- Present projections of the costs of caring for retired members over the 20-year period beginning on January 1, 2015. As all Social Security benefits received are used to offset the costs of caring for retired members, projections of Social Security benefits received by members are also presented.
- Present projections of assets available to cover retired members' costs. These projections are presented on two different bases, one reflecting only those assets currently designated for retirement purposes and the other reflecting all assets that could possibly be used for retirement purposes.
- Present projections of the numbers of active and retired members over the next 20 years.
- Identify the present value of retirement care costs that will still remain as of December 31, 2034.
- Compare some of the results of these projections to projection results obtained in a 2012 study.

This valuation report may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

This report is based on a snapshot of the estimated financial condition of the religious institutes, in aggregate, with regard to their retirement assets and costs at a particular point in time. The projections are based on financial and census data reported to the NRRO as of December 31, 2014. The projections of asset levels and retirement costs over the next 20 years represent one scenario resulting from current asset and cost levels and assumptions about how those amounts might change in the future. Any deviations between the assumptions used and actual experience will lead to future asset and cost levels that are different from those projected in this report.

Over time, the actual ability to cover retirement costs depends on a number of factors, including changes in annual retirement cost levels, the number of retired members, the level of Social Security benefits received, and the amount earned on any assets invested to cover retirement costs. These amounts and other variables are uncertain and unknowable at the valuation date, but are likely to fall within a reasonable range of possibilities.

This study includes projections of future costs and other related results. To prepare these projections or results, various *actuarial assumptions*, as described in this report were used to

project a limited number of scenarios from a range of possibilities. However, the future is uncertain, and actual experience will likely differ from the assumptions utilized and the scenarios presented; these differences may be significant or material. In addition, different assumptions of scenarios may also be within the reasonable range and results based on those assumptions would be different. This study has been created for a limited purpose, is presented at a particular point in time, and should not be viewed as a prediction of the future financial condition of the assets and associated liabilities for women and men religious ("Religious").

This study is based on census data provided by the NRRO. The Office is solely responsible for the validity, accuracy, and comprehensiveness of this information; the results can be expected to differ and may need to be revised if the underlying data supplied is incomplete or inaccurate.

Mercer has prepared this report exclusively for the NRRO. Mercer is not responsible for use of this report by any other party.

Mercer has prepared this report to identify the current and projected retirement costs of women and men religious. This report may not be used for any other purpose; Mercer is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission.

This report was prepared in accordance with generally accepted actuarial principles and procedures. Based on the information provided to us, we believe that the actuarial assumptions are reasonable for the purposes described in this report.

All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

Decisions at the individual institutes and congregations about benefit changes, granting new benefits, investment policy and/or funding policy, benefit security and/or benefit related issues should not be made solely on the basis of this report, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

The NRRO should notify Mercer promptly after receipt of this report if the NRRO disagrees with anything contained herein or is aware of any information that would affect these results that has not been communicated to Mercer or incorporated herein.

The congregations reporting assets to the NRRO are solely responsible for selecting the investment policies, asset allocations and individual investments for their respective assets, including those designated for retirement. The Mercer actuaries who prepared this report have

not provided any investment advice to the NRRO or to the congregations reporting assets to the NRRO.

We used financial data submitted by the NRRO as of the valuation date without further audit. Customarily, this information would not be verified by the actuary. We have reviewed the information for internal consistency and general reasonableness.

Professional Qualifications

I am available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. I am not aware of any direct or material indirect financial interest or relationship, including investments or other services, that could create a conflict of interest that would impair the objectivity of this work.



James Baughman, ASA, EA, MAAA
Enrolled Actuary (No. 14-06714)

May 5, 2016

Date

Mercer (US) Inc.
1050 Connecticut Avenue NW
Suite 700
Washington, DC 20036-5386

+1 202 331 5200

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Actuarial Assumptions

Basis and Significance of Selection

In anticipating the future financial needs of the Religious, it is necessary to have expectations concerning the future characteristics of the Religious population and the levels of those items that generate revenue and expense for the Religious. To prepare future estimates of this type, assumptions need to be made concerning the frequency and timing of certain future events. For those events that are economic in nature, rates of future increases need to be approximated.

Actuarial assumptions are a significant component of any projections into the future. In order for the projections to be at all reliable, the assumptions used need to be reasonable based on those facts that are already known. Slight deviations between future experience and the assumptions used will not generally decrease the reliability of the projection results. However, significant deviations will harm the credibility of the projections, so any user of the projections needs to be aware of how the Religious experience since the date of the study is comparing to the assumed experience. In judging whether or not there have been deviations, consider that the assumptions used are long-term assumptions; they represent the best guess estimate of future experience over a 20-year period. Actual experience may differ from the assumptions each year, but over the longer 20-year period, the assumptions are intended to represent the average experience.

Demographic assumptions are those assumptions related to future Religious population changes. These assumptions are based on past NRRO analyses of member congregation experience and expectations of how that experience will change in the future. Generally, future experience has been assumed to be the same as recent past experience. The assumption selections are also based on our understanding of member congregation experience and how it might change. Although the member congregations do occasionally have new members and terminations, the incidence of such population changes is so small that they have been deemed to have an immaterial impact on the projections. We have found in our work with other religious organizations that this is often a very reasonable assumption.

The economic assumptions are based on past trends and current indicators. For the investment yield assumption, we have used an assumption of 6.25% as selected by the NRRO. We believe that the investment yield assumption is reasonable for the purposes described in the report, based on the assumption that all congregations in aggregate were held in a balance of 55% equity investments and 45% fixed income investments.

For the cost of care, actual cost of care cost increases have been under 5% in five of the past six years. In fact, increases to the annual cost of care have averaged 2.4% for men and 3.1% for

women during the past 10 years. In the 2012 study, the cost of care was assumed to increase by 5% per year. After taking the recent historical information into account, the NRRO has reduced the assumption to 4.25%. However, since there could be significant variability in future costs and this assumption will have a significant impact on the results presented in this actuarial analysis, we also presented certain results assuming future costs would increase by 3.25% annually. With this information, the NRRO will have some indication of the impact of future cost increase deviations on the projections in this report.

The mortality assumptions for men and women were updated from the 2012 study, which were based on rates developed in the 1990's. The updated assumptions incorporate an updated base table and a scale to project future longevity improvements.

The updated base table is based on results from a mortality experience study which Mercer prepared for The Resource Center for Religious Institutes (RCRI) in 2014. The study reflected mortality experience from January 1, 2003 to December 31, 2013 for both men and women.

In addition, recent studies by the Society of Actuaries and the Social Security Administration (SSA) indicate that people continue to live longer than previous generations, and these longevity improvements are expected to continue. Whether these trends would continue into the future is speculative. However, it is difficult to challenge the evidence of past improvements. A generational mortality projection scale is incorporated in this study. The projection scale is two-dimensional, in that the forecasted rates of improved longevity vary based on both a member's age and date of birth (for example, the rate of improvement for a 70 year old born in 1950 is different from a 70 year old born in 1970). The scale is based on projected rates of longevity improvement published by the SSA in its 2014 Trustees report. More detail on the assumptions is provided under Demographic Assumptions in this section.

Defining retirement for a group of this type can be difficult since many individuals who might be considered to be retired using certain criteria, might not consider themselves to be retired because of certain tasks they still complete and their participation in certain other activities. For many individuals, the phase-down from active to being fully retired can be very gradual. For purposes of these projections, the retired group has been defined as those who have left full-time compensated ministry. For both men and women, the assumed retirement age using this definition is 75. As with the other demographic assumptions, this reflects recent experience and an expectation that the factors that affect when members retire will not lead to retirement timing changes in the future.

Demographic Assumptions

Mortality: Mercer Mortality Tables for Men Religious and Women Religious (2014), projected generationally with the MSS-2007 projection scale beginning in 2008.

The Mercer Mortality Tables for Men Religious and Women Religious (2014) are Mercer tables that were developed based on a mortality experience study that Mercer prepared for RCRI in 2014. The study was based on mortality experience for men and women for the 11-year period from January 1, 2003 to December 31, 2013. This is used as a baseline mortality table as of 2008, to reflect the median year of the study.

We have assumed that future mortality improvement after 2008 will follow the 2014 Trustees Report of the SSA, Intermediate Alternative as reflected in the MSS-2007 improvement scale. The improvement rates implied by the report's mortality projections are based on an analysis of the specific factors that impact mortality improvement as well as potential long term trends for those factors. The SSA has many years of experience reviewing, analyzing and projecting changes in mortality. We recognize there are widely varying opinions regarding mortality improvement, but believe the Trustees Report represents a reasonable estimate.

Illustrative examples are included at the end of Section 2 of this report.

New Members: The projections assumed no new members. The assumption was selected by the NRRO.

Turnover: The projections assumed no withdrawals. The assumption was selected by the NRRO.

Disabilities: The projections assumed no disabilities. The assumption was selected by the NRRO.

Retirement Age: Both Women Religious and Men Religious are assumed to retire at age 75. The assumption was selected by the NRRO.

Economic Assumptions

Investment Yield: 6.25%, per annum. The assumption was selected by the NRRO.

Annual Cost of Care: The average annual retirement cost for 2015 was assumed to be \$39,992/\$41,069 for Religious Women/Men age 75 or older. The assumption was provided by the NRRO. The cost of care is subject to the annual cost of care increases assumption.

Annual Cost of Care Increases: Cost of care was assumed to increase at the rate of 4.25% per year. These costs include health care costs for retired members. The assumption was selected by the NRRO.

Social Security Benefits: The average annual Social Security benefit for 2015 was assumed to be \$6,047.71 for Religious Women and Men age 65 or older. The assumption was provided by the NRRO. The Social Security benefit is subject to the Social Security increases assumption.

Social Security Increases: Social Security benefits were assumed to increase at the rate of 2.2% per year and commence at age 65. The assumption was selected by the NRRO and reflects Mercer's capital market assumption for price inflation, reflecting market conditions as of January 2015.

Mortality assumption: Illustrative examples

The following examples illustrate how, over time, the mortality rates are assumed to decrease and longevity is assumed to increase as a result of the MSS-2007 generational projection scale.

Example #1

Determine mortality rate for a male age 65 in 2015:

- Step 1: Determine base rate from Mercer Mortality Tables for Men Religious (2014):
 - o 0.9854% (as of 2008)
- Step 2: Determine mortality improvement using scale MSS-2007:
 - o 0.8762 (for male age 65, from 2008 to 2015)
- Step 3: Multiply results from Step 1 and Step 2 to obtain the mortality rate:
 - o Multiply 0.9854% by 0.8762
 - o Equals 0.8634% (probability that a male age 65 in 2015 will die in the next year)

Example #2

Determine mortality rate for a male age 65 in 2030:

- Step 1: Determine base rate from Mercer Mortality Tables for Men Religious (2014):
 - o 0.9854% (as of 2008)
- Step 2: Determine mortality improvement using scale MSS-2007:
 - o 0.7246 (for male age 65, from 2008 to 2030)
- Step 3: Multiply results from Step 1 and Step 2 to obtain the mortality rate:
 - o Multiply 0.9854% by 0.7246
 - o Equals 0.7140% (probability that a male age 65 in 2030 will die in the next year)

Based on the mortality assumptions used to produce the results in this report, a male age 65 in 2015 has a 0.8634% probability of dying in the next year. Fifteen years later, in 2030, that probability decreases to 0.7140%. Or, stated another way, the probability of survival to age 66 increases from 99.1366% to 99.2860%.

Mortality rates vary depending on a person's age and generally increase as a participant gets older. Overall life expectancy is obtained by compounding these mortality / survival rates over a person's lifespan. With the generational projection scale MSS-2007, the mortality rates at each respective age are also assumed to decrease with each passing year.

Based on the assumptions above, a male age 65 in 2015 is expected to live an additional 21.3 years on average. The life expectancy for a male age 65 in 2030 increases to 22.3 years (an additional year).

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Demographic data was reported by the NRRO for all congregations for which it has data. Also reported for each congregation were net assets and assets designated for retirement. Membership and asset data for all congregations that submitted complete information was used. Some congregations who did not request funds from the NRRO did not provide either or both asset amounts.

More congregations were reported in this study (403/127 congregations for women/men) than in the 2012 study (388/110 congregations for women/men). As a result, overall member counts and aggregate costs of care and Social Security benefits were higher in this study than in the 2012 study.

Demographic Data and Projections¹

Age	Women	Men	Total Census
90 & Above	3,709	346	4,055
85 – 89	4,959	782	5,741
80 – 84	6,470	1,064	7,534
75 – 79	6,700	1,236	7,936
70 – 74	6,008	1,229	7,237
65 – 69	4,112	1,179	5,291
60 – 64	1,691	890	2,581
55 – 59	972	591	1,563
50 – 54	713	551	1,264
45 – 49	471	370	841
40 – 44	406	316	722
35 – 39	362	289	651
30 – 34	340	260	600
25 – 29	355	258	613
Total	37,268	9,361	46,629

Demographic Assumptions

The demographic assumptions used in the projections below are described in Section 2.

¹ Based upon data supplied by the NRRO as of December 31, 2014.

Demographic Projections

The two charts below show separately for Men Religious and Women Religious population projections for the next 20 years.²

Women					
Population Projections – Year Ending					
December 31	2014	2019	2024	2029	2034
Under Age 75	15,430	9,218	5,147	3,488	2,540
Age 75 and Over	21,838	20,763	17,862	13,217	8,892
Total	37,268	29,981	23,009	16,705	11,432

Men					
Population Projections – Year Ending					
December 31	2014	2019	2024	2029	2034
Under Age 75	5,933	4,564	3,360	2,489	1,915
Age 75 and Over	3,428	3,333	3,141	2,741	2,196
Total	9,361	7,897	6,501	5,230	4,111

Combining the two charts above, the population projection for total membership is as follows:

Combined					
Population Projections – Year Ending					
December 31	2014	2019	2024	2029	2034
Under Age 75	21,363	13,782	8,507	5,977	4,455
Age 75 and Over	25,266	24,096	21,003	15,958	11,088
Total	46,629	37,878	29,510	21,935	15,543

The number of total members in 2034 is projected to be only 33.3% as large as it is in 2014. The number of members under age 75 in 2034 is projected to be only 20.9% of the 2014 total.

The percentage of members under age 75 is 45.8% in 2014, which reduces to 28.7% by 2034.

² More congregations were reported in this study (403/127 congregations for women / men) than in the 2012 study (388/110 congregations for women/men).

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Social Security Benefit Projections

Social Security Issues

In projecting future Social Security benefits, it was assumed that members would begin to receive their Social Security benefits at age 65. An analysis by the NRRO showed this to be the average age as of which members begin to receive Social Security benefits. It is being assumed that this will continue to be the average commencement age. It was also determined that the average annual Social Security benefit received by members in 2015 was \$6,047.71, which is 17% higher than projected from the 2012 study (\$4,670.52 in 2011, with four years of inflation at 2.5%). The unanticipated increase is due, in part, to the change in the reporting population. This average was assumed to increase by 2.2% annually in years after 2015, which is updated from the 2.5% inflation assumption from the 2012 study to reflect current market conditions and assumptions.

Religious were not allowed into the Social Security program until 1973 and their FICA contributions are based on the fair market value of their cost-of-living. Therefore, their benefits are significantly lower than the US average.

These projections do not anticipate any future changes to the US Social Security system that would change the Social Security benefits of any members.

Social Security Benefit Projections

The total amounts shown below for Women and Men Religious are both significantly higher than in the 2012 study, due to both higher headcounts and higher average Social Security benefits.³

Year Following December 31	Projected Aggregate Annual Social Security Benefits
2014	\$193,272,716
2019	177,968,770
2024	153,363,238
2029	124,097,184
2034	93,458,180

³ More congregations were reported in this study (403/127 congregations for women / men) than in the 2012 study (388/110 congregations for women/men).

Aggregate Social Security benefits projected to be received by Women Religious decrease throughout the projection period. Early in the projection period, decreases are small. Later in the projection period, the decline in population receiving Social Security benefits will accelerate. This results in Social Security benefits declining more rapidly as well.

Year Following December 31	Men Projected Aggregate Annual Social Security Benefits⁴
2014	\$35,294,436
2019	35,719,349
2024	33,850,486
2029	31,613,482
2034	28,173,776

For Men Religious, aggregate Social Security benefits projected to be received increase very slightly through 2019 and decrease each year thereafter. The pattern of increase and decrease is very similar to the 2012 study.

Year Following December 31	Combined Projected Aggregate Annual Social Security Benefits
2014	\$228,567,152
2019	213,688,119
2024	187,213,724
2029	155,710,666
2034	121,631,956

Between 2014 and 2024, there is a 34% decline in the total number of members age 65 and older. Between 2024 and 2034, the percentage decline for that group is 48%.

Men and Women Religious Combined					
Population Projections Relevant to Social Security Projections					
December 31	2014	2019	2024	2029	2034
Under Age 65	8,835	6,186	4,607	3,358	2,528
Age 65 and Over	37,794	31,691	24,903	18,577	13,015
Total	46,629	37,877	29,510	21,935	15,543

⁴ More congregations were reported in this study (403/127 congregations for women / men) than in the 2012 study (388/110 congregations for women/men).

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Cost of Care Projections

The average annual cost of care for 2015 was determined by the NRRO to be \$39,992 for Women Religious and \$41,069 for Men Religious. These averages are assumed to increase annually by 4.25%.

The average annual cost of care for 2015 was less than projected from the 2012 study (\$42,357/\$44,901 for Women/Men Religious, based on 2011 amounts of \$34,847/\$36,940, with the previous 5% growth assumption). The NRRO data collection for subsequent years has shown that the reported costs in 2011 were unusually low.

When the 4.25% cost-of-living increases are combined with the population projections and the reported cost levels, the following costs of care over the next 20 years are obtained. The amounts shown are the gross annual cost of care costs before any reductions for Social Security benefits received.

Women	
Year Following December 31	Projected Annual Cost of Care
2014	\$ 873,345,296
2019	1,022,439,380
2024	1,083,111,498
2029	986,816,098
2034	817,519,517

Men	
Year Following December 31	Projected Annual Cost of Care
2014	\$ 140,784,532
2019	168,526,183
2024	195,573,973
2029	210,161,629
2034	207,323,626

Projected total costs of care increase for Women Religious through 2024 and then begin to decline. Costs for Men Religious increase throughout the projection period, though the increases are smaller at the end of the period.

Year Following December 31	Combined Projected Annual Cost of Care
2014	\$ 1,014,129,828
2019	1,190,965,563
2024	1,278,685,471
2029	1,196,977,727
2034	1,024,843,143

Like the annual care costs for Women Religious, the combined care costs increase annually through 2024 and begin to decline slightly afterwards.

Annual costs of care are larger than those projected in the 2012 study. Although the assumed annual cost of care grew less than the assumed 5% in the 2012 study, the actual population in this study is larger than assumed population in the 2012 study.

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Retirement Fund Projections and Retirement Liabilities Retirement Fund Balance Projections

Using Assets Designated for Retirement

The projections in this section were prepared to provide estimates of the assets remaining at five-year intervals for men, women, and men and women combined. In this subsection, the projections are based only on assets designated for retirement.

The projections assume that the projected Social Security benefits illustrated in Section 4 are contributed to the fund. However, no other additions were assumed to come into the retirement fund other than investment income.

Using only those assets designated for retirement as of December 31, 2014, projected annual Social Security benefits and projected costs of care; the following projected balances are obtained.

Retirement Fund Projections Based on Assets Designated for Retirement (4.25% cost of care increases/6.25% investment yield)			
December 31	Women	Men	Combined
2014	\$ 9,780,887,560	\$ 1,423,124,017	\$ 11,204,011,577
2019	8,916,472,271	1,250,673,787	10,167,146,058
2024	6,950,968,917	854,772,061	7,805,740,978
2029	4,114,102,349	175,986,293	4,290,088,642
2034	828,233,456	0 ⁵	21,776,415

The retirement fund balances first reach zero in 2031 for Men Religious and in 2036 for Women Religious (after the projection period).

At the start of the projection period, the total annual cost of care is 9.1% of the assets and grows to be a larger percentage of the assets throughout the period. This fact drives the persistent decline in the assets. Social Security benefits received are substantial, but never more than 23% of care costs and decline to 12% of care costs at the end of the projection period. The investment yield assumption of 6.25% does not produce investment income that is large enough to offset the excess of care costs over Social Security benefits.

⁵ The amount shown is negative but has been limited in this table to not be less than zero. For this reason, the sum of this amount and the amount for Women does not equal the combined total.

The fund balance going to zero is not surprising. Projections we have completed for many other religious organizations often show the fund balance falling to zero before the end of the projection period. Projections that we completed for the NRRO in 2012 showed the fund balance falling to zero in 2026 for Women Religious and 2025 for Men Religious.

The fund balances reach zero in these projections later than in the 2012 projections, it appears, due to asset growth through December 31, 2014, lower average cost of care than previously projected, lower cost of care increase assumption, and higher Social Security benefits than previously projected.

Using Net Assets

The projections immediately above reflect use of only those assets that have been designated for retirement. The NRRO also asked for a projection of fund balances if assets used in the projection reflect all assets (not including real property or receivables) that are not donor restricted for purposes other than retirement. It should be noted, however, that using all assets for retirement purposes would effectively mean that funds that otherwise would have been available for the support of active members or for support of ministries would instead be designated for retirement.

Using this larger asset base in the projections, the following projected balances are obtained.

Retirement Fund Projections Based on Net Assets			
December 31	Women	Men	Combined
2014	\$ 14,533,846,194	\$ 2,272,174,272	\$ 16,806,020,466
2019	15,352,363,982	2,400,356,737	17,752,720,719
2024	15,665,688,591	2,411,536,076	18,077,224,667
2029	15,914,540,021	2,283,971,108	18,198,511,129
2034	16,806,983,714	2,047,925,469	18,854,909,183

Sensitivity on Fund Balances of Cost of Care Increase and Investment Yield Assumptions

The projection results presented in the preceding sections of this report reflect just one assumptions scenario. As was stated, to the extent that there are differences between actual experience and the assumptions used, results that are materially different could be obtained.

To illustrate the impact that the difference between the assumptions used and actual experience could have, two alternate sets of fund balance projections have been prepared. The first scenario is a pessimistic scenario assuming the investment yield would be 5.25% instead of the assumed 6.25%, while maintaining the 4.25% assumption for the annual cost of care increase.

Pessimistic Scenario			
Retirement Fund Projections Based on Assets Designated for Retirement (4.25% cost of care increases/5.25% investment yield)			
December 31	Women	Men	Combined
2014	\$ 9,780,887,560	\$ 1,423,124,017	\$ 11,204,011,577
2019	8,406,900,522	1,177,589,864	9,584,490,386
2024	5,858,365,944	702,011,526	6,560,377,470
2029	2,398,888,997	0 ⁶	2,347,704,568
2034	0	0	0

The second scenario is an optimistic scenario assuming the annual cost of care increases at a lower rate (3.25%), while the investment yield assumption remains unchanged at 6.25%.

Optimistic Scenario			
Retirement Fund Projections Based on Assets Designated for Retirement (3.25% cost of care increases/6.25% investment yield)			
December 31	Women	Men	Combined
2014	\$ 9,780,887,560	\$ 1,423,124,017	\$ 11,204,011,577
2019	9,016,613,496	1,267,066,529	10,283,680,025
2024	7,479,309,482	944,382,857	8,423,692,339
2029	5,490,351,803	424,552,961	5,914,904,764
2034	3,498,799,958	0 ⁷	3,212,212,619

⁶ The amount shown is negative but has been limited in this table to not be less than zero. For this reason, the sum of this amount and the amount for Women does not equal the combined total

⁷ The amount shown is negative but has been limited in this table to not be less than zero. For this reason, the sum of this amount and the amount for Women does not equal the combined total.

Total Unfunded Retirement Liability

In addition to the balance projections on the prior pages, the present value of the future cost of care liability has also been calculated. This liability has been reduced to reflect Social Security benefits that are anticipated. The total projected liability includes the projected cost of care for the combined (women and men) population reported as of December 31, 2014 and projected at December 31, 2034. The following charts illustrate the funded status of the retirement fund based upon the December 31, 2014 and December 31, 2034 retirement fund balances and the member census on those dates.

December 31, 2014 Total Unfunded Retirement Liability	Combined Based on Assets Designated for Retirement
a.) Present value of all future anticipated cost of care amounts as of December 31, 2014	\$ 16,363,987,384
b.) Retirement fund balance on December 31, 2014 (using only assets designated for retirement)	11,204,011,577
c.) Present value of all future Social Security benefits as of December 31, 2014	1,975,928,715
d.) Unfunded retirement liability on December 31, 2014 (a.-b.-c.)	\$ 3,184,047,093

December 31, 2034 Total Unfunded Retirement Liability	Combined Based on Assets Designated for Retirement
a.) Present value of future anticipated cost of care amounts as of December 31, 2034	\$ 10,770,032,954
b.) Retirement fund balance projected to December 31, 2034 (using only assets designated for retirement)	21,776,415
c.) Present value of future Social Security benefits as of December 31, 2034	890,052,091
d.) Unfunded retirement liability on December 31, 2034 (a.-b.-c.)	\$ 9,858,204,447

The projected unfunded retirement liability on December 31, 2034 is slightly higher than the projected December 31, 2034 amount in the 2012 study. This is mostly due to the higher count of Women and Men Religious in the 2015 study, as well as the updated mortality assumptions, offset by the asset growth through December 31, 2014, lower average cost of care, lower cost of care increase assumption, and higher average Social Security benefits.

In both of the charts above, what is identified as the unfunded retirement liability is the excess of the present value of the cost of care over the sum of the fund balance and the present value of future Social Security benefits.

When considering the liability and zero fund balance that exists in 2034, what should also be considered is that if the fund balance becomes zero before 2034, costs between the date when a zero balance first occurs and 2034 will also need to be covered.



Mercer (US) Inc.
1050 Connecticut Avenue, NW, Suite 700
Washington, DC 20036
+1 202 331 5200