



***Report of the
Aerospace Employees'
Retirement Plan
Committee for Plan Year 2021***

Steven M. Leontis, Committee Chair



Outline

- Aerospace Employees' Retirement Plan (AERP) Programs
- Management and Administration of AERP
- Plan Year Information
 - *Statistics*
 - *Fund Status*
- Comparison to Inflation



AERP Programs

AERP 1: Defined Benefit Plan

- Effective for employees hired prior to January 1, 1993
 - *Fixed Benefits and Variable Benefits accrue*
 - Beginning October 1, 2018, only Variable Benefits will accrue at 1.3%
 - Beginning October 1, 2023, plan will be frozen
 - *Plan participants keep vested benefits and will be moved to the 401(k) for future benefits*
 - *Paid as a monthly annuity at retirement*

Combined Retirement Program (CRP)

- Effective on October 1, 2005
 - *All employees hired on or after April 1, 2005*
 - *Other eligible AERP 1 and ASAP 1 employees who had elected CRP in August 2005*



AERP Programs

Combined Retirement Program (CRP) (cont.)

- Employees are enrolled in two separate plans
 - *AERP 2: Defined Benefit Plan*
 - 3-year vesting for active employees effective October 1, 2011
 - Similar to AERP 1 but with somewhat less than half the benefits
 - *ASAP 2: Defined Contribution Plan*
 - Company contribution of 4% of compensation
 - Immediate vesting
 - Diversified investment account choices
- Plan frozen as of September 30, 2018
 - *Plan participants keep vested benefits and moved to the 401(k) for future benefits*

> **NOTE: Employees hired before April 1, 2005 who did not elect the Combined Retirement Program will remain either in AERP 1 or in 401(k).**

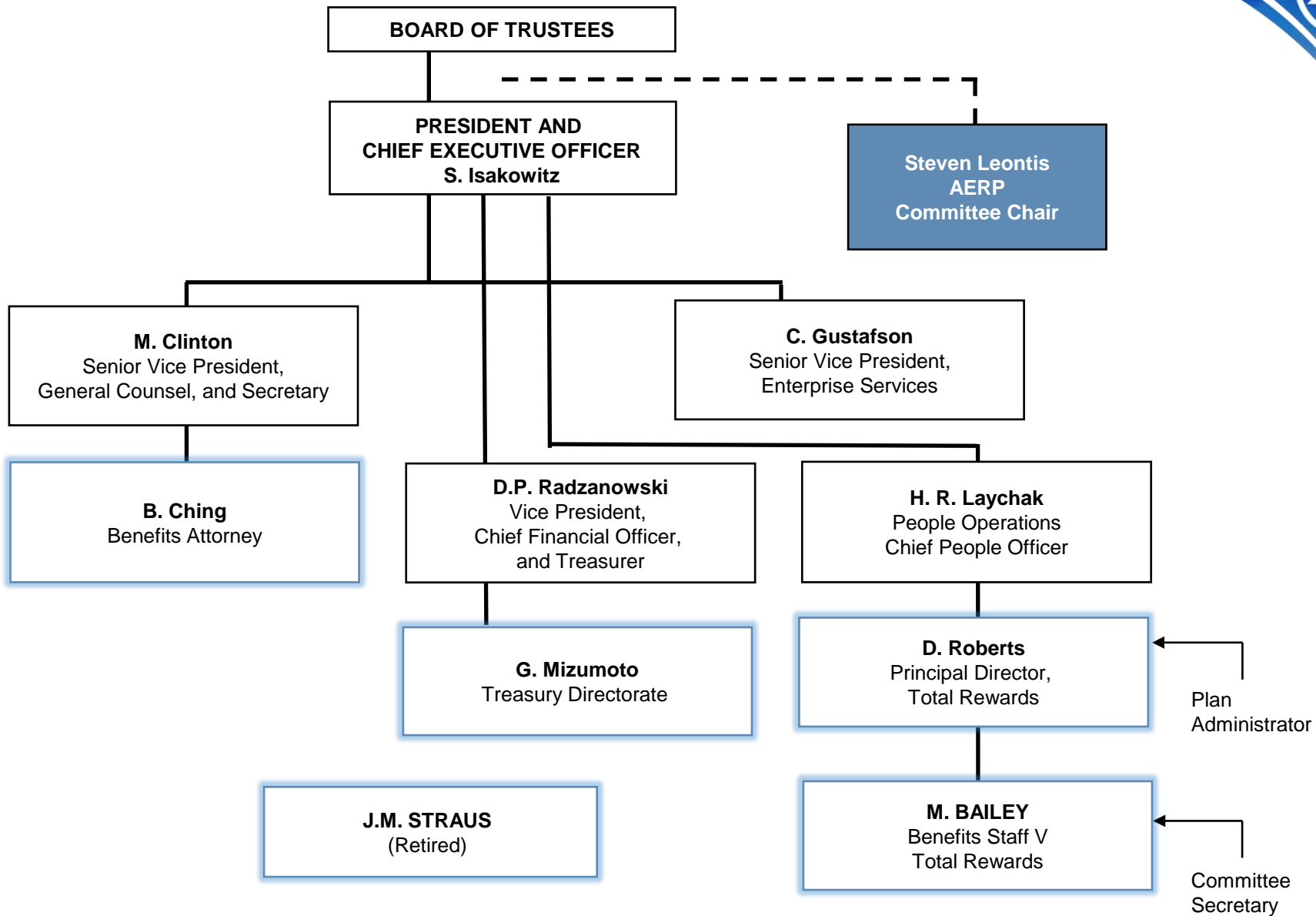


AERP Committee

- Purpose
 - *Administers the Plan*
 - *Approves Plan amendments and actuarial assumptions*
 - *Reviews Plan funding*
 - *Manages appeals process to determine entitlement*
 - *Not responsible for investing Plan assets*
- Membership
 - *Steven Leontis (Chair)**
 - *Brenda Ching**
 - *David Roberts**
 - *Gary Mizumoto**
 - *Joseph M. Straus (retired) **

 - *Maryann Bailey (Secretary)*

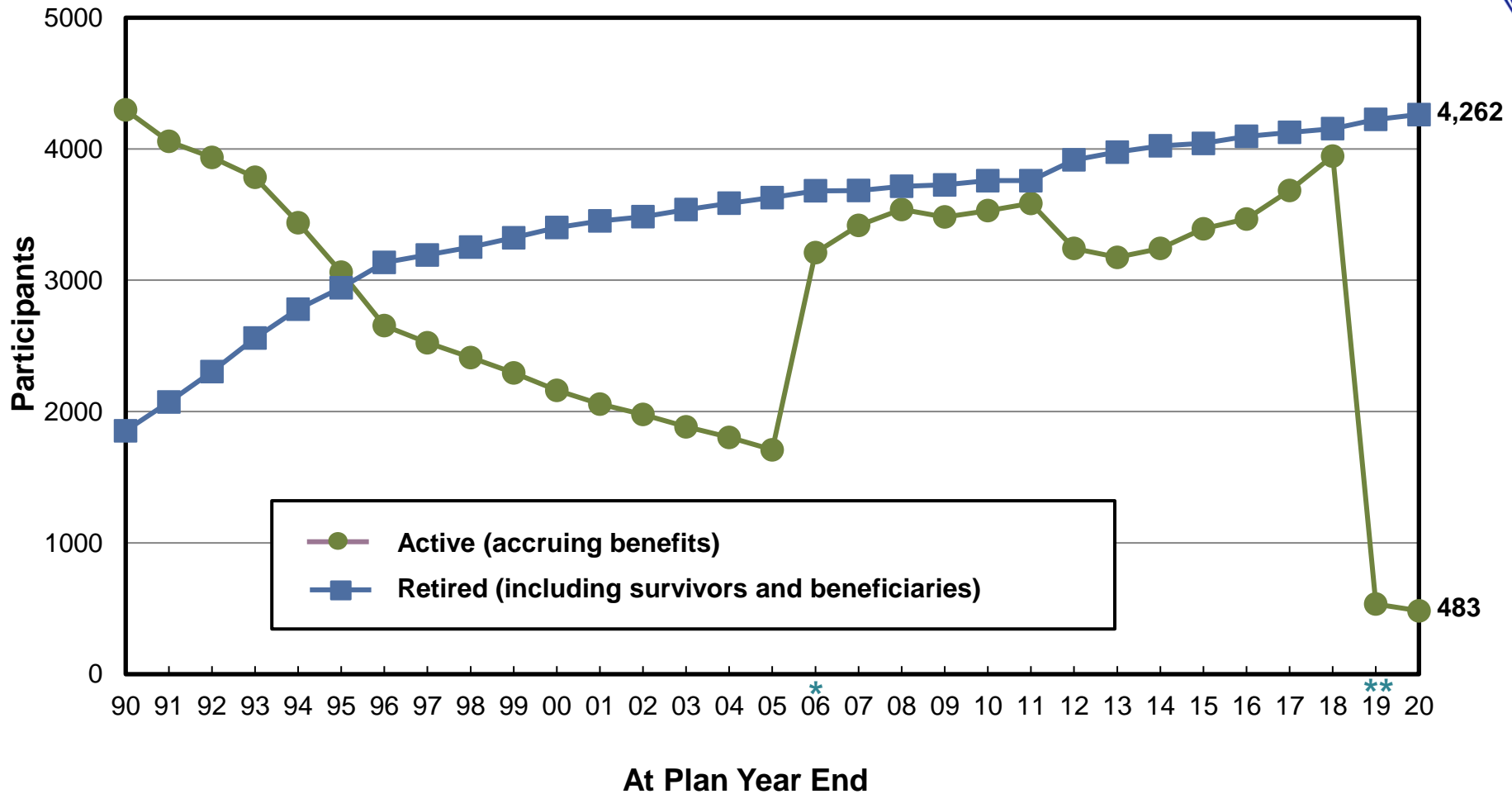
* *Voting members*





Aerospace Employees Retirement Plan

Active Participants and Retired Participants

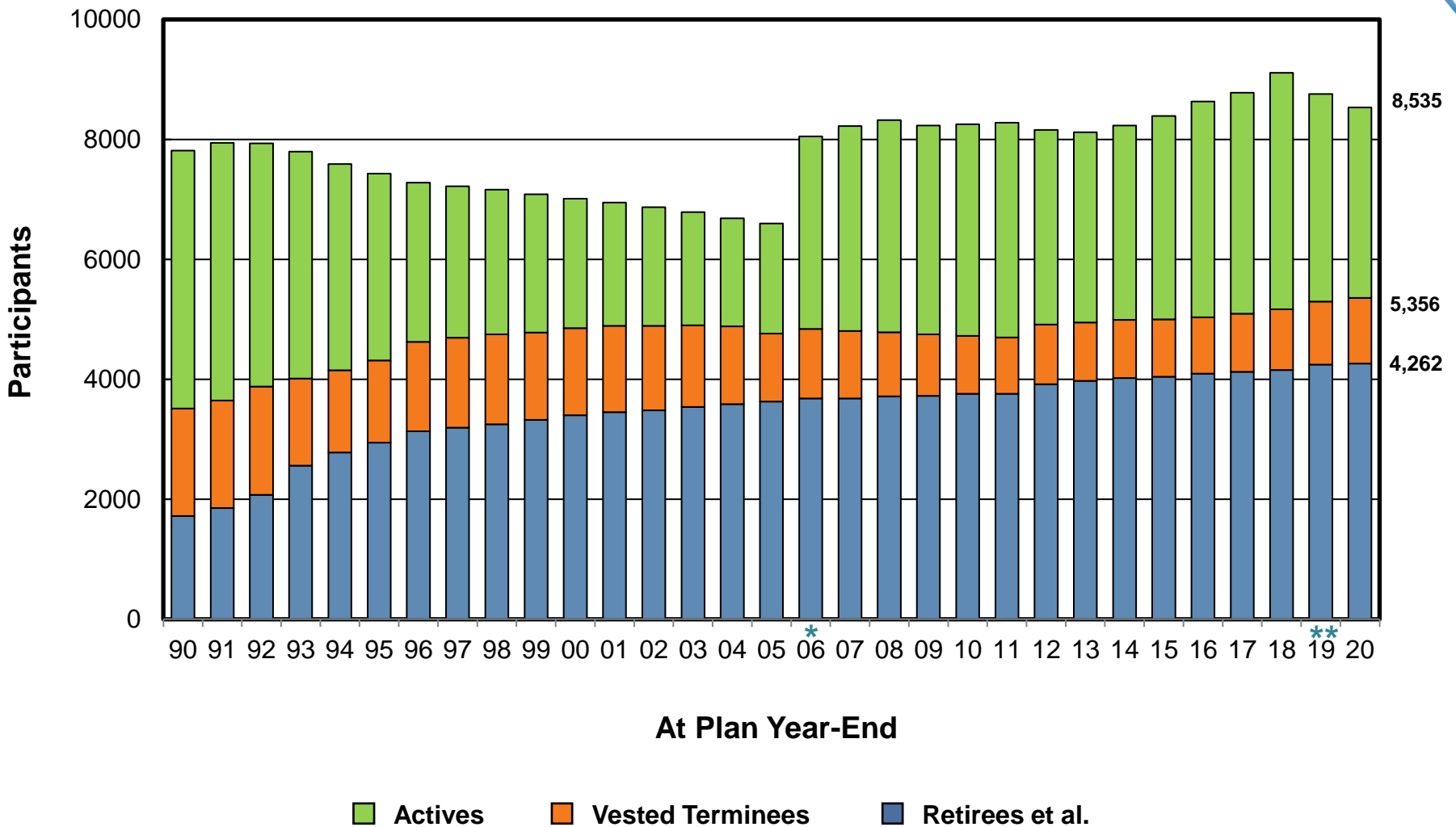


* Combined Retirement Plan opened

** Combined Retirement Plan frozen



Retirement Plan Participants

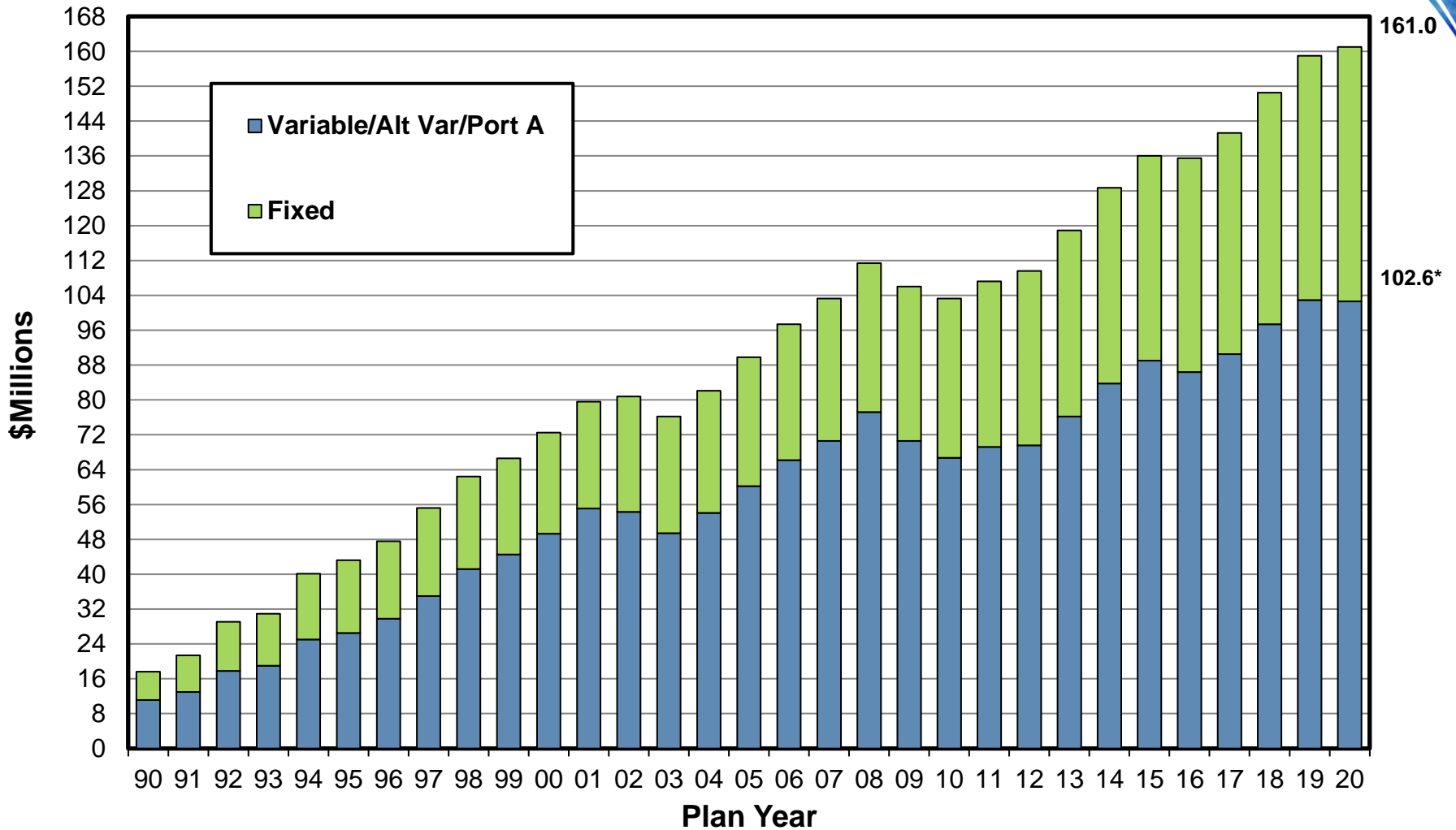


* Combined Retirement Plan opened

** Combined Retirement Plan frozen (same as prior page)



Benefit Payments



*Includes withdrawal of \$1.8 million from the Optional Contribution Account



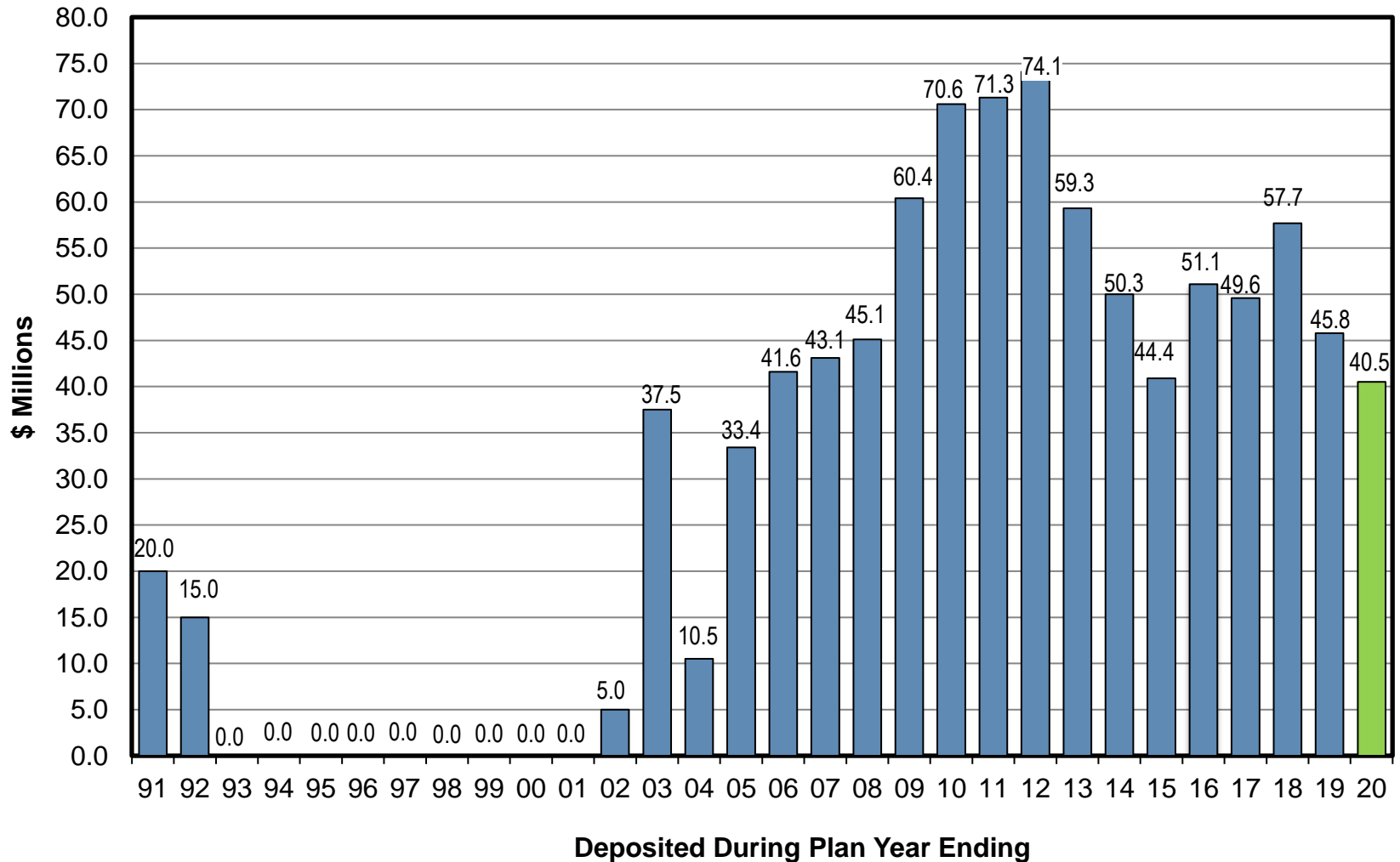
Corporate Contribution

Interest rate relief (legislation) changes how pension plans calculate pension liabilities under ERISA

- Prior to relief, pension plans determined liabilities using a two-year average of interest rates
- Under “Moving Ahead for Progress in the 21st century” (MAP-21) and successive legislation, pension plans take into account a “stabilized” 25-year average of interest rates that will phase out over time
 - American Rescue Plan Act of 2021 (ARPA) is the most recent legislation. Interest rate relief was extended until 2030 and the amortization period to pay down unfunded liabilities was lengthened
- Under relief:
 - Interest rates are higher thus Plan liabilities are lower
 - Under the most recent relief, the amortization period was extended from 7 years to 15 years
 - The impact is lower minimum required contributions to the Plan

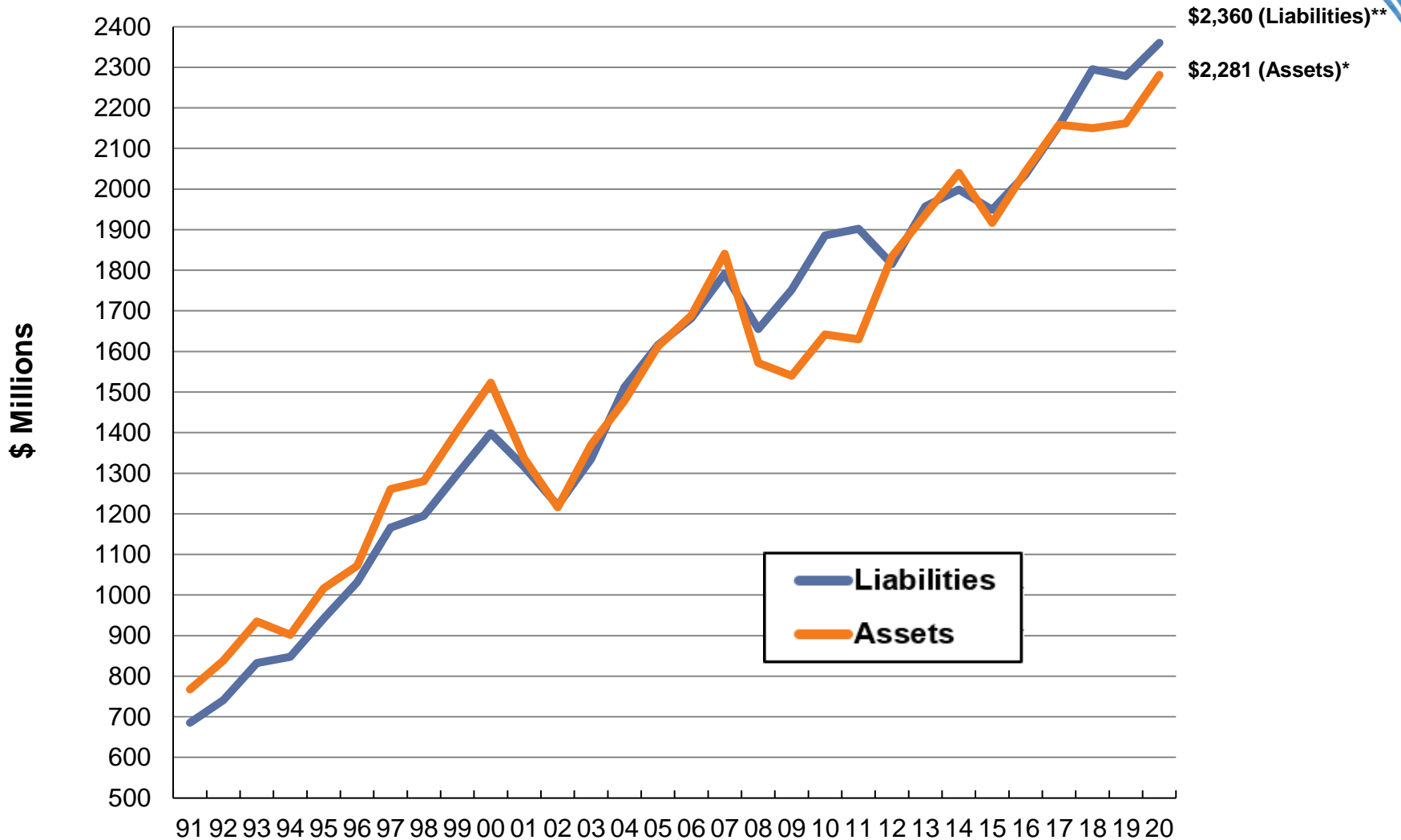
Corporate Contribution

For Annuity Benefits





Total AERP Plan Assets and Liabilities



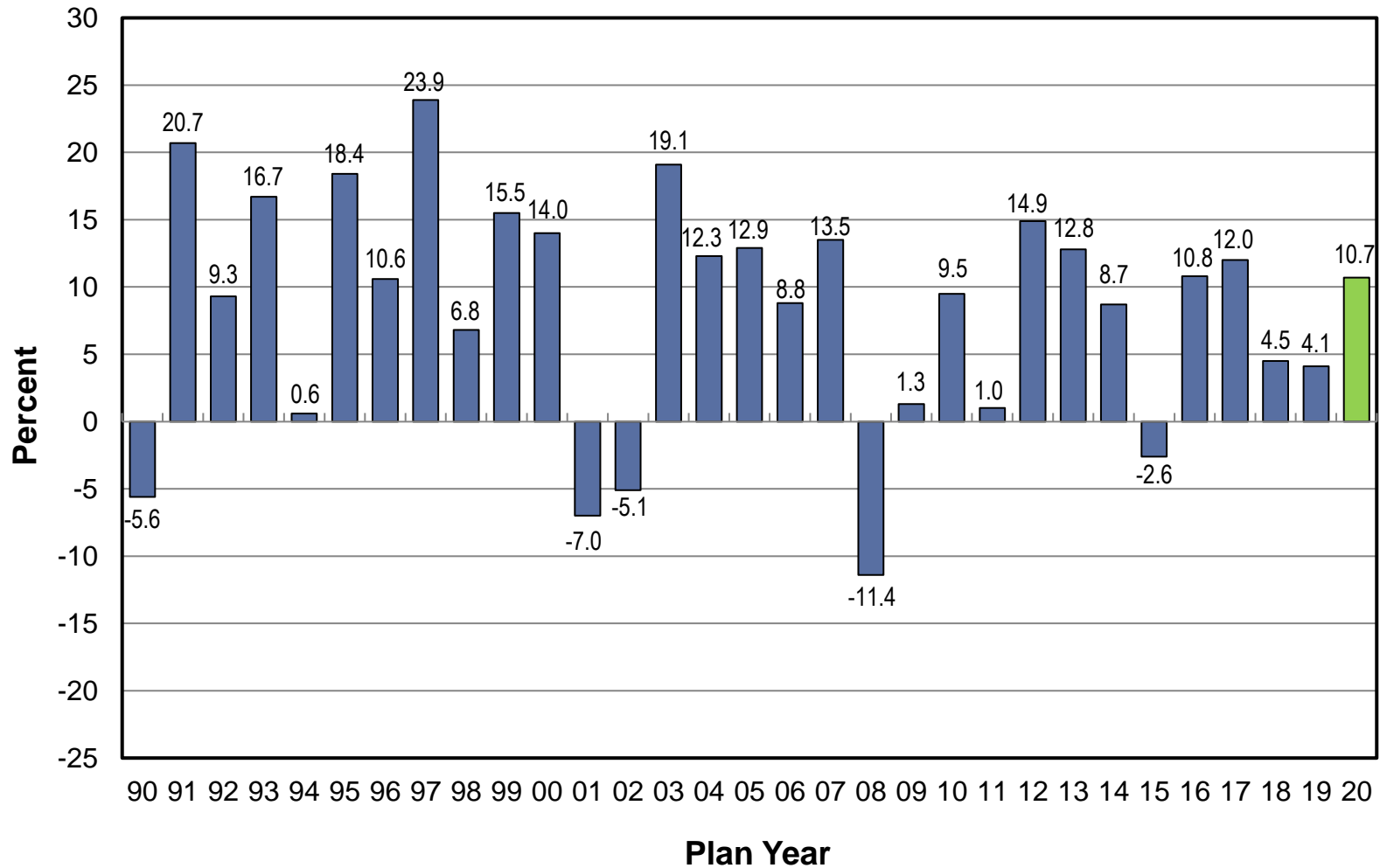
* Assets exclude Optional Contribution account.

** Liability is based on MAP-21 stabilized rates.



Annual Investment Performance

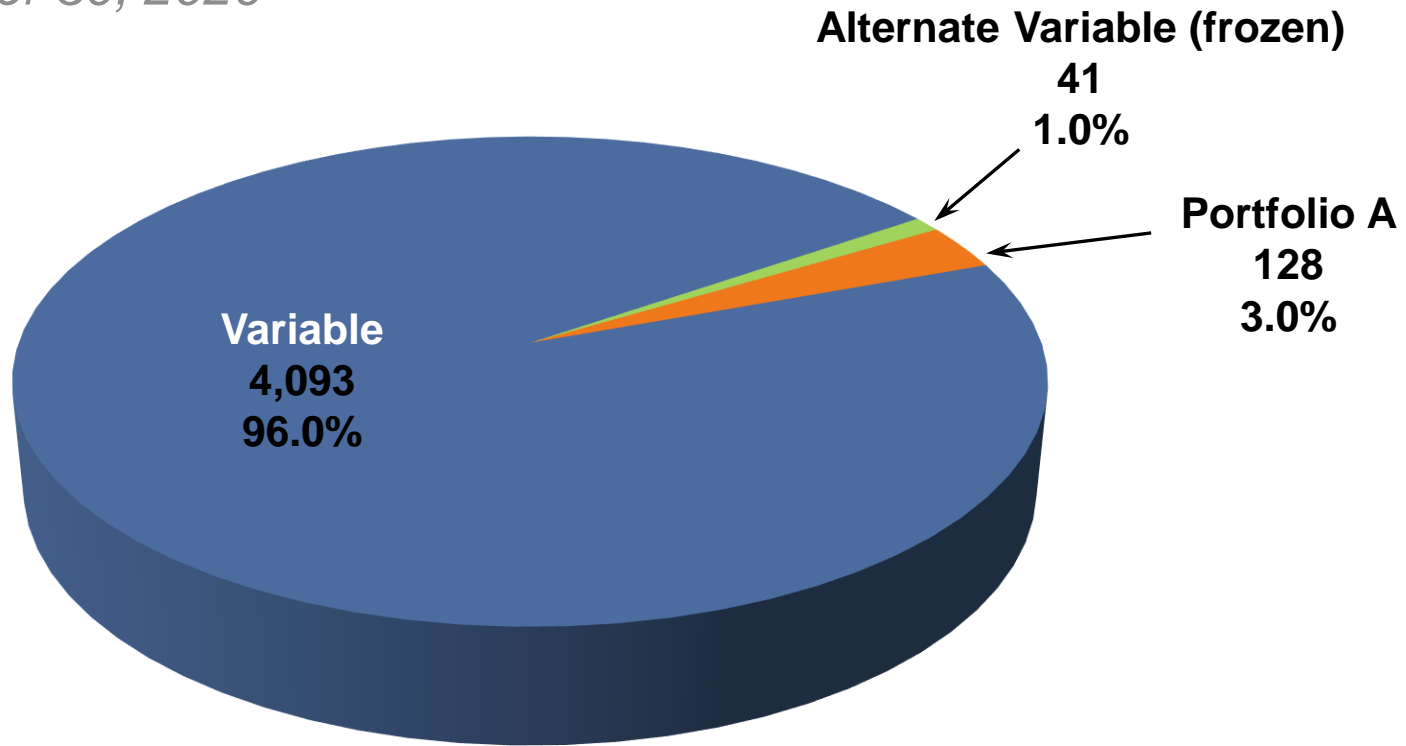
Based on Performance of Plan Assets for Variable Benefits





Distribution of Retirees/Beneficiaries by Type of Variable Benefit Payments

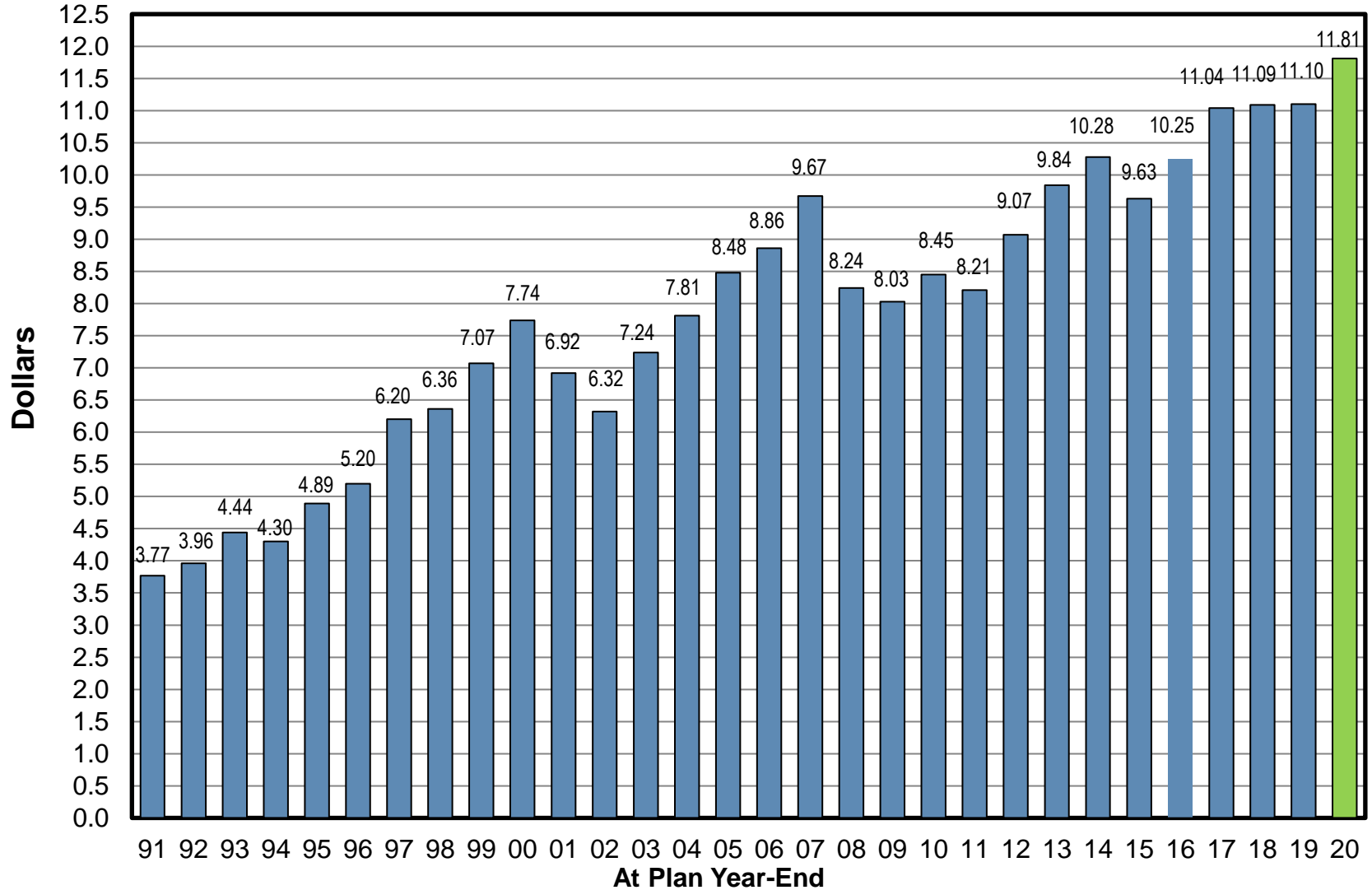
September 30, 2020



Total Retirees/Beneficiaries: 4,262

Variable Benefit

Unit Value

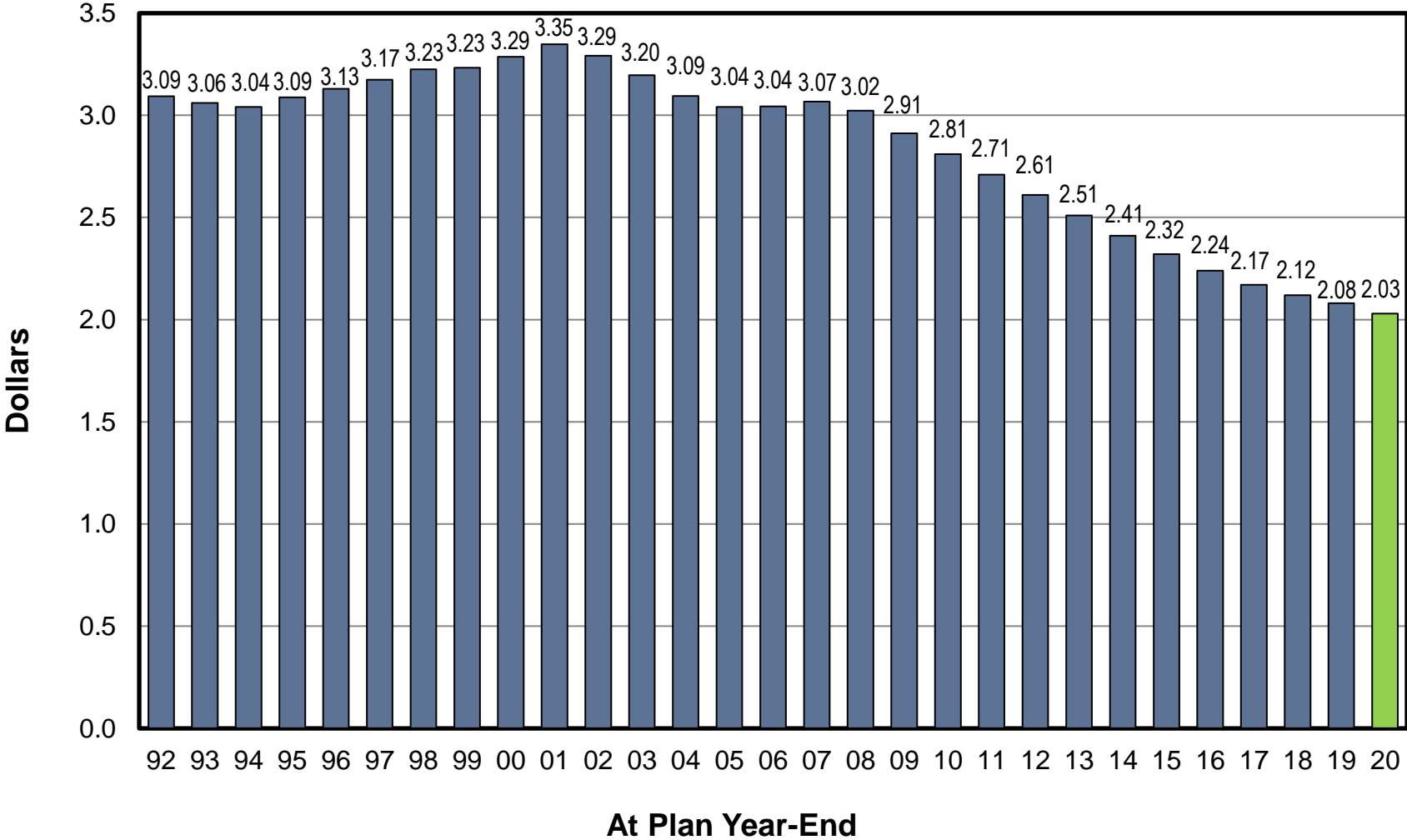




Alternate Variable Benefit

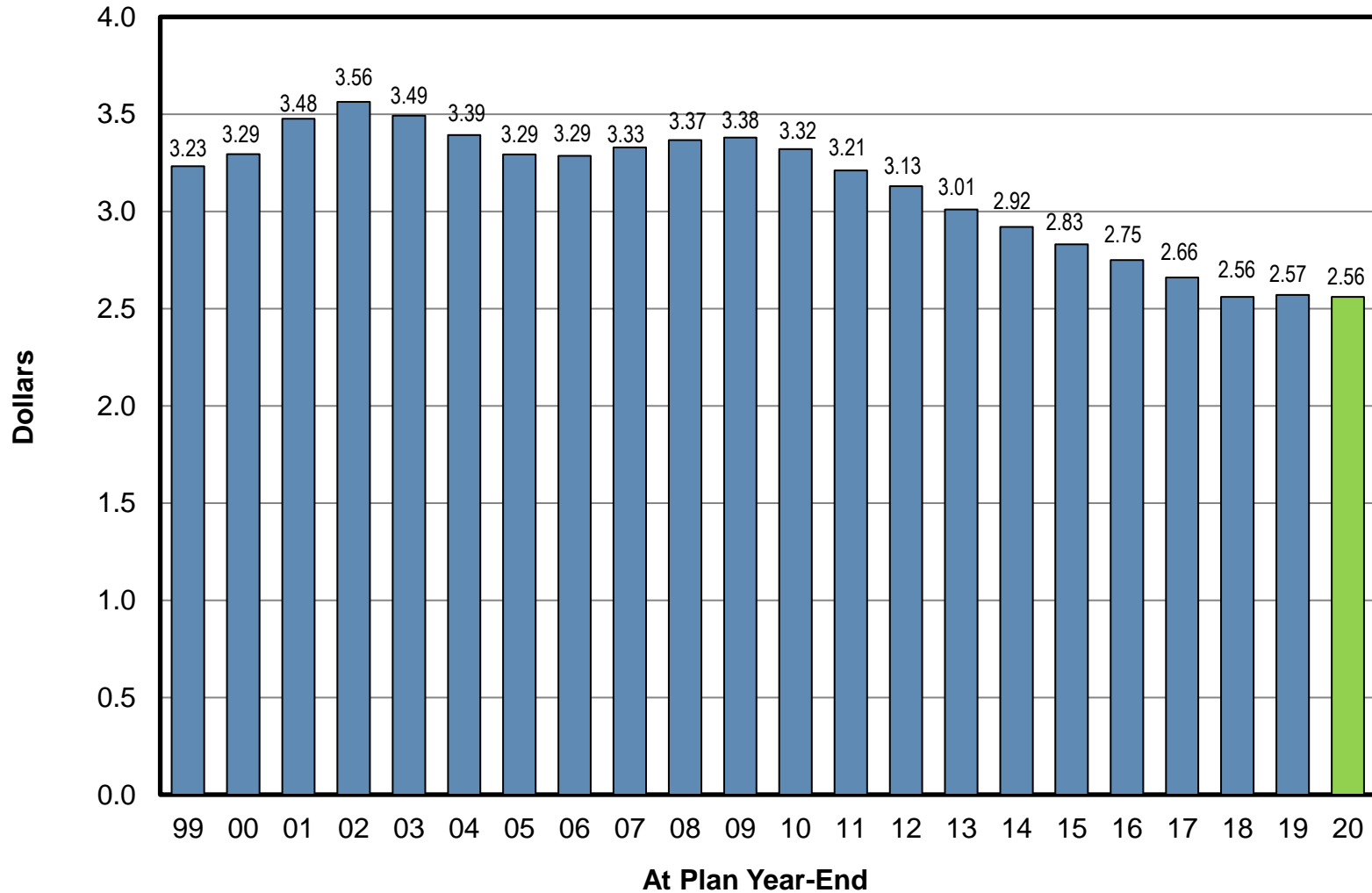
Unit Value

(Frozen Option Effective August 15, 1999 — No New Entrants)



Portfolio A Benefit

Unit Value





AERP Asset Changes

October 1, 2019 – September 30, 2020
(Dollars in Millions)

Actuarial value 9/30/19	\$2,161.9
Plus: Interest to end of Plan Year	119.5
Plus: Contributions with interest	37.4*
Less: Benefits, expenses, and other with interest	(170.1)
Plus: Actuarial asset gain/loss	132.5
Actuarial value 9/30/20	\$2,281.2**

* For ERISA purposes, contributions of \$13.3M and \$24.1M were made during the 2019/2020 and 2020/2021 Plan Years, respectively. Both amounts reflect interest adjustments to September 30, 2020.

** Assets exclude Optional Contribution account. As of 9/30/2020 the Optional Contribution Account had assets of \$17.6 million.



AERP Liability Changes

October 1, 2019 – September 30, 2020

(Dollars in Millions)

Liabilities 9/30/19 (excluding Optional Contributions)	\$2,278.3
Plus: Normal cost for Plan Year including expenses	15.3
Plus: Net interest adjustment	126.8
Less: Benefit and administrative expenses with interest	(170.1)
Plus (Less): Investment gains (losses)	63.6
Plus: Net demographic experience	9.6
Plus (Less): Change in mortality assumption	(0.4)
Plus (Less): Change in discount rates	16.6
Plus (Less): Changes in other assumptions	20.5
Plus (Less): Change in method	0.0
Liabilities 9/30/2020 ⁽¹⁾	<u>\$2,360.2</u>

⁽¹⁾ Liability is based on MAP-21 stabilized rates.



Financial Condition of the Plan

September 30, 2020

- The Plan's actuary prepares an annual actuarial valuation to determine the value of the liabilities, the value of the assets, and the customary contribution (allowable for actual reimbursement under government contracts)

Dollars in Millions

Assets (Actuarial Value)	\$2,281.2
<u>– Liabilities⁽¹⁾</u>	<u>2,360.2</u>
Surplus (Shortfall)	(79.0)

- There will be a company contribution in FY 2021
- External auditors audit the Plan each year and present a written audit report to the Board of Trustees in June

⁽¹⁾ The liability as of 9/30/20 was calculated using MAP-21 stabilized rates and represents a funding level of 97%. Without MAP-21, the funding level was 89%.



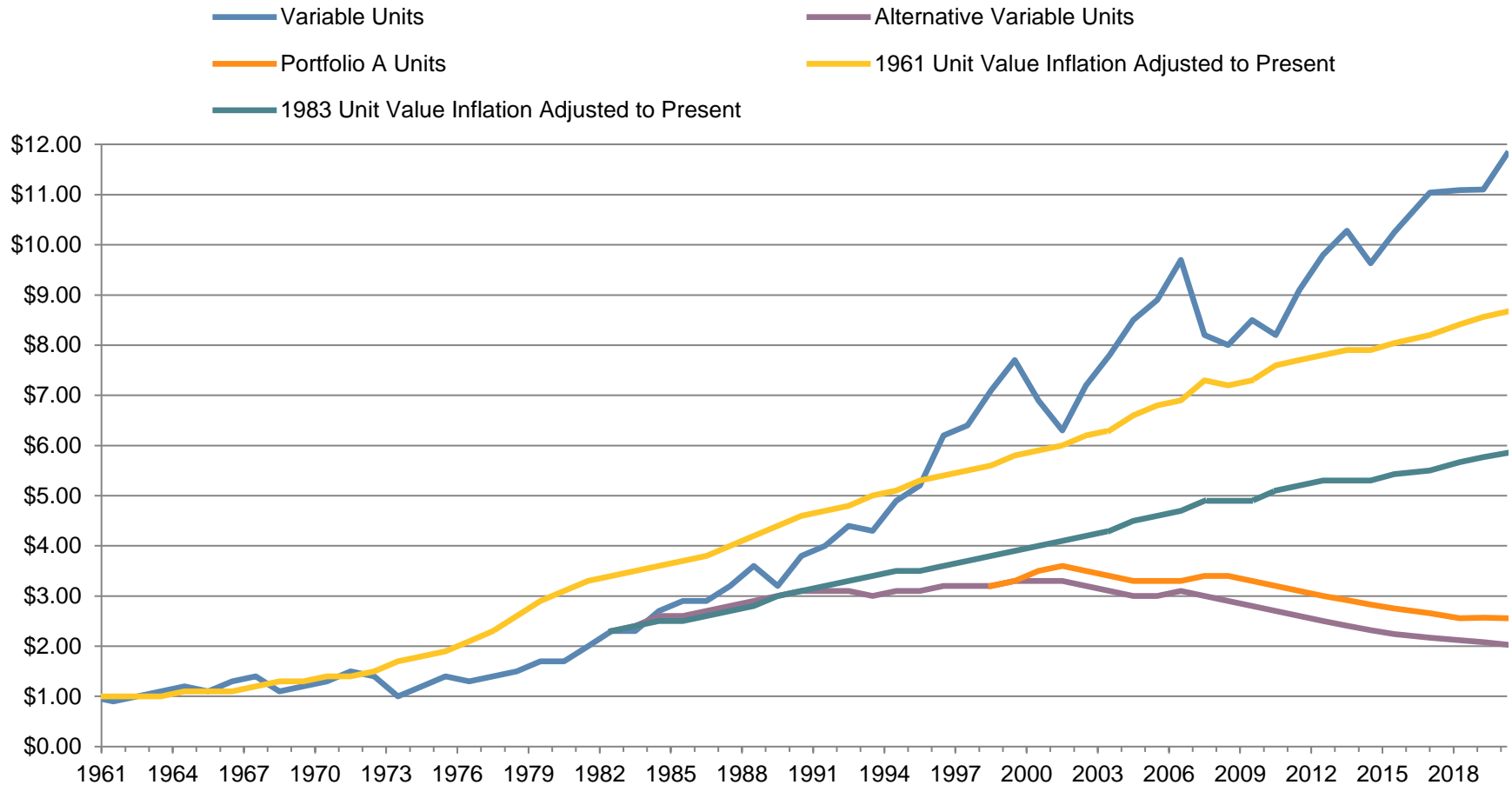
Allocation of Assets at Market Value

As of May 31, 2021 (Dollars in Millions)

	Fixed Benefit Portfolio	Variable Benefit Portfolio	Variable and Fixed Portfolio Subtotal	Percent of Total Assets
Common Stock				
Domestic	304.2	496.4	800.6	32.1%
International	115.7	333.1	448.8	18.0%
Fixed Income	462.6	669.2	1,131.8	45.3%
Real Estate	16.2	76.7	92.9	3.7%
Subtotal Fixed and Variable	898.7	1,575.4	2,474.1	99.1%
Other Assets				
Alternate Variable Fund			0.4	0.0%
Portfolio A			1.9	0.1%
Subtotal (Including Alt. Var. & Port A.)			2,476.4	99.2%
Optional Contributions			20.0	0.8%
Total Assets			2,496.4	100.0%



Comparison of AERP Unit Values to Inflation





Aerospace Pension Self-Service

- Regular active employees may obtain more information regarding retirement income planning at <https://eepoint.com/aero>
- Use the ESS website to:
 - *Educate yourself about your Aerospace retirement benefits*
 - *Generate projections for AERP and 401(k)*
 - *Model various retirement scenarios including pension, savings and social security benefits*
 - *Identify shortfalls and fixes*



Conclusion

- Detailed information available to participants on Aerospace HR/Benefits website <http://pages.aero.org/benefits/retirement/aerospace-employees-retirement-plan-aerp>
 - *Copies of this briefing*
 - *Audit report from Deloitte and Touche (available in late summer)*
- Retiree website <http://retirees.aerospace.org>
- Questions
 - *E-mail your questions to Annualbriefings@aero.org*
 - *Answers will be posted on the Retiree and Benefits websites under FAQs*