

Key Funding Plan Metrics – Old vs. New Asset Allocation Ranges

	Probability of Full Funding	Risk of Low Funding
Old Ranges	58.6%	23.9%
New Ranges	58.2%	24.1%
Change	-0.4%	0.2%

Staff examined the effect of widening the ranges on key funding plan metrics. The results show that widening the ranges decreases the probability of full funding and increases the risk of low funding, however the increased risk is limited.

As discussed previously, the small increase in risk is a result of the increased active risk of the fund as the allocation deviates from targets. In Staff’s judgment, the proposed ranges strike an appropriate balance between the risk associated with wider ranges and the benefit of greater Staff flexibility. And the changes pose low risk to the funding plan, as shown by the minimal affect expected on key funding plan metrics shown in the table above.

Key Funding Plan Metrics – 10% Leverage

Staff also examined the effect of applying 10% leverage on key funding plan metrics in different economic scenarios. The results show that leverage affects the funding plan in different ways, depending on the scenario. In some cases, the effect slightly improves funding outcomes, but depending on the nature of the scenario, can also negatively impact outcomes. Nevertheless, the results show that adding leverage similarly poses low risk to the funding plan, as shown in the table below.

Funding Plan Metric	Range of Changes in Different Scenarios
Probability of Full Funding	-0.5% to +2.0%
Risk of Low Funding	-0.7% % to +2.4%

Probability of Full Funding: The probability that the Fund reaches 100% funded status as of the end of fiscal year 2046

Risk of Low Funding: The probability that the Fund drops below 50% funded status at any point on or before 2046

Leverage Amount – For ALM Capital Markets scenario, assumes periodic use of leverage. For drawdown scenarios, assumes 10% leverage for the duration of the scenario