

**EIN/PLAN NO. : 91-6145047/001****SCHEDULE MB, LINE 6, STATEMENT OF ACTUARIAL ASSUMPTIONS/METHODS****Actuarial Assumptions****Investment Earnings Assumptions*****Fixed Dollar Account***

The assumed rate of return for these assets, which is used to value the pension benefits<sup>1</sup> for Pensioners and Beneficiaries whose benefits commenced on or before August 1, 1982 (as identified by Prudential Investments), is 6.50%.

***1982/1984 Annuity Account***

The assumed rate of return for these assets, which is used to value the pension benefits<sup>1</sup> for Pensioners and Beneficiaries whose benefits commenced from September, 1982 through December, 1984 (as identified by Prudential Investments), is 8.41%.

***Strategic Bond Account (SBA)***

The assumed rate of return for these assets is 4.69%. This assumption is used to value 85.20% of the pension benefits<sup>1</sup> related to service through December 31, 1985, based on December 31, 1984, Plan provisions and not covered by the prior asset dedications.

***Remaining Assets***

The assumed rate of investment return which is used to value all benefits expected to be paid out of remaining assets and future contributions is 7.00%, net of investment expenses.

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<sup>1</sup>Single sum death benefits are not valued using the investment earnings assumptions described above. Instead, the "Remaining Assets" assumption is used.

**Post-retirement Mortality Rates**

For males

- Rates based on RP 2000 mortality tables
- Ages up through 29, male employee table,
- Ages 30-49, male employee table with blue collar adjustment
- Ages 50-70, custom blend of the healthy male annuitant and the employee tables, starting at 50%/50% at age 50, to 98%/2% at age 70. The blended table is adjusted by male blue collar adjustments
- Ages 70 and above, healthy male annuitant, adjusted by blue collar adjustments
- All projected to 2015 using male Scale AA

For females

- Rates based on RP 2014 mortality tables
- Ages up through 49, female employee table set forward one year, with blue collar adjustment
- Ages 50-78, healthy female annuitant table set forward one year, with blue collar adjustment
- Ages 79-119, 95% of healthy female annuitant table, set forward one year, with blue collar adjustment
- All projected to 2020 using Scale BB, set forward one year

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Special mortality tables, reflecting Plan experience, are used for disabled pensioners. Examples of mortality rates used are shown in the table below:

Annual Probability of Death						
Age Last Birthday	Non-Retired Participants		Age Retirees & Beneficiaries		Disabled Retirees	
	Male	Female	Male	Female	Male	Female
25	0.0003	0.0002	0.0003	0.0002	0.0244	0.0176
40	0.0012	0.0005	0.0012	0.0005	0.0244	0.0176
55	0.0027	0.0020	0.0046	0.0043	0.0252	0.0182
70	0.0156	0.0076	0.0222	0.0151	0.0336	0.0242
85	0.1086	0.0677	0.1086	0.0677	0.1362	0.0981

**Pre-retirement Mortality Rates**

The assumed annual rates of healthy mortality for males is based on the RP 2000 Mortality Tables for Male Employees adjusted for Blue Collar and projected by Scale AA to 2015.

The assumed annual rates of healthy mortality for females is based on the RP 2014 Mortality Tables for Female Employees, set forward one year, adjusted for Blue Collar and projected by Scale BB, set forward one year, to 2020.

**Provision for Non-investment Expenses**

Administrative expenses are assumed to be \$97 million per year, payable mid-year.

**Age Retirement Rates**

Age retirement rates apply only to retirement eligible participants.

We use five retirement rate tables. Their values are displayed in the three columns of table (1), and the fourth and fifth columns of table (2), below. (Note that the first two columns of table (1), and the first two columns of table (2), represent the same two tables).

In general, for a given participant in a PEER unit, two or more of these tables may be accessed during a single run, with the under 25 years of service rates applying until the participant is projected to attain the required number of age plus service points, (80, 82, or 84) at which time the 25 or more years of service rates apply.

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**Participants with fewer than 25 Years of Service**

Age Last Birthday	Non-PEER Eligible Actives	PEER Eligible Actives	Non-PEER Eligible Vested Terminated
49	0.030	0.150	NA
50	0.030	0.150	NA
51	0.030	0.150	NA
52	0.030	0.150	NA
53	0.030	0.150	NA
54	0.080	0.160	0.160
55	0.060	0.120	0.120
56	0.060	0.120	0.060
57	0.060	0.120	0.060
58	0.060	0.120	0.060
59	0.100	0.200	0.100
60	0.100	0.200	0.100
61	0.350	0.350	0.300
62	0.350	0.350	0.200
63	0.150	0.150	0.150
64	0.300	0.300	0.300
65	0.300	0.300	0.200
66	0.200	0.200	0.060
67	0.200	0.200	0.060
68	0.200	0.200	0.060
69	1.000	1.000	1.000

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**Participants with 25 or more Years of Service**

Age Last Birthday	Non-PEER Eligible Actives	PEER Eligible Actives	Non-PEER Eligible Vested Terminated	PEER Eligible Vested Terminated
49	0.030	0.150	0.150	0.230
50	0.030	0.150	0.150	0.230
51	0.030	0.150	0.150	0.230
52	0.030	0.150	0.150	0.230
53	0.030	0.150	0.150	0.230
54	0.080	0.160	0.160	0.350
55	0.060	0.120	0.120	0.250
56	0.060	0.120	0.090	0.200
57	0.060	0.120	0.090	0.180
58	0.060	0.120	0.090	0.180
59	0.100	0.200	0.150	0.300
60	0.100	0.200	0.150	0.300
61	0.350	0.350	0.350	0.350
62	0.350	0.350	0.350	0.350
63	0.150	0.150	0.150	0.150
64	0.300	0.300	0.300	0.300
65	0.300	0.300	0.300	0.300
66	0.200	0.200	0.200	0.200
67	0.200	0.200	0.200	0.200
68	0.200	0.200	0.200	0.200
69	1.000	1.000	1.000	1.000

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**Disability Retirement**

Disability rates apply only to employees with 4 or more years of vesting service.

Age Last Birthday	Examples of Annual Probability of Disability Retirement
32	0.0006
37	0.0008
42	0.0011
47	0.0017
52	0.0030
57	0.0052

**Employee Termination Rates**

The termination rates shown below exclude death, disability and retirement rates. Termination rates are not applied when an individual is eligible for age retirement. Below are examples of annual probabilities of employment termination for active employees with less than 9 years of coverage.

Non-Seasonal Employees				
Age Last Birthday At First Covered Hour	Years Since First Covered Hour			
	0	1	2	8
22	0.0945	0.1795	0.2272	0.1120
32	0.0844	0.1478	0.1914	0.0896
42	0.0776	0.1214	0.1674	0.0784
52	0.0641	0.0898	0.1435	0.0784
62	0.0574	0.0686		
Seasonal Employees				
Age Last Birthday At First Covered Hour	Years Since First Covered Hour			
	0	1	2	8
22	0.7004	0.5443	0.3039	0.1600
32	0.6254	0.4482	0.2559	0.1280
42	0.5754	0.3682	0.2240	0.1120
52	0.4753	0.2721	0.1920	0.1120
62	0.4253	0.2081		

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Examples of annual probabilities for termination are listed below for Non-Seasonal and Seasonal Active employees with 9 or more years of coverage.

Non-Seasonal and Seasonal Employees		
Age Last Birthday	After 9 or more Years Since First Covered Hour	
	Non-Seasonal	Seasonal
32	0.0734	0.0978
42	0.0435	0.0790
52	0.0422	0.0562
62	0.0077	0.0102

**Future Annual Hours and Contributions**

Projected benefit amounts for future years were calculated assuming that: (a) Active Non-Seasonal employees work an average of 1800 hours per year; (b) Active Seasonal employees work an average of 600 hours per year; and (c) contribution rates in effect as of December 31 prior to the valuation date.

A non-retired participant was considered Active as of the valuation date, if he or she earned at least 250 covered hours during the prior year, or at least 1 covered hour in the prior year and at least 250 covered hours in second prior year.

**Expected Annual Employer Contributions**

The annual employer contributions expected during 2016 have been assumed to be \$1.617 billion. This amount is used to determine the projected Funding Standard Account and the expected amortization period of the UAL.

**Sample Valuation Data**

We have relied on data supplied by Prudential Investments and Northwest Administrators. The actuarial values for non-retired participants are based on a sample of the employees covered under the Plan, as described in Appendix B. The actuarial values for records with valid data are adjusted for sampling and incomplete data, and the results are assumed to represent the values of the entire covered group.

**Form of Payment**

Participants without recent coverage are assumed to elect the single life annuity. Participants with recent coverage are assumed to elect a four year certain and life annuity. A factor of 1.0039 is applied in order to account for the availability of a subsidized joint and survivor benefit.

**Probability of Marriage**

Non-retired participants are assumed to be married at various percentages. Below is a brief summary of these percentages.

Age	Probability of Marriage
32	69.8%
42	75.5%
52	82.0%
62	82.0%

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Where applicable, husbands are assumed to be two years older than their wives.

**Past Employment**

Total past employment (continuous past employment plus special past employment) for each employee was calculated as the number of years from year of union membership until year of coverage, but not less than the known continuous past employment for the employee.

**Survivor Benefit Costs**

The family composition of covered employees was assumed to be similar to that tabulated in the 15<sup>th</sup> Actuarial Valuation published by the Railroad Retirement Board. This assumption was used to estimate the probability that an employee will be survived by a beneficiary eligible for a survivor benefit and to establish the probable duration of the benefit.

**Inactive Participants**

Vested inactive participants who are 75 or older as of the valuation date are assumed to be deceased and excluded from this valuation. Inactive participants who are coded as a claim for more than one year are expected to be either deceased or not eligible for a benefit from the Plan. We assume that any such participants do not have and will not create any liability for the Plan.

**Assumption Changes Incorporated in This Valuation**

- The current liability interest rate was decreased from 3.51% to 3.28% to remain within the IRS prescribed corridor.
- The current liability mortality tables were changed from annuitant / non-annuitant projected version of the RP-2000 Mortality Tables for 2015 to the annuitant / non-annuitant projected version of the RP-2000 Mortality Tables for 2015 as prescribed by the IRS.
- The discount rate used for the 1982/1984 Annuity Account was changed to 8.41% for 2016 from 5.87% for 2015, and the discount rate used for the SBA Dedication was changed to 4.69% for 2016 from 4.88% for 2015.

The following assumptions were changed to better reflect recent and expected future experience:

- The anticipated annual employer contributions were increased to \$1.617 billion for purposes of projecting the 2016 Funding Standard Account and determining the Amortization Period.

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The Prudential Investments Fixed Dollar Account (FDA), in general, was valued at book value. However, to the extent that cash flows from the FDA are not sufficient to provide the projected FDA benefits, certain bonds valued at amortized cost were assigned to the FDA so that all projected FDA benefits were supported by dedicated assets. The 1982/1984 Annuity Account and the SBA were valued on an amortized cost basis. Below is a summary of the actuarial value of the dedicated asset as of the valuation date:

<b>Dedicated Account</b>	<b>(\$ in thousands)</b>
FDA	\$ 98,223
1982/1984 Annuity Account	43,393
SBA	<u>3,124,038</u>
Total Actuarial Value of Dedicated Assets	\$ 3,265,654

The remaining assets were valued using a smoothing procedure under which the 2008 market value loss is recognized at the rate of 10% per year for ten years. All other market value gains and losses are recognized at the rate of 20% per year over five years. The actuarial value of the remaining assets may not be greater than 120% or less than 80% of the market value.

The actuarial value of assets for purposes of determining the unfunded vested benefit liability is the same method used for ERISA funding purposes, except the Pension Relief Act of 2010 election to smooth the 2008 investment loss is not used.

**Actuarial Cost Method**

The Unit Credit actuarial cost method was used for this valuation.

Under this method, the Actuarial Liability is the Accrued Benefit Liability for all participants included on the valuation date.

The Normal Cost is:

- (i.) the expected increase in Accrued Benefit Liability for these participants resulting from benefits earned during the current year, plus,
- (ii.) as permitted under section 1.412(c)(3)-1(d)(2) of the Regulations, the expected increase in Accrued Benefit Liabilities resulting from new participants who are covered employees on the valuation date. The additional cost for these employees is based on a sample population that has the same demographic characteristics of a representative cross-section of recent new entrants, reflecting the actuary's best estimate of the number of new hires and number of hours worked by covered employees who are expected to become new participants in the Plan.

On July 28, 2016, the IRS approved the change in cost method submitted in December of 2012. The approved method is described above.

As part of the approval, the IRS requested that the ERISA Credit Balance be restated beginning January 1, 2009, to exclude the 2008 Net Investment Loss charge bases from the combine and offset method applied to all other bases.



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This table shows the number of years of life expectancy for retirees according to the mortality tables (see Appendix C for description of tables) used to value liabilities under the Plan. The long periods over which age retirees are expected to receive payments indicate the significant assets required to fund benefits for participants who are already retired. The shorter life expectancies for Disabled Pensioners imply a lower level of assets required for males and females who retire under the Plan's disability provisions.

Years of Life Expectancy				
Age	Age Pensioner		Disabled Pensioner	
	Male	Female	Male	Female
45	35.2	38.7	24.5	28.3
50	30.5	33.9	22.4	25.7
55	26.0	29.5	20.1	22.9
60	21.7	25.2	17.5	20.0
62	20.0	23.5	16.5	18.7
65	17.7	21.0	14.8	16.9
70	14.0	17.1	11.8	13.6
75	10.7	13.5	9.0	10.5
80	7.8	10.3	6.7	8.1
85	5.6	7.5	5.0	6.2
90	3.9	5.3	3.7	4.7
95	2.8	3.7	2.7	3.7
100	2.2	2.6	1.9	2.6

Note: Life expectancies change only when retired life mortality rates are revised.