

Cheiron's Revised Recommendation **DRAFT**

Discount Rate

- Lower the discount rate to 7.25%
 - More reflective of revised capital market assumptions
 - We do not believe that additional expected earnings due to active management should be reflected in advance
- Increase the amortization period for any method and assumption changes from 16 years to 25 years
 - Assumptions and methods are not changed frequently
 - A longer amortization period for method and assumption changes facilitates appropriate assessments of liabilities
- Maintain that investment fees not be explicitly added to the Normal Cost or used to reduce discount rate further
 - While advance recognition of additional expected earnings due to active management should not be reflected, additional expected earnings sufficient to cover active management investment fees can be recognized in advance

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- Increase the amortization period for any new method and assumption changes from 16 years to 20 years
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