Puget Sound Pllots Retirement Study Exhibit 1 - Estimated 50-Year Cost Projections (2023 Segment Rates)

These projections are intended as an illustration of high-level dynamics of potential transitions from a pay-as-you-go "farebox" program to a prefunded qualified defined benefit plan. Additional detailed analysis and sensitivity testing should be conducted prior to developing budget expectations and ranges for any specific proposed change,

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Puget Sound Pilots Retirement Study Exhibit 1 - Estimated 50-Year Cost Projections (2023 Segment Rates)

These projections are intended as an illustration of high-level dynamics of potential transitions from a pay-as-you-go "farebox" program to a prefunded qualified defined benefit plan. Additional detailed analysis and sensitivity testing should be conducted prior to developing budget expectations and ranges for any specific proposed change.

Bas	Baseline Alternative 1			Alternative 1 Alternative 2							
Current	Farebox	Curren	Retires Rema	in Farebox, OB	Farebox, OB Plan for All Active Benefits Plan for All Active Future Accurats Plan for All Active Future Accurats			arebox, DB			
			_	Annual Co	ontributions				Annual Co	ntributions	
Year	Contributions	Year	Farebox	Current Actives	DB Plan: Future Hires	Total	Year	Farebox	DB Plan: Current Actives	DB Plan: Future Hires	Total
2067	15,122,000	2067	3,000	0	7,979,000	7,982,000	2067	268,000	0	7,979,000	8,247,000
2068	15,715,000	2068	2,000	0	7,978,000	7,980,000	2068	233,000	0	7,978,000	8,211,000
2069	16,302,000	2069	1,000	0	7,974,000	7,975,000	2069	203,000	0	7,974,000	8,177.000
2070	16,846,000	2070	1,000	0	7,996,000	7,997,000	2070	177,000	Ø	7,996,000	8,173,000
2071	17,331,000	2071	0	0	8,054,000	8,054,000	2071	154,000	0	8,054,000	8,208,000
2072	17,743,000	2072	0	0	8,159,000	8,159,000	2072	134,000	0	8,159,000	8,293,000
2073	18,075,000	2073	0	0	8,317,000	8,317,000	2073	116,000	0	8,317,000	8,433,000
2074	18,323,000	2074	D	0	8,536,000	8,536,000	2074	100,000	0	8,536,000	8,636,000
Total Payments	547,402,000		101,983,000	91,143,000	230,244,000	423,370,000		165,536,000	51,647,000	230,244,000	447,427,000

Actuarial Methods and Assumptions are summarized below, and more fully described in Exhibit 4 of Milliman's March 3, 2023 letter.

IRS segment rates Based on 2023 segment rates: 4,75%/5.00%/5.74% apply for payments In first five years, following 15 years, and thereafter, respectively Future IRS segment rates Segment rates described above is assumed to apply at all future valuation dates 2023 IRS prescribed table for qualified plans, projected forward in future years with MP-2021 improvement scale Mortality Retirements rates Varying probabilities from ages 60 to 70 \$410,075 Retirement base at 1/1/2024 Annual pilot income increases 2% per year 56 70% Number of active pilots Percent married at death Spouse age Future experience Pilot age minus 3 years No demographic or investment gains or losses are assumed during the projection period

Defined benefit plan funding has been determined on a simplified basis similar to current ERISA qualified plan funding rules, including 15 year amortization of funding shortfall, if applicable. Compensation and benefit limitations are not reflected. Defined benefit benefit costs do not include any loading or cost of plan administration.

Puget Sound Pilots Retirement Plan

Study Exhibit 2 – Summary of Data

This analysis is based on data provided by Puget Sound Pilots, as summarized below.

Active Participants by Age and Service

The number of active participants, summarized by age and years of service as of January 1, 2024, is shown below.

		1911	Yea	rs of Servi	се		1.1	
Age	<5	5-10	10-15	15-20	20-25	25-30	30+	Total
<35	0	0	0	- 0	0	0	0	0
35-40	1	0	0	0	0	0	0	1
40-45	9	1	0	0	0	0	0	10
45-50	6	1	0	0	0	0	0	7
50-55	5	⁼ 3	0	0	0	0	0	8
55-60	1	4	2	2	0	0	0	9
60-65	2	1	5	6	0	1	0	15
65-70	0	1	2	0	1	0	2	6
70 +	0	0	0	0	0	0	0	0
Total	24	11	9	8	1	1	2	56

Inactive Participants by Age

The number of retirees and beneficiaries and total monthly benefit summarized by age as of January 1, 2024, is shown below.

	Re	tire	es	Benefi	ciaries
Age	Number	N	Monthly Benefit	Number	Monthly Benefit
<60		0	0	0	0
60-65	:	1	10,384	0	0
65-70	_ 10	0	72,136	2	3,254
70-75	24	4	231,296	4	12,710
75-80	:	8	78,428	1	1,439
80-85	9	9	77,662	4	10,033
85- 90	(6	27,111	0	0
90 +		2	7,400	2	3,456
Total	6	D	504,419	13	30,892

Puget Sound Pilots Retirement Plan Study

Exhibit 3 - Actuarial Methods and Assumptions

Actuarial Cost Method

The cost method used was the one prescribed under current regulations for the determination of qualified plan funding requirements, Unit Credit Actuarial Cost Method.

Discount Rate for Liability Present Values

For the Baseline results shown in Exhibit 1, discount rates used were those prescribed for the valuation of qualified plan liabilities for valuations performed in 2023. Payments during the first five years are discounted at 4.75%, payments made in the following fifteen years are discounted at 5.00%, and payments thereafter are discounted at 5.74%. Results in Exhibit 2 were based on discount rates 100 basis points lower (3.75%, 4.00%, and 4.74%) to illustrate sensitivity of results to discount rates.

Funding (Contribution) Policy

Annual contributions are assumed to be equal to the required minimum contribution for qualified plans under current regulations.

Gains and Losses

Projections assumed that plan experience will match the valuation assumptions, generating no actuarial gains or losses.

Investment Earnings

Plan assets are assumed to earn the same interest rates used in the determination of plan liabilities and contributions.

Pilot Income Annual Increases

Pilot Income is assumed to increase at 2.00% per year.

Spouse Age

Spouse age is assumed to be pilot age minus 3 years.

Percent Married

70% of pilots are assumed to be married at death.

Number of Active Pilots

56

Retirement Base at 1/1/2024 \$410.075

Mortality

IRS prescribed tables for 2023 qualified plan funding, projected generationally for future projections years using MP-2021

Disability

None assumed.

Retirement Age

Pilots are assumed to retire at ages from 60 through 70, with the following probabilities.

Age	Retirement Rates
Under 60	0%
60	5%
61	5%
62	15%
63	15%
64	17.5%
65	20%
66	25%
67	25%
68	33%
69	50%
70	100%

New Entrants

New entrant are assumed to enter the plan each year such that the total active pilot count remains level at 56.

Puget Sound Pilots Retirement Plan Study

Exhibit 4 - Summary of Retirement Plan Provisions Valued

Plan Name

The retirement plan valued for purposes of this study is the Amended Retirement Program of Puget Sound Pilots, as amended effective August 8, 2006.

Eligibility for Participation

Each Active Pilot who elects in writing to become a Participant in the Plan becomes a Participant immediately upon beginning service with Puget Sound Pilots.

Eligibility for Retirement

An Active Pilot shall be eligible to retire upon completing at least one (1) Year of Service and having given notice of the Active Pilot's intention to retire at least six (6) months prior to the intended retirement date.

Retirement Benefit Amount

A Retired Pilot is entitled to receive a retirement benefit equal to one and one-half percent (1.5%) of the Retired Pilot's Retirement Base multiplied times the number of that Retired Pilot's Years of Service. The retirement benefit will continue to the Retired Pilot for the Retired Pilot's life.

Retirement Base

Retirement Base means an amount equal to the average of the last three (3) years' Target Net Income, which shall include the current tariff year and the two immediately- preceding tariff years. Should a Pilot have less than three (3) full years of service, the average shall be determined from the actual number of full years of service.

Death Benefits

Upon the death of an Active Pilot or Retired Pilot, the surviving spouse will be entitled to receive a death benefit for life or until such surviving spouse remarries. The death benefit shall be payable only if such surviving spouse and the Active Pilot or Retired Pilot shall have been married throughout the five (5) year period immediately preceding the earlier of the Active Pilot or Retired Pilot's date of death or retirement.

The death benefit payable to the surviving spouse of a Retired Pilot having five (5) or more years of service shall be equal to one-half (1/2) of the benefit such deceased Retired Pilot was receiving, but in any event the benefit shall not be less than 5% of the applicable Retirement Base of the deceased Pilot.

The death benefit payable to the surviving spouse of a Retired Pilot having fewer than five (5) years of service shall be same retirement benefit such deceased Retired Pilot was receiving, but in any event the benefit shall not more than 5% of the applicable Retirement Base of the deceased Pilot.

The death benefit payable to the surviving spouse of an Active Pilot having five (5) or more years of service shall be one half (1/2) the benefit such deceased Active Pilot would have been entitled to receive had the Active Pilot retired on the date of the Active Pilot's death, but in any event the benefit shall not be less than 5% of the applicable Retirement Base of the deceased Pilot.

The death benefit payable to the surviving spouse of an Active Pilot having fewer than five (5) years of service shall be the same benefit such deceased Active Pilot would have been entitled to receive had the Active Pilot retired on the date of the Active Pilot's death, but in any event the benefit shall not be more than 5% of the applicable Retirement Base of the deceased Pilot.

Puget Sound Pilots Retirement Plan Study

Exhibit 5 - Risk Discussion

The results of this analysis are based on a limited set of illustrative assumptions. However, it is almost certain that future experience will not exactly match the assumptions. As an example, investments may perform better or worse than assumed in any single year and over any longer time horizon. It is therefore important to consider the potential impacts of these likely differences when making decisions that may affect the future financial health of the Plan, or of the Plan's participants.

The information below is intended to identify and assess risks that are most likely to significantly affect the Plan's future financial condition, and is intended to satisfy the requirements of Actuarial Standard of Practice No. 51 (ASOP 51).

Investment Risk

Investment risk is the risk that investment returns will be different than expected.

To the extent that actual investment returns differ from the assumed investment return, the Plan's future assets, funding contributions, and funded status may differ significantly from those presented in this analysis. In particular, if the Plan's investment returns are generally lower than assumed over time, additional funding would be needed compared to that implied by this analysis.

Because the Plan's liabilities do not change as a result of the Plan's investment returns (this mismatch is sometimes referred to as asset / liability mismatch risk), investment returns less than expected can result in a significantly different funded status in the future than expected. This is best illustrated through funding projections, which can be developed as part of a more detailed analysis upon request.

Interest Rate Risk

Interest rate risk is the potential that interest rates will be different than expected.

The illustrative pension costs reported herein have been calculated by computing the present value of expected future benefit payments using the interest rates described in Exhibit 4. If interest rates in the future differ from the ones used in this analysis, future pension liabilities, funding contributions, and funded status may differ significantly from those presented in this analysis. As a general rule, using a higher interest rate to compute the present value of future benefit payments will result in a lower pension liability, and vice versa.

Longevity and Other Demographic Risks

Demographic risks represent the potential that mortality, retirement, or other demographic experience will be significantly different than anticipated by the assumptions used for this analysis.

The pension liabilities reported herein have been calculated by assuming that participants will follow patterns of demographic experience (e.g., mortality, retirement, form of payment election, etc.) as described in Exhibit 4. If actual demographic experience or future demographic

assumptions are different from what is assumed to occur in this analysis, future pension liabilities, funding contributions, and funded status may differ significantly from those presented in this analysis.

Primary demographic risks include:

- Longevity risk: the risk that participants live longer than expected, which would result in more payments than expected by this analysis.
- **Decrement risk:** the risk that participants retire, terminate, or become disabled at rates different than expected. For example, the Plan has valuable early retirement benefits. If participants retire at earlier ages than anticipated by the actuarial assumptions and benefit from subsidized early retirement benefits at a greater rate than contemplated in the analysis, this will increase the Plan's liability.

If demographic experience is unfavorable, additional funding would be needed compared to that implied by this analysis.

Liquidity Risk

Liquidity risk is the potential that assets must be liquidated at a loss earlier than planned in order to pay for the Plan's benefits and operating costs. This risk is heightened for plans with negative cash flow, in which contributions do not exceed annual benefit payments plus expenses.

The Impact of Plan Maturity

A pension plan's ability to recover from any underfunding and to respond to any poor experience resulting from the risks described above is significantly impacted by its "maturity" level. As a plan's assets and liabilities continue to grow, the impact of any gains or losses on the assets or liabilities also becomes larger. In addition, as liabilities become more heavily weighted to inactive participants, and/or the non-investment cash flow of a plan grows significantly negative, it can become harder to address underfunding that occurs due to plan experience.