

BA Interest Rate Talking Points - September 23, 2011

1. When were the BA interest rates determined?

On September 21, 2011 by the Pension Fund Board of Directors, a base rate of 2.5% was approved.

2. How often is the base rate for BA accounts reviewed and the interest rate set?

The base rates for BA accounts is determined each quarter. Effective January 1, 2011 our policy was amended to set rates for these accounts on a quarterly basis. The quarterly review of these funds delivers members a rate of return in a more timely basis. These accounts will be reviewed again in November, 2011, to determine the first quarter 2012 rate.

3. What criteria does the Board consider when setting the rate?

The Board's policy uses a formula which blends current, historical rates (data) as well as asset performance as a basis for its rate determination.

4. What is the difference between the BA and TDRA saving programs?

a.) These are two very different saving programs. The BA accounts accumulate funds from after tax dollars deposits. This account resembles a typical savings account in that funds can be withdrawn or deposited at any time. Some limitations may exist for large withdrawals

b.) The TDRA is a *long term* pre tax account designed to supplement retirement savings/plan. These funds must be remitted on your behalf by your employer. There are specific guidelines for the maximum amount that can be remitted within a calendar year as well as when funds can be withdrawn

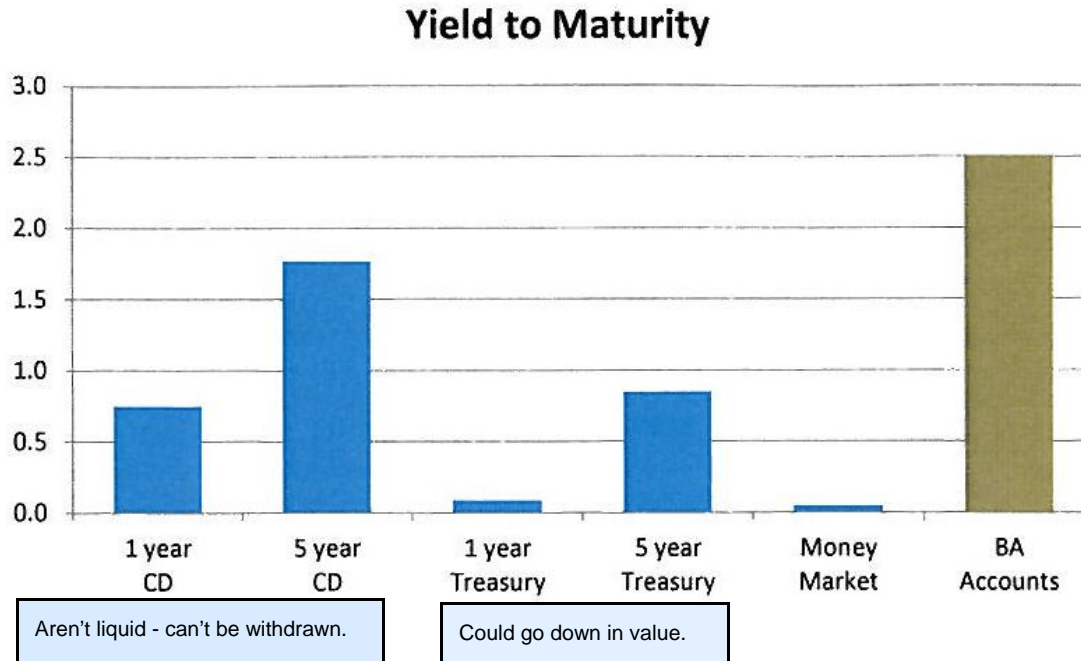
c.) These funds are segregated. Therefore the performance of each fund determines performance and ultimately the rate of return.

5. Why is there a difference between the BA (2.5%) and TDRA (3.75%) base rate.

The funds for these accounts are segregated. Funds in the BA accounts did not perform as well in the second quarter of 2011. As a result, the decline in market conditions lead to a reduction of the base rate for these accounts. However, BA accounts are still outperforming comparable accounts with their base rate.

6. Compared with other retirement saving programs, how does the BA account fare?

The data below illustrates that the BA interest rates continue to be generous when compared to comparable market rates.



Source: Bankrate.com, treasury.gov as of 9/22/11

The Pension Fund Board and Staff continue to be diligent stewards of your resources during this time of heightened volatility. We are mindful of other Pension Boards and secular institutions performance as this review process takes place.

7. Why grant Good Experience Credits and then reduce the interest rate?

The Good Experience Credit was based on market performance in 2010. An interest rate reduction in one quarter does not determine the likelihood of Good Experience in 2011. Any future Good Experience will be based on the account performance for the entire 2011 year.