PENSION PLAN FOR EMPLOYEES OF ALBION COLLEGE

ACTUARIAL VALUATION REPORT FOR THE PLAN YEAR BEGINNING 7/1/2019

CONTENTS

Disclosure: This report may contain information that is considered a covered opinion under Part 10, Title 31 of the Code of Federal Regulations. Nothing in this report is intended or may be relied on for purposes of avoiding penalties under the Internal Revenue Code of 1986 as amended. This report or any part thereof may not be used to promote or recommend any Federal tax transaction or arrangement or be shared, without our written consent, with any party other than the party to which it is addressed, its advisors and those other parties required by law. Specific tax advice based on your particular circumstances should be obtained from an independent tax advisor before taking any action on any Federal tax matter discussed in this report.

SECTION 1: MANAGEMENT SUMMARY

EXECUTIVE SUMMARY

Valuation Date: July 1, 2019

MAP-21: Pension Plan Funding Stabilization under MAP-21 smoothes segment rates by calculating each rate based on the average of that segment rate over 25 years — a much longer period than the two-year period previously used to determine segment rates. It reduces the adverse impact of historically low interest rates on the three segment rates (corporate-bond interest rates) used to calculate funding liabilities.

HATFA: The Highway and Transportation Funding Act (HATFA-14) provides funding for the Highway Trust Fund on a short-term basis (through May 2015).

Minimum IRC 430 Contribution: The minimum required contribution for this year is $0.

Maximum IRC 404 Contribution: The maximum deductible contribution for this year is $46,437.

Analysis Basis: Costs and benefits shown in this report reflect plan status with the assumption the plan is ongoing. Individual or plan-wide termination calculations must be separately determined.

ACTUARIAL CERTIFICATION

This report addresses requirements of ERISA[1] and the IRS[2] as they apply to qualified defined benefit pension plans.

Financial disclosure information to satisfy requirements set forth by the FASB[3] in ASC 715 is provided in a separate report.

The determination of the investment fund contribution levels and the measurement of the plan liabilities for the plan year beginning 7/1/2019 are based upon the actuarial methods and assumptions detailed in this report.

The minimum required contribution amount this year is $0. This contribution is the minimum amount, which, in the opinion of the actuary, should be contributed to the investment fund in order to fully comply with ERISA and IRS rules and regulations.

These determinations are supported on the assets, liabilities and costs reports. Data concerning employees, assets and plan provisions have been provided by the plan sponsor and trustees. While we have reviewed this material for accuracy, we must finally rely upon others for such source data. Questions concerning the results of this valuation should be referred to the actuary.

The plan’s AFTAP for the plan year is 173.89%. This means that the plan is not subject to benefit restrictions for the current plan year and the participants can continue to accrue benefits as well as elect to receive lump sum benefits if the plan permits their election.

In my opinion this valuation fully and fairly discloses the actuarial position of the plan and has been prepared using reasonable actuarial methods and assumptions. We are not aware of any relationship, including investments or other services that could create a conflict-of-interest that would impair our objectivity.

I, Helaine Proschansky, am an Actuary for Dorsa Consulting Services. I am an Associate of Society of Actuaries, an Enrolled Actuary under the Employee Retirement Income Security Act (ERISA). I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Helaine Proschansky	8/13/2019
Helaine Proschansky, EA, ASA Enrolled Actuary Number 17-04543	Date

1. Employee Retirement Income Security Act of 1974
2. Internal Revenue Service
3. Financial Accounting Standard Board

SECTION 2: FUNDING EXHIBITS

Development of Funding Target

1. More than 500 participants in controlled group in prior year?	No
2. Prior year funding target attainment percentage	
(a) Not-at-risk	169.42%
(b) At-risk	169.42%
3. Funding target benchmark percentage	80%
4. At-risk status	
(a) Current year: If (1) and (2)(a)<(3) and (2)(b)<70%	No
(b) At-risk current year and 2 of preceding 4 years? (If yes, loads apply)	No
5. Funding not-at-risk liability	
(a) Funding liability	
(i) Retirees and benef. receiving payments	1,488,113
(ii) Terminated vested participants	815,579
(iii) Active participants, vested liability	539,508
(iv) Active participants, total liability	539,508
(v) Total liability: (i)+(ii)+(iv)	2,843,200
(b) Normal cost before adjustments	0
(c) Expenses included in Normal Cost	44,061
(d) Normal cost: (b)+(c)	44,061
6. Funding at-risk liability	
(a) Funding at-risk liability	
(i) Retirees and benef. receiving payments	1,488,113
(ii) Terminated vested participants	815,579
(iii) Active participants, vested liability	539,508
(iv) Active participants, total liability	539,508
(v) Total liability: (i)+(ii)+(iv)	2,843,200
(b) Number of plan participants	103
(c) Per-participant load: $700 x (b)	N/A
(d) Liability load: 4% of (5)(a)(v)	N/A
(e) Funding loaded at-risk liability: (a)(v)+(c)+(d), not less than (5)(a)(v)	2,843,200
(f) Preliminary at-risk normal cost (adj. for expenses)	44,061
(g) Normal cost load: 4% of (5)(b)	N/A
(h) Loaded at-risk normal cost:(f)+(g), not less than (5)(d)	44,061
7. Funding target	
(a) Number of consecutive years at-risk (max 5)	0
(b) Transition percentage: 20% of (a)	0%
(c) Funding target: (5)(a)(v)+[(b)x((6)(e)-(5)(a)(v))]	$2,843,200
(d) Target normal cost: (5)(d)+[(b)x((6)(h)-(5)(d))]	$44,061

DEVELOPMENT OF SHORTFALL AMORTIZATION CHARGE

1. 1st segment rate	3.74%
2nd segment rate	5.35%
2. Funding target	2,843,200
3. Adjusted plan assets	
(a) Actuarial assets	4,944,152
(b) Funding Standard Carryover Balance	0
(c) Prefunding Balance (PFB)	0
(d) Adjusted assets: (a)-(b)-(c), min 0	4,944,152
4. Funding shortfall: (2)-(3)(d), min 0	0
5. Current shortfall amortization installments	
(a) Annual installments	
(1) 10 years remaining	0
(2) 6 years remaining	0
(3) 5 years remaining	0
(4) 4 years remaining	0
(5) 3 years remaining	0
(6) 2 years remaining	0
(7) 1 year remaining	0
(b) Total annual installments	0
(c) Present value of annual installments	
(1) 10 years remaining	0
(2) 6 years remaining	0
(3) 5 years remaining	0
(4) 4 years remaining	0
(5) 3 years remaining	0
(6) 2 years remaining	0
(7) 1 year remaining	0
(d) Total present value of annual installments	0
6. Exemption from new shortfall amortization base	
(a) Target liability percentage	100%
(b) Shortfall funding target: (2)x(a)	2,843,200
(c) Prefunding Balance if used to reduce the Minimum Required Contribution, else 0	0
(d) Exempt?: [(3)(a)-(c)]>=(b)	No
7. Shortfall amortization base	
(a) Adjusted funding shortfall: (6)(b)-(3)(d), min 0	0
(b) New current year base: (a)-(5)(d), or 0 if exempt	0
(c) New 7-year installment amount	0
8. Shortfall amortization charge: (5)(b)+(7)(c), min 0	$0

DEVELOPMENT OF CREDIT BALANCES

1. Waived credit balance(s) to avoid benefit restrictions	
(a) Adjusted Funding Target Attainment Percentage before waivers	
(i) Actuarial assets	4,944,152
(ii) Funding Standard Carryover Balance (FSCB)	0
(iii) Prefunding Balance (PFB)	0
(iv) Not-at-risk funding liability	2,843,200
(v) Non-HCE annuity purchases in last 2 years	0
(vi) Preliminary AFTAP: ((i)-(ii)-(iii)+(v))/((iv)+(v))	173.89%
(vii) Funded Ratio: (i)/(iv)	173.89%
(b) Transition percentage	100.00%
(c) Credit balance(s) waived to avoid benefit restrictions, if possible	0
(d) AFTAP after benefit restriction waivers	
(i) FSCB after benefit restriction waivers	0
(ii) PFB after benefit restriction waivers	0
(iii) AFTAP after benefit restriction waivers:	173.89%
if (a)(vii)>=(b), ((a)(i)+(a)(v))/((a)(iv)+(a)(v)),	
else ((a)(i)-(i)-(ii)+(a)(v))/((a)(iv)+(a)(v))	
2. Waived credit balance(s) to avoid At-Risk status	
(a) Not-at-Risk Funding Target Attainment Percentage	173.89%
(NAR FTAP) before waivers to avoid At-Risk status:	
((1)(a)(i)-(1)(d)(i)-(1)(d)(ii))/(1)(a)(iv)	
(b) At-Risk Funding Target Attainment Percentage	
(AR FTAP) before waivers to avoid At-Risk status	
(i) At-risk funding target, excluding loads	2,843,200
(ii) Preliminary AR FTAP: ((1)(a)(i)-(1)(d)(i)-(1)(d)(ii))/(i)	173.89%
(c) Funding Target Benefit percentage for following year	80.00%
(d) At-Risk in following year?	No
Yes if (a)<(c), (b)(ii)<70%, and >500 participants	
(e) Credit balance(s) waived to avoid At-Risk status, if possible	0
(f) FTAPs after waivers	
(i) FSCB after waivers	0
(ii) PFB after waivers	0
(iii) NAR FTAP: ((1)(a)(i)-(i)-(ii))/(1)(a)(iv)	173.89%
(iv) AR FTAP: ((1)(a)(i)-(i)-(ii))/(b)(i)	173.89%
3. Funding Standard Carryover Balance	
(a) FSCB at July 1, 2018	0
(b) Waived FSCB balance	0
(c) FSCB after waivers: (a)-(b)	0
(d) FSCB applied to minimum required contributions	0
(e) FSCB at July 1, 2019 before investment return: (c)-(d)	\$0
4. Prefunding Balance	\$0

SUMMARY OF MINIMUM REQUIRED CONTRIBUTION LIMITS

1. Effective interest rate	5.47%
2. Target normal cost	$44,061
3. Shortfall amortization charge	0
4. Credit for excess assets	
(a) Adjusted Assets	4,944,152
(b) Funding Target	2,843,200
(c) Excess assets: (a)-(b), not less than 0	2,100,952
5. Preliminary minimum required contribution (MRC): (2)+(3)-(4)(c), not less than 0	$0
6. Credit balances	
(a) Eligible to apply against MRC?: Yes if prior year funded ratio >= 80%	Yes
(b) Funding Standard Carryover Balance (FSCB)	0
(c) Elected to apply FSCB against MRC?	No
(d) Prefunding Balance (PFB)	0
(e) Elected to apply PFB against MRC?	No
(f) Balances eligible to apply against MRC: (b)+(d) if eligible and elected	0
7. MRC adjusted for credit balances, if applied: (5)-(6)(f), not less than 0	$0
8. Required quarterly contributions	
(a) Quarterlies required?: Yes if prior year funding shortfall	Yes
(b) Prior year applicable MRC	0
(c) Current year MRC: (5)	0
(d) Required annual payment: lesser of (b) and 90% of (c), if applicable	0
(e) Required installment: 25% of (d)	0
9. Employer contributions	
(a) Contributions in schedule, if any, through beginning of year	0
(b) Other contributions	0
(c) Total employer contributions: (a)+(b)	$0
(d) Total conts. discounted to beginning of year	$0

SUMMARY OF MAXIMUM TAX DEDUCTIBLE CONTRIBUTION LIMITS

1. Max tax UC funding target	$3,297,685
2. Max tax UC target normal cost	44,061
3. Cushion amount	
(a) 50% of funding target: 50% of (1)	1,648,843
(b) Expected benefit increases	
(i) Max tax PUC not-at-risk liability	3,297,685
(ii) Max tax PUC at-risk liability	3,297,685
(iii) Per-participant load	N/A
(iv) Liability load: 4% of (i)	N/A
(v) Max tax PUC loaded at-risk liability:	3,297,685
(ii)+(iii)+(iv), not less than (i)	
(vi) Transition percentage	0.00%
(vii) Max tax PUC funding target: (i)+[(vi)x((v)-(i))]	3,297,685
(c) Cushion amount: (a)+(b)(vii)-(1)	1,648,843
4. Actuarial value of assets	4,944,152
5. Preliminary limit:	46,437
(1)+(2)+(3)(c)-(4), not less than 0	
6. Maximum if not at-risk	
(a) Max tax UC at-risk liability	3,297,685
(b) Max tax UC at-risk normal cost (incl. expenses)	44,061
(c) Maximum if not at-risk: (a)+(b)-(4), not less than 0	0
7. Minimum required contribution	0
8. Maximum tax deductible contribution: max of (5),(6) and (7)	$46,437

Development of Employer Contribution

1.	Preliminary funding policy contribution	$0
2.	Additional contribution	0
3.	Funding policy contribution: (1)+(2), not less than 0	0
4.	Statutory constraints	
	(a) Minimum contribution	0
	(b) Maximum contribution	46,437
	(c) Adjustment to statutory constraints	0
5.	Employer contribution: (3)+(4)(c)	$0

Development of Valuation Assets

1. Fair Market Value as of July 1, 2018	4,792,913
2. Employer Contributions Receivable for Prior Plan Year	-
3. Employer Contributions Made in Current Plan Year	-
4. Earnings	375,678
5. Distributions	
A: Periodic Payments	150,539
B: Lumps Sums	-
6. Expenses	73,900
7. Fair Market Value as of June 30, 2019	4,944,152
8. Employer Contributions Receivable	-
9. Total Valuation Assets as of July 1, 2019	4,944,152

SECTION 3: ACCOUNTING EXHIBITS

ASC 960: Statement of PVAB and Reconciliation for Prior Year

1. Actuarial present value of accrued plan benefits	
(a) Actuarial present value of vested benefits	
(i) Participants currently receiving benefits	$1,319,212
(ii) Participants entitled to deferred benefits	687,420
(iii) Other participants	455,327
(iv) Total	$2,461,959
(b) Actuarial present value of nonvested benefits	0
(c) Actuarial present value of accrued plan benefits: (a)(iv)+(b)	$2,461,959
(d) ASC 960 discount rate for accrued plan benefits	7.00%
2. ASC 960 market value of assets	4,944,152
3. Unfunded PVAB (Surplus assets): (1)(c)-(2)	(2,482,193)
4. Funded percentage: (2)/(1)(c)	201%
5. Changes in present value	
(a) PVAB as of July 1, 2018	2,406,296
(b) Changes due to:	
(i) Decrease in discount period at 7.00%	163,172
(ii) Benefits paid	(150,539)
(iii) Assumption changes	0
(iv) Plan amendments	0
(v) Additional benefits earned, including experience gains and losses	43,030
(vi) Total change	55,663
(c) PVAB as of July 1, 2019: (a)+(b)(vi)	$2,461,959

SECTION 4: BASIS OF VALUATION

PARTICIPANTS RECONCILIATION

	Active	Vested Term	Retired	Disabled	Total
Participants in 7/1/2018 Valuation	16	38	46	6	106
Vested Term	0	0	-	-	0
Non-Vested Term	0	-	-	-	0
Paid Out	0	0	0	0	0
Retired	(0)	(2)	2	0	0
Disabled	0	0	0	0	0
New Participants	0	-	-	-	0
Died	0	0	(2)	(1)	(3)
Data Correction	0	0	0	0	0
Participants in 7/1/2019 Valuation	16	36	46	5	103

Actuarial Methods and Assumptions

Actuarial Cost Method – PPA

Contributions are based on plan's Funding Target. The minimum required contribution is the sum of target normal cost plus a 7-year amortization of unfunded funding target liability of the plan.

Actuarial Assumptions

INTEREST RATES:

FOR MINIMUM REQUIRED CONTRIBUTIONS:

Effective	5.47%
Tier 1 Segment Rate	3.74%
Tier 2 Segment Rate	5.35%
Tier 3 Segment Rate	6.11%

FOR MAXIMUM TAX DEDUCTIBLE CONTRIBUTIONS:

Tier 1 Segment Rate	2.76%
Tier 2 Segment Rate	3.95%
Tier 3 Segment Rate	4.43%
ASC 960	7.00%

MORTALITY:

Valuation	2019 PPA Funding Table for Small Plans
ASC 960	2019 PPA Funding Table for Small Plans

TURNOVER: None

DISABILITY: 1952 Disability Table

RETIREMENT: The following table of retirement factors was used:

Age	Percent Retiring
Under age 65	0%
Age 65 & Over	100%

ASSET METHOD: Market Value of Assets

SALARY SCALE: None

EXPENSE LOAD: $44,061

OTHER PARAMETERS:

	Male	Female
Fraction of married participants	80%	80%
Age difference between plan participant and beneficiary	+3	-3

Summary of Plan Provisions

Plan Sponsor:	Albion College
EIN/PIN:	38-1359081/002
Plan Name:	Pension Plan for Employees of Albion College
Effective Date:	July 1, 1968
Plan Year:	July 1 through June 30
Eligibility:	Any person who is employee of an Employer who is covered by a collective bargaining agreement with the Union.
Participation:	An employee will be eligible for participation on the date, which he/she becomes an employee. Participation is effective on the first day of the month coinciding with or next following the date of Employee becomes eligible for participation.
Service:	The period of an Employee's employment with the Employer, as determined by the Employer from its personnel records.
Vesting Service:	A Plan Year in which a Participant has at least 1,000 hours of service. Portions of a year are earned in accordance with the schedule in the plan document for years in which less than 1,000 hours are worked.
Benefit Service:	The sum of the Plan Years in which a Participant has at least 1,000 hours of service.
Normal Retirement Benefit:	The monthly amount equal to $17.35 multiplied by the Participant's Benefit Service. Benefit was frozen as of 2/1/2004.
Normal Form of Payment:	Annuity payable for the life of the participant.
Normal Retirement Date:	First day of the month coinciding with, or next following, age 65.
Early Retirement Date:	First day of the month coinciding with, or next following, age 55 and completed at least 10 years of Benefit Service.

SUMMARY OF PLAN PROVISIONS (CONT)

Early Retirement Benefit:	The early retirement benefit is equal to the benefit earned at the early retirement date reduced by .006 for each month that early retirement precedes normal retirement.
Disability Retirement:	If a participant who has attained age 40 and completed 10 years of service is found by the Plan Administrator to have any permanent physical or mental condition which prevents the Participant from performing substantially all of the work pertaining to his occupation, and qualifies for a Social Security Disability Benefit, then the participant will be eligible for a disability benefit from the plan.
Disability Retirement Benefit:	The participant's disability benefit is equal to the accrued benefit under the plan at the time of disablement.
Optional Forms:	Joint and Survivor Annuity, Life Annuity with 120 monthly payments guaranteed and Temporary Annuity.
Actuarial Equivalence:	For benefits payable as an annuity, actuarial equivalence is determined using the 1951 GAM, projected to 1970 by Scale C, with no age setback for beneficiaries, and either no age setback or a five-year age setback for participants, whichever provides the greater benefit, and a six percent interest rate. Small benefits paid as lump sum cashouts will be valued at the greater of the above rates, or using the mortality table prescribed by the Secretary of the Treasury and the interest rate on 30-year Treasury securities for the second calendar month preceding the Play Year in which the distribution is made.

GLOSSARY

Actuarial Gain or Loss: From one plan year to the next, if the experience of the plan differs from that anticipated using the actuarial assumptions, or if valuation interest rates change, an actuarial gain or loss occurs. For example, an actuarial gain would occur if the assets in the trust earned 12% for the year while the assumed rate of return used in the valuation was 8%.

Under the PPA, treatment of the gain and loss varies based on the funded status of the plan. If at the beginning of a plan year, the plan has a Funding Target of less than 100%, actuarial gains and losses flow into the Funding Shortfall Amortization Base for that year. If a plan is 100% or more funded, gains and losses may directly impact the current year's required contribution.

Actuarial Value of Assets: These are usually the market value of assets. However, there exists a limited ability to smooth fluctuations in the value of assets used in determining contributions. When a systematic method of using valuation assets different from the market value is used, the actuarial value of assets cannot exceed 110% of the market value of assets, and cannot be less than 90% of the market value of assets.

Adjusted Assets: The Actuarial Value of Assets minus Carryover and Pre-funding Balances.

Adjusted Funding Target Attainment Percentage (AFTAP): This is the ratio of the value of Adjusted Assets for the year to the Funding Target of the plan for the plan year. It is referred to as the AFTAP. The "Adjusted Funding Target Attainment Percentage" reflects plan assets and Funding Target liabilities (as increased by the aggregate amount of annuity purchases made for nonhighly compensated employees by the plan during the preceding two plan years, if any).

The AFTAP is important since it determines limitations or restrictions on the benefits that can be accrued or paid under a plan. In general, the rules are as follows:

AFTAP	Benefit Limitations/Restrictions
80% or more	None
60% but less than 80%	Lump sums and other accelerated payments are limited.
Less than 60%	Benefit accruals cease and accelerated payments cannot be made.

At Risk Plans: Plans that are at risk are subject to additional contribution requirements. To be at risk, a plan must meet two requirements. The first is to have a Funding Target Attainment Percentage of less than 70%, calculated on special assumptions, and the second is to have a standard Funding Target Attainment Percentage less than the percentage shown in the following table.

Plan Year of FTAP	FTAP to be at risk
2008	< 65%
2009	< 70%
2010	< 75%
2011	< 80%

Carryover Balance: The Carryover Balance is the balance in the pre-PPA Funding Standard Account at the end of the 2007 plan year, adjusted with interest and waivers.

Effective Rate of Interest: The effective rate of interest is the single interest rate that produces the same present value of future benefit payments when applied to the plan's future benefit payments that is produced by the three tier or yield curve interest rates required to be used for funding under the PPA.

Funding Shortfall: This amount is calculated on the valuation date. It is the excess of the plan's Funding Target for the plan year over the value of plan assets (reduced by any Carryover or Pre-Funding Balance) which are held by the plan on the valuation date. Contributions receivable may be included in the assets, but they must be discounted from the date of contribution to the valuation date using the plan's effective rate of interest.

Funding Shortfall Amortization Base: On the first valuation date that PPA applies to a plan, the Funding Shortfall Amortization Base is equal to the Funding Shortfall. For plan years thereafter, the funding shortfall amortization base is equal to the Funding Shortfall reduced by the present value of Funding Shortfall Amortization Charges still outstanding from prior years.

Funding Shortfall Amortization Charge: Each year's Funding Shortfall Amortization Base generates a Funding Shortfall Amortization Charge, which is the amount necessary to amortize the Funding Shortfall Amortization Base, in equal payments, over a period of seven years (fifteen years for 2009, 2010, and 2011, if elected) using that year's interest rates for the seven year period (or fifteen years, if elected).

Funding Target: This term is defined under the PPA as "the present value of all benefits accrued or earned under the plan as of the beginning of the plan year." Benefits that are required to be taken into account for purposes of the funding target include early retirement and lump sum settlement benefits. However, all benefits that have not yet accrued during the current plan year are not included in a plan's funding target.

Funding Target Attainment Percentage: This is the ratio of the value of plan assets for the year (as reduced by the Carryover and Pre-funding Balances) to the Funding Target of the plan for the plan year.

Minimum Required: This is the sum of the Target Normal Cost for the plan year, plus the Shortfall Amortization Charge (if any) for the plan for the plan year, plus the approved waiver amortization charge (if any) for the plan for the plan year.

Maximum Deductible Contribution: The maximum deductible contribution is equal to the Target Normal Cost increased by the difference between the sum of the Funding Target plus a cushion amount equal to 50% of the Funding Target reduced by the Actuarial Value of Assets.

The cushion amount is equal to 50% of the funding target plus an adjustment for future increases in benefits due to salary increases or benefit unit negotiations.

Normal Cost: This is computed differently under different actuarial cost methods. Under current law, it is the present value of all benefits expected to accrue or be earned under the plan during the plan year, including benefits attributable to service in a preceding year that are increased because of an increase in compensation during the current plan year.

GLOSSARY (CONT)

PPA: The Pension Protection Act of 2006. It defines the interest and mortality tables used to determine the value of the plan's Target Liability, and is designed to fully fund that liability in seven years. Thereafter, plans need to fund the value of benefits accruing in the current year plus a seven year amortization of some actuarial losses.

Prefunding Balance: This is the accumulated excess contributions over the required minimum contribution amounts determined under PPA rules for plan years beginning after 2007.

Present Value of Future Benefits: This is the present value of all benefits expected to be paid by the Plan. It is used in determining accounting expenses, but is not used in any calculations under PPA.

Present Value of Accumulated Benefits: This value is not dependent on the plan's actuarial cost method or funding assumptions, but rather computed in accordance with ASC 960. It is the present value of a participant's accrued benefit as of the valuation date, assuming the participant will earn no more credited service and will receive no future salary.

Present Value of Vested Benefits: This is the portion of the Present Value of Accumulated Benefits in which the employee has a vested interest if the employee were to separate from service with the employer on the valuation date.

Target Normal Cost: For any plan year, this is the present value of all benefits which are expected to accrue or to be earned under the plan during the plan year. An increase in benefit during the year, resulting from an increase in compensation during the current plan year, shall be treated as accruing during the current plan year.

Waiver of Balances: A plan sponsor may elect to waive (reduce) a Carryover or a Pre-Funding Balance in order to increase the plan's AFTAP. Such waiver must be addressed in writing by the Plan Administrator to the plan's Enrolled Actuary. Once a waiver has been made, the waived portion of Carryover or a Pre-Funding Balance can never be used to reduce future contributions. The entire Carryover Balance must be waived before any Pre-Funding Balance can be waived.