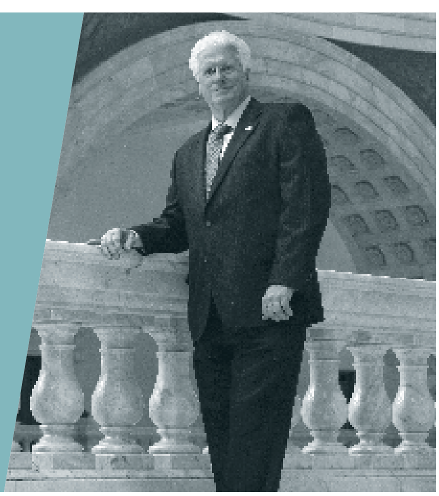
Notes to Required Supplementary Information



Note 1

Schedules of Changes in the Employer Net Pension Liability

The total pension liability contained in this schedule was provided by the Systems actuary, Gabriel, Roeder, Smith & Company. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Retirement Systems.

Note 2

Schedules of Employer Contributions

The required employer contributions and percent of those contributions actually made are presented in the schedule.

The actuarially determined contribution rates determined by an actuarial valuation are effective for the fiscal year beginning 18 months after the valuation date. For example, the actuarially determined contribution rate determined by the January 1, 2016 valuation is effective for the fiscal year beginning July 1, 2018.

The Board certifies the contribution rates that employers are contractually required to contribute to the retirement system. Per 49-11-301(5) of the Utah Code, if the funded ratio of the plan is less than 110%, then the Board is permitted to maintain the prior year's contribution rate if the actuarially determined contribution is lower. The Board has historically followed this policy. The projected covered payroll is an estimated payroll figure based upon the January 1, 2016, census data.

The actual contributions for the Tier 1 Systems include contributions received on the Tier 2 payroll to help finance the unfunded actuarial accrued liability of the Tier 1 Systems. Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

Note 3

Actuarial Assumptions

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board. Additional information as of the latest actuarial valuation follows.

Notes to Required Supplementary Information *(Continued)*

December 31, 2016

Summary of Actuarial Assumptions

	Noncontributory	Contributory	Public Safety	Firefighters	Judges	Governors and Legislators	Tier 2 Public Employees	Tier 2 Public Safety and Firefighter
Valuation date	1/1/16	1/1/16	1/1/16	1/1/16	1/1/16	1/1/16	1/1/16	1/1/16
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Dollar Amount	Level Percent of Payroll	Level Percent of Payroll
Amortization period	Open Group 20-Year Open Period	Open Group 20-Year Open Period	Open Group 20-Year Open Period	Open Group 20-Year Open Period	Open Group 18-Year Closed Period	Open Group 20-Year Closed Period	Open Group 20-Year Open Period	Open Group 20-Year Open Period
Actuarial asset valuation method (All Systems under same method)	Based on the total fair value income of investments with the excess or shortfall of actual investment income over or under the expected investment return smoothed over five years. One-fifth of the excess or shortfall is recognized each year for five years.							
Actuarial assumptions:								
Investment rate of return	7.20%	7.20%	7.20%	7.20%	7.20%	7.20%	7.20%	7.20%
Projected salary increases*	3.35-10.35%	3.35-10.35%	3.35-7.65%	3.35-8.90%	3.35%	None	3.35-10.35%	3.35-8.90%
Inflation rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
Post-retirement cost-of-living adjustment	2.60%	2.60%	2.50% or 2.60% Depending on employer	2.60%	2.60%	2.60%	2.50%	2.50%
Mortality: (Non-educators)	Male: RP-2000 with white collar adjustments, projected with Scale AA from the year 2000. Female: 120% of constructed mortality table based on actual experience of female educators, projected with Scale AA from the year 2000.							
Mortality: (Educators)	Male: 90% of constructed mortality table based on actual experience of male educators, projected with Scale AA from the year 2000. Female: 100% of constructed mortality table based on actual experience of female educators, projected with Scale AA from the year 2000.							

Note: All post-retirement cost-of-living adjustments are noncompounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual CPI increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Composed of 2.60% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.*