

# CavMac CHRONICLE

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## Salary Increases on Both Sides of the Equation

CavMac recently published an issue brief titled, “Salary Increases on Both Sides of the Equation: Higher Benefits and More Funding” by Alisa Bennett, President and Consulting Actuary and Jessica Fain, Associate Actuary. The brief was presented by Alisa Bennett at the NCTR Annual Conference and by Larry Langer and Aaron Chochon at the NCPERS Fall Conference.

Many employers have seen higher than normal payroll increases over the past few years following higher post-pandemic inflation rates and labor shortages. While these larger salaries are increasing liabilities for pay-based benefits such as pensions, these pay increases also provide for more contributions into the plan from both employees and employers since pension plans are generally funded as a percentage of payroll.

What factors influence the interplay between larger projected benefits versus more funding due to excess salary increases? Items to consider include:

- Ratio of actives to retirees in the plan membership,
- Funded status of the plan,
- Amortization methodology,
- Actuarially determined versus fixed rate funding

What happens when there are additional future economic or demographic challenges:

- Asset shocks such as large investment losses like those that occurred during the Great Recession,
- Declining active headcounts due to fewer school children from lower birth rates and/or an uptick in homeschooling and private school vouchers.

As this paper illustrates, the main driver of the interplay between increased benefits and increased funding due to higher salaries is how well funded the plan is at the time of the one-time bump in salary. (continued on next page)...

## Mortality Improvement Report



Fall means it is time to enjoy all things pumpkin spice and get updates on mortality improvement and IRS pension plan limits. Here's what you need to know:

- The Society of Actuaries RPEC committee (in which CavMac participates) has just released their annual report on mortality improvement. As has been the case since 2022, they did not issue an updated mortality improvement scale because the multi-year analysis that is used to develop this scale still overlaps with the high death rates during the Covid pandemic. The report, which is available at [2025-10-ml134-rpec-report.pdf](#), does indicate that mortality patterns are seemingly lining up with what was expected using the pre-Covid models.
- The Internal Revenue Service usually provides the next calendar year's limits for defined benefit maximum benefits, maximum compensation, and other related limits before the end of October. Due to the federal government shutdown, as we go to press, these limits have not yet been officially released for 2026.



## Salary Increases on Both Sides of the Equation

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The increase to the active benefits is immediate and is an immediate increase to the unfunded actuarial accrued liability (UAAL). This increase will have to be paid for over time with additional contributions. The smaller the initial UAAL, the fewer contributions needed to pay it off in the first place. Any increase to the UAAL puts a strain on the contribution stream and requires excess payments. However, plans with higher initial UAALs can absorb the increase more easily. A similar impact occurs when the higher salaries are coupled with other economic or decremental shocks such as a declining active headcount or a one-time large asset loss.

See our website for a copy of this very important paper.

[https://cavmacconsulting.com/wp-content/uploads/2025/10/Salary-Issues-Brief\\_HR-1.pdf](https://cavmacconsulting.com/wp-content/uploads/2025/10/Salary-Issues-Brief_HR-1.pdf)

## CavMac Volunteers

The CavMac team recently dedicated an afternoon to giving back to the community. Team members at the Kennesaw office got together and packed bags full of school supplies to donate to the North Fulton Community Charities (NFCC). NFCC's main goal is to assist individuals and families in need to help ease hardship and foster financial stability. This year, NFCC was able to serve over 500 families and provide more than 1,100 students with backpacks filled with essential school supplies for a successful school year. We are so grateful to have been able to participate in this service opportunity, and to aid children in need to get school supplies that will help to set them up for a successful future.



## But Did You Know?

1

### CavMac at Work

Larry Langer is a Master Chef wannabe. Look out Gordon Ramsay. Here is one of his favorite recipes for one quart of Celebration Ice Cream:

- 1 ½ cups Heavy Whipping Cream
- 1 ½ cups Half & Half
- ½ cup Granulated Sugar
- 1 TBSP Vanilla Extract
- ¼ cup Light Corn Syrup
- ¾ cup Dried Milk
- 4 medium Egg Yolks
- ¼ cup of Pillsbury Funfetti Cake Mix
- ½ cup of Rainbow Jimmies

Blend all ingredients except the Rainbow Jimmies. Sous Vide mixture at 180° for one hour. Submerge in ice bath until chilled and transfer to fridge overnight. Churn in your ice cream maker. Transfer to bowl and gently fold in Rainbow Jimmies. Eat.

2

### CavMac at Conferences

- Aaron Chochon and Larry Langer, were at the National Council of Public Employees Retirement Systems (NCPERS) Fall Conference from October 26 – 29 in Fort Lauderdale, FL (Aaron and Larry presented on October 29th)
- Alisa Bennett and Jessica Fain, at the Public Sector Healthcare Roundtable November 5-7 in Washington DC



## CavMac Comedy

What do you get if you divide the circumference of a jack-o-lantern by its diameter?  
Pumpkin pi.

What does a math teacher say to his students on Halloween? Trig or treat!

