

Note 4: Capital Assets The following table shows amounts for capital assets as of June 30, 2017 (in thousands):

DESCRIPTION	AMOUNT
LAND	\$508
BUILDING	18,778
FURNITURE, EQUIPMENT & SOFTWARE	23,090
CONSTRUCTION IN PROGRESS	1,026
TOTAL CAPITAL ASSETS	43,402
<i>Less Accumulated Depreciation:</i>	
BUILDING	6,224
FURNITURE, EQUIPMENT & SOFTWARE	10,313
TOTAL ACCUMULATED DEPRECIATION	16,537
NET CAPITAL ASSETS	\$26,865

The System implemented a major project to build and deploy a new pension and benefits administration software solution, which became operational July 6, 2015. The System reclassified \$20,542,293 in software expenses for the technology project from Construction In Progress to Furniture, Equipment & Software.

Note 5: Net Pension Liability of Employers

The following tables present the components of the liability of the employers, or net pension liability, to plan members for benefits provided through the System's cost-sharing and single employer defined benefit pension plans at June 30, 2017 (in thousands).

	PERS	MHSPRS	SLRP
TOTAL PENSION LIABILITY	\$43,166,491	\$497,992	\$20,799
PLAN FIDUCIARY NET POSITION	\$(26,543,097)	\$(341,719)	\$(17,342)
PLAN NET PENSION LIABILITY	\$16,623,394	\$156,273	\$3,457
RATIO OF FIDUCIARY NET POSITION TO TOTAL PENSION LIABILITY	61.49%	68.62%	83.38%

SIGNIFICANT ASSUMPTIONS AND OTHER INPUTS

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

	PERS	MHSPRS	SLRP
INVESTMENT RATE OF RETURN*	7.75%	7.75%	7.75%
PRICE INFLATION	3.00%	3.00%	3.00%
SALARY INCREASES	3.25-18.50%	3.25-8.81%	3.25%
MOST RECENT EXPERIENCE STUDY	6/30/16	6/30/16	6/30/16

*Net of investment expense, including inflation

An actuarial survey of the mortality, service, withdrawals, compensation experience of members, and valuation of assets and liabilities is performed annually to determine the actuarial soundness of the System. To validate that the assumptions recommended by the actuary are, in aggregate, reasonably related to actual experience, the System requests the actuary to conduct an experience investigation every other year. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on the PERS, MHSPRS, and SLRP investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of the plans' investment expense and the assumed rate of inflation) were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
US BROAD	27.00%	4.60%
INTERNATIONAL EQUITY	18.00	4.50
EMERGING MARKETS EQUITY	4.00	4.75
GLOBAL	12.00	4.75
FIXED INCOME	18.00	0.75
REAL ASSETS	10.00	3.50
PRIVATE EQUITY	8.00	5.10
EMERGING DEBT	2.00	2.25
CASH	1.00	-
TOTAL	100.00%	N/A

DISCOUNT RATE

The discount rate used to measure the total pension liabilities for PERS, MHSPRS, and SLRP was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at current contribution rates and that employer contributions for PERS, MHSPRS, and SLRP will be made at rates set in the Board's Funding Policy. Based on those assumptions, each plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the net pension liability of PERS, MHSPRS, and SLRP, calculated using the discount rate of 7.75 percent, as well as what the plans' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate (in thousands):

NET PENSION LIABILITY	1% DECREASE (6.75%)	CURRENT DISCOUNT RATE (7.75%)	1% INCREASE (8.75%)
PERS	\$21,802,691	\$16,623,394	\$12,323,452
MHSPRS	\$216,604	\$156,273	\$106,180
SLRP	\$5,527	\$3,457	\$1,679