

**Annual Member Statement for
The Retirement Annuity Plan for Employees of the
Army and Air Force Exchange Service Trust
and
Trust for Retiree Medical Dental and Life Insurance Plan of
Army and Air Force Exchange Service**

Introduction

This member statement provides valuable information about the funding status of The Retirement Annuity Plan for Employees of the Army and Air Force Exchange Service Trust (Pension Plan) and Trust for Retiree Medical Dental and Life Insurance Plan of the Army and Air Force Exchange Service (Postretirement Medical or PRM Plan), collectively called “the Plans”. Information herein is a joint publication of the Army & Air Force Exchange Service (Exchange) and the Plans’ Board of Trustees. As the Pension and PRM Plans represent a valuable retiree benefit, Exchange leadership and the Board of Trustees provide this statement to better ensure members’ understanding of the financial status and security of current and future payments. This notice is for the Plan years ending on 3 February 2024 and 28 January 2023 (“Plan Year”) which correspond to the Exchange’s fiscal years. This statement is for information purposes only.

Your Pension and PRM Plan benefits, which are referred to as “defined benefits”, are based upon your length of service with the Exchange and a specific formula set out in the Plans’ policies. Your pension is not affected by market performance and is a guarantee by the company. Plan assets and investments are in place to meet current and future obligations.

Exchange leadership and the Plans’ Board of Trustees monitor the overall long-term health of the Plans investments, ensuring the value of future benefit obligations are well matched to assets and providing a satisfactory level of security is attached to your benefits. Key measures used in this monitoring include Plan funding, and the related funding ratios; adherence to investment policy and overall asset diversification; understanding of the Plans’ overall assets, contributions, and expenditures; and makeup of current and future beneficiaries.

Funding

Plan funding can best be described as the ability of total plan assets to pay for current and future plan liabilities/obligations, with the “funding ratio” used as its primary metric. The funding ratio indicates whether a plan has sufficient assets to meet benefit payments over the life of the Plan. In general, the higher the percentage, the better plans are funded. It should be noted that no open and active plan, such as those administered by the Exchange, will have a static, year-over-year funding ratio. Because this ratio reflects not only market performance, but other macroeconomic factors and company decisions such as interest rates, contributions, inflation, etc., changes in funding levels from year to year are to be expected. The Exchange’s goal is to maintain a funding ratio of between 80% and 120%. The Plans’ funding ratio as of 3 February 2024 and 28 January 2023 are shown in the chart below:

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| (\$ in Millions) | | | | |
|-------------------------|-------------|----------|-------------|----------|
| Valuation Date | 03 Feb 2024 | | 28 Jan 2023 | |
| | Pension | PRM | Pension | PRM |
| Plan Assets | \$ 5,311 | \$ 2,060 | \$ 5,243 | \$ 1,991 |
| Plan Liabilities | (4,346) | (1,087) | (4,514) | (1,203) |
| Surplus | \$ 965 | \$ 973 | \$ 729 | \$ 788 |
| Funding Ratio % | 122.2% | 189.5% | 116.1% | 165.5% |

Investment Policy and Diversification

The investment policy for Plan assets is established and governed by the Board of Trustees. The objective of the policy seeks to balance risk and return relative to the funded ratio while ensuring sufficient liquidity to pay benefit obligations. The Trustees have oversight into all major decisions related to plan assets and administrative expenses including: establishing target asset allocation, approving investment decisions, assuring diversification (within asset groups and across the Plans as a whole), and selecting administrative partners such as actuaries, investment consultants and custodial banking services. The chart below summarizes the target asset allocation by major asset classes as of 3 February 2024:

| Asset Class Targets by Portfolio | | |
|----------------------------------|---------|------|
| Plans | Pension | PRM |
| Public Equity (Stocks) | 36% | 39% |
| Fixed Income (Bonds) | 39% | 35% |
| Real Assets and Commodities | 11% | 11% |
| Private Equity | 9% | 10% |
| Private Credit | 5% | 5% |
| Total Assets | 100% | 100% |

Summary of Plan Assets

The Plans are currently valued at \$7.37 billion vs. \$7.23 billion last fiscal year. Changes in the overall markets, rising interest rates, and economic conditions were the primary drivers of the \$965 million and \$973 million surplus in Basic and PRM Plan assets, respectively. The Plans' investments are well-diversified to mitigate the impact of these factors. Additionally, the Exchange voluntarily contributed \$200 million in fiscal year ending on 28 January 2023 to supplement the \$4 million contributed by Exchange employees. No additional employer contributions were made in Plan Year ending on 2 February 2024. The Plans paid out \$402 million in retirement and medical benefits to participants while

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incurring \$28 million in administrative expenses relating to management, consulting, and actuarial fees. The chart below summarizes the changes in Plan assets from fiscal year 2023 to fiscal year 2024:

| (in Millions) | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Valuation Date | 03 Feb 2024 | | | 28 Jan 2023 | | |
| | Pension | PRM | Total | Pension | PRM | Total |
| Fair value of Plan assets, prior measurement | \$ 5,243 | \$ 1,990 | \$ 7,233 | \$ 5,564 | \$ 2,150 | \$ 7,714 |
| Plus: Contributions received | | | | | | |
| Employer contribution | - | - | - | 200 | - | 200 |
| Employee contribution | 4 | - | 4 | 4 | - | 4 |
| Total contributions | 4 | - | 4 | 204 | - | 204 |
| Plus/Less: Actual return on assets | 404 | 160 | \$ 564 | (230) | (76) | (306) |
| Less: Expenditures | | | | | | |
| Benefit payments | (320) | (82) | (402) | (274) | (75) | (349) |
| Administrative expenses | (20) | (8) | (28) | (21) | (8) | (29) |
| Total expenditures | (340) | (90) | (430) | (295) | (83) | (378) |
| Equals: Value at end of year | \$ 5,311 | \$ 2,060 | \$ 7,371 | \$ 5,243 | \$ 1,991 | \$ 7,234 |

Participant Information

The total number of participants and beneficiaries covered by the Basic Plan as of the valuation date of 3 February 2024 was 26,429 (10,025 active employees, 14,611 retired employees receiving benefits and 1,793 former employees with a right to future benefits).

Additional Information

Retirees:

Register with Northern Trust Payment Participant Web Passport at Northerntrust.com/bppweb to update your tax elections, report a change of address, or arrange/change the direct deposit of your annuity payment. Should you have further questions, please call Northern Trust at 1-833-748-1823. If you reside outside the United States, please call 1-312-557-9700.

You may also visit [Retiree Self Service](#) for additional information about your benefits.

Current Employees:

Visit [Employee Self Service](#) for additional information about your benefits.