Employees Retirement System of the City of St. Louis

Actuarial Valuation and Review
as of October 1, 2005

The Segal Company
101 North Wacker Drive, Suite 500 Chicago, IL 60606
T 312.984.8500 F 312.984.8590 www.segalco.com

January 19, 2006

Board of Trustees
Employees Retirement System of the City of St. Louis
St. Louis, Missouri

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of October 1, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the System and the financial information was provided in the Report of the Secretary. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Thomas D. Levy, FSA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: ______________________________ ______________________________

Lall Bachan, ASA, MAAA	*Thomas D. Levy, FSA, MAAA, EA*
Senior Vice President and Actuary	*Senior Vice President and Chief Actuary*

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Employees Retirement System of the City of St. Louis as of October 1, 2005. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of October 1, 2005, provided by the Board;
- The assets of the System as of September 30, 2005, provided in the Report of the Secretary;
- Economic assumptions regarding future salary increases and investment earnings, as chosen by the Board; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc., as approved by the Board.

Significant Issues in Valuation Year

- In accordance with the ordinance, the scheduled contribution for the Plan year ended September 30, 2005 was $29.2 million, or 13.19% of compensation. Actual contributions for the year ended September 30, 2005 totaled $15.8 million. The failure to make the scheduled contribution increases the unfunded actuarial accrued liability and hence the scheduled contribution for future years. However, this year greater than expected asset returns and changes in actuarial assumptions and asset valuation method (discussed in detail below) offset the increase.
- The scheduled contribution for the current Plan year (October 1, 2005 through September 30, 2006) is $29.5 million, or 13.17% of compensation. We suggest that the level of contributions to the Fund be made at the scheduled contribution level, consistent with the Ordinance.

- For this valuation, the Board approved changes in some of the actuarial assumptions and methods. The changes included:
  - Retirement rate in the first year that a participant satisfies the requirement under the “Rule of 85” retirement;
  - Withdrawal rates of participants with less than four years of Creditable Service;
  - Disability rates of all active participants;
  - Salary increase rates;
  - Accrual of sick leave;
  - Future increases in the Social Security Taxable Wage Base; and
  - The asset valuation method. This change included a one-time immediate recognition of unrecognized investment gains.
- On a market value basis, the asset return for the year ended September 30, 2005 was 14.99%. Under the prior actuarial asset valuation method, the actuarial investment return was 13.08%, which caused an actuarial gain of over $21 million. As of October 1, 2005, the actuarial value of assets was initialized at market value, and a new asset valuation method will be used in future years.
- If the current year's actuarial value of assets had been 10% lower, the scheduled contribution of $29.5 million (13.17% of payroll) would have increased by $4.5 million to a scheduled contribution of $34.0 million (15.19% of payroll). Conversely, if the actuarial value had been 10% higher, the scheduled contribution of $29.5 million would have decreased by $3.7 million to a scheduled contribution of $25.0 million (11.15% of payroll). Because the actuarial value of assets involves a smoothing method, a 10% change in market value would not be fully reflected immediately in the actuarial value of assets. Rather, that effect would be spread over a period of years. We have shown the full impact immediately so as to indicate the sensitivity of costs to market fluctuations.
- This was the fifth year in which active participants could elect to participate in the DROP. As of October 1, 2005, 473 active members are participating in the DROP, compared to 403 active participants last year. Participants who elected to join the DROP in the first year when it was available will leave the DROP in the coming year. The retirement pattern of this group of participants may be different from the general active population. We will monitor this experience carefully and recommend a change if the difference significantly affects the overall cost of the plan.

Summary of Key Valuation Results

	2005	2004
Contributions for plan year beginning October 1:		
Scheduled	$29,478,032	$29,243,453
Actual	--	15,752,497
Funding elements for plan year beginning October 1:		
Normal cost	$16,894,273	$13,996,731
Market value of assets	527,733,171	474,100,258
Actuarial value of assets	527,733,171	431,853,406
Actuarial accrued liability	666,182,075	602,795,470
Unfunded actuarial accrued liability	138,448,904	170,942,064
GASB 25/27 for plan year beginning October 1:		
Annual required contributions	$29,478,032	$29,243,453
Actual contributions	--	15,752,497
Percentage contributed	--	53.87%
Funded ratio	79.22%	71.64%
Covered payroll	$223,837,003	$221,768,791
Demographic data for plan year beginning October 1:		
Number of retired participants and beneficiaries	3,755	3,763
Number of vested former participants	2,392	2,308
Number of active participants	5,756	5,770
Total compensation	$223,837,003	$221,768,791
Average compensation	38,888	38,435

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.

CHART 1

Participant Population: 1996 – 2005

Year Ended September 30	Active Participants	Vested Terminated Participants*	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
1996	5,913	1,680	3,942	0.95
1997	5,928	1,728	3,950	0.96
1998	6,033	1,825	3,925	0.95
1999	5,947	1,942	3,861	0.98
2000	5,948	2,025	3,882	0.99
2001	5,980	2,072	3,848	0.99
2002	6,186	2,092	3,796	0.95
2003	6,035	2,150	3,860	1.00
2004	5,770	2,308	3,763	1.05
2005	5,756	2,392	3,755	1.07

**Beginning in 2001, rehires are included in both the active and vested terminated participant counts.*

Active Participants

Plan costs are affected by the age, years of creditable service and compensation of active participants. In this year's valuation, there were 5,756 active participants (including 473 DROP participants) with an average age of 46.2, average years of creditable service of 12.0 years and average compensation of $38,888. The 5,770 active participants in the prior valuation (including 403 DROP participants) had an average age of 46.1, average service of 11.9 years and average compensation of $38,435.

Inactive Participants

In this year's valuation, there were 2,392 inactive participants with a vested right to a deferred or immediate vested benefit.

These graphs show a distribution of active participants by age and by years of creditable service.

CHART 2

Distribution of Active Participants by Age as of September 30, 2005

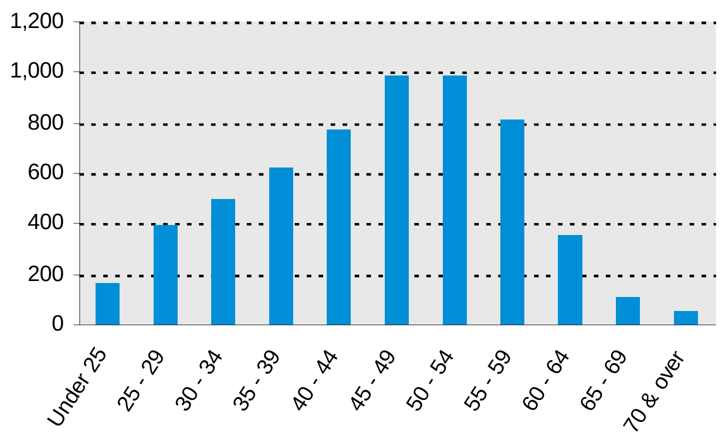
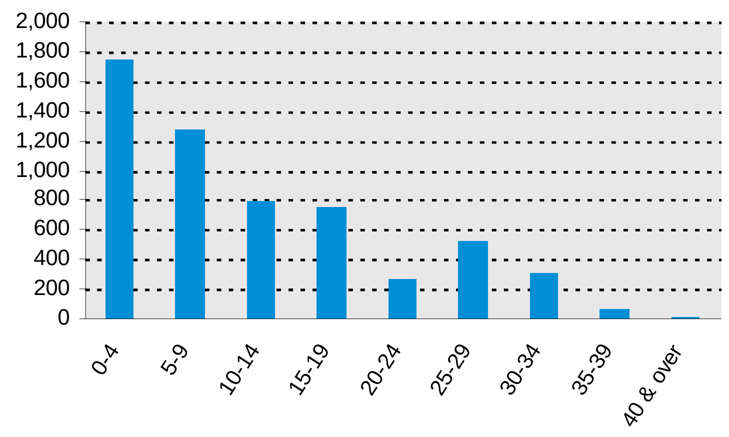


CHART 3

Distribution of Active Participants by Years of Creditable Service as of September 30, 2005



Retired Participants and Beneficiaries

As of September 30, 2005, 3,303 retired participants and 452 beneficiaries (not including DROP participants) were receiving total monthly benefits of $2,600,711, including the January 1, 2006 cost-of-living adjustment. For comparison, in the previous valuation, there were 3,333 retired participants and 430 beneficiaries receiving monthly benefits of $2,462,150.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of September 30, 2005

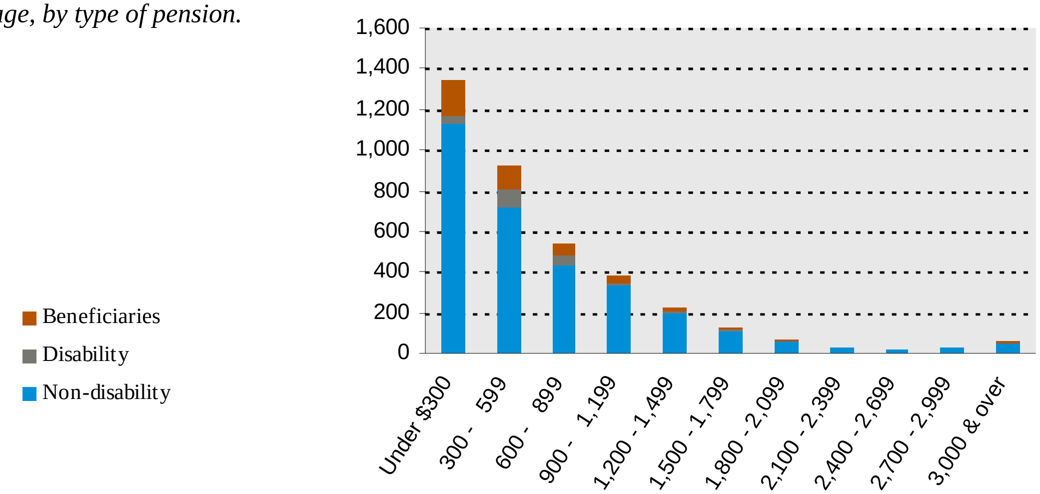
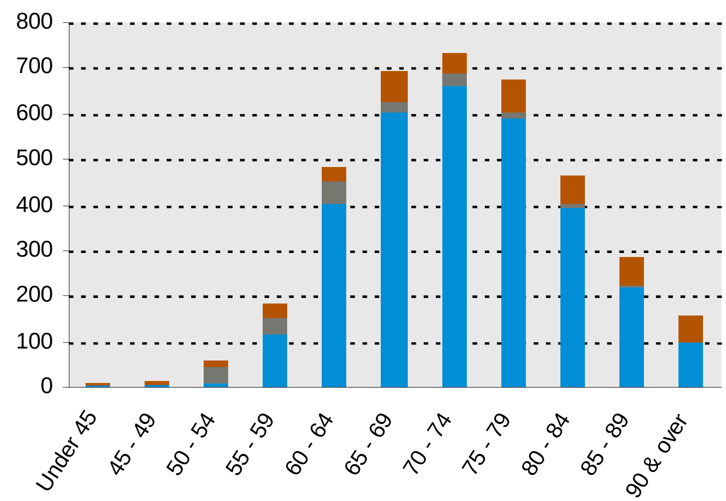


CHART 5

Distribution of Retired Participants and Beneficiaries by Type and by Age as of September 30, 2005



B. FINANCIAL INFORMATION

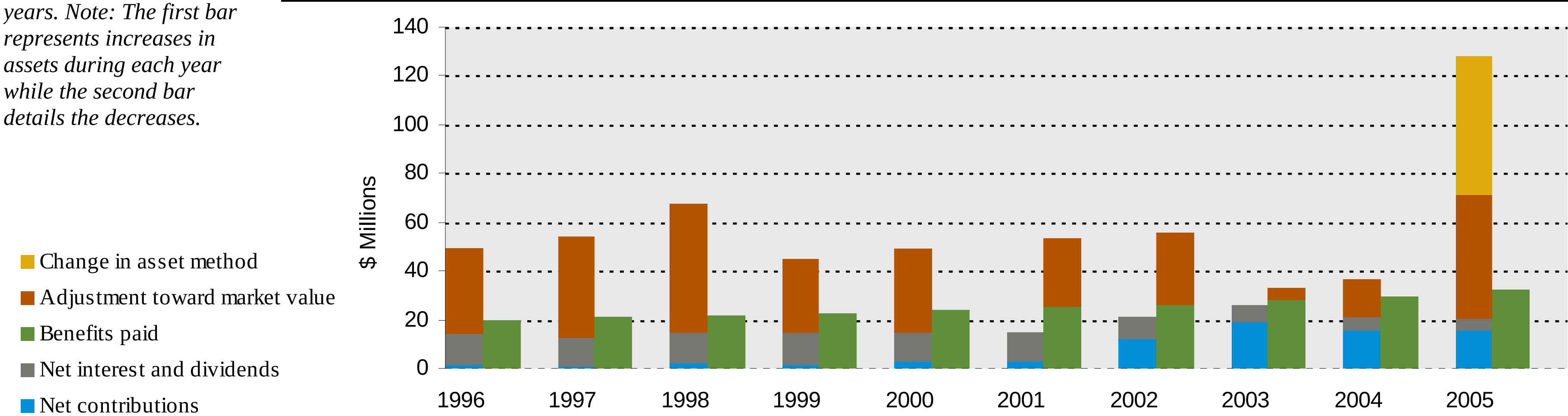
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended September 30, 1996 – 2005



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved the use of an asset valuation method that gradually adjusts to market value, and, as a result, the asset value and the pension plan costs are more stable. The asset valuation method adopted in prior years deferred the recognition of unrealized capital gains and losses over a four year period.

For this year, the Board has approved a new asset valuation method. Under the new method, realized gains and losses and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value. This may remove from the area of investment decisions any consideration of the impact of sales of assets on the cost of the Plan.

The initial actuarial value of assets under the new asset method is set equal to the market value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended September 30, 2005

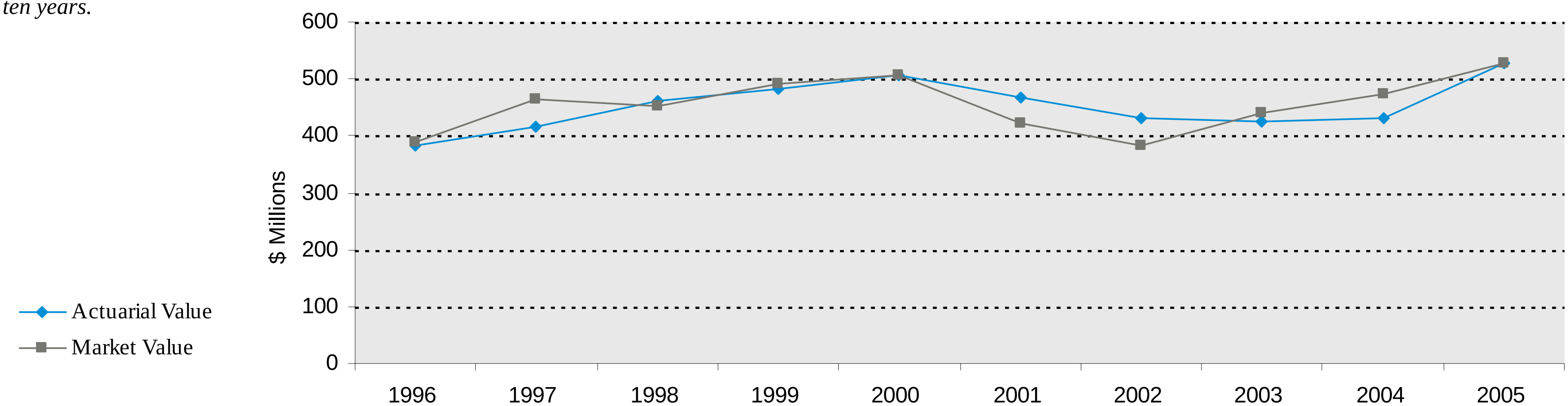
1. September 30, 2002		
A. Market value	$382,673,108	
B. Book value	416,508,921	
C. Excess of market value over book value		-$33,835,813
2. September 30, 2003		
A. Market value	$439,771,027	
B. Book value	419,183,653	
C. Excess of market value over book value		$20,587,374
3. September 30, 2004		
A. Market value	$474,100,258	
B. Book value	429,315,138	
C. Excess of market value over book value		$44,785,120
4. September 30, 2005		
A. Market value	$527,733,171	
B. Book value	445,909,847	
C. Excess of market value over book value		$81,823,324
5. Average unrealized gain / (loss) at the four most recent valuation		$28,340,001
6. Members' savings		$3,166,418
7. Actuarial value of assets, prior method: 4(B) + 5 - 6		$471,083,430
8. Change in actuarial asset method		56,649,741
9. Actuarial value of assets: 7 + 8		$527,733,171

The actuarial value (set equal to the market value of assets on September 30, 2005) is a representation of the Plan's financial status. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of September 30, 1996 – 2005



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is $21,184,593: $21,538,228 from investments offset by a loss of $353,635 from all other sources. The net experience variation from individual sources other than investments was less than 0.1% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended September 30, 2005

1.	Net gain/(loss) from investments*	$21,538,228
2.	Net gain/(loss) from other experience**	-353,635
3.	Net experience gain/(loss): (1) + (2)	$21,184,593

** Details in Chart 10*

*** Details in Chart 13*

Investment Rate of Return
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rate of return on an actuarial basis for the 2005 plan year under the prior method was 13.08%.

Since the actual return for the year was greater than the assumed return, the Plan experienced an actuarial gain during the year ended September 30, 2005 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Actuarial Value Investment Experience for Year Ended September 30, 2005 (prior asset valuation method)

1.	Actual return (prior asset valuation method)	$55,438,174
2.	Average value of assets	423,749,331
3.	Actual rate of return: (1) ÷ (2)	13.08%
4.	Assumed rate of return	8.00%
5.	Expected return: (2) x (4)	$33,899,946
6.	Actuarial gain/(loss): (1) – (5)	$21,538,228

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and ten-year averages.

CHART 11

Investment Return – Actuarial Value of Assets: 1996 - 2005

Year Ended September 30	Net Interest and Dividend Income		Adjustment Toward Market Value		Change in Asset Method		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1996	$12,612,414	3.68%	$35,129,695	10.24%	- -	- -	$47,742,109	13.92%	$40,584,533	11.35%
1997	12,535,107	3.38%	41,030,387	11.05%	- -	- -	53,565,494	14.43%	94,185,458	24.88%
1998	13,156,159	3.25%	52,256,042	12.93%	- -	- -	65,412,201	16.18%	8,336,866	1.85%
1999	13,121,400	2.92%	30,043,185	6.69%	- -	- -	43,164,585	9.61%	61,556,347	13.99%
2000	12,386,611	2.63%	33,982,499	7.21%	- -	- -	46,369,110	9.84%	35,686,796	7.43%
2001	12,001,812	2.42%	-27,909,181	-5.63%	- -	- -	-15,907,369	-3.21%	-57,662,700	-11.68%
2002	9,146,847	1.99%	-28,958,738	-6.30%	- -	- -	-19,811,891	-4.31%	-26,532,945	-6.37%
2003	6,567,932	1.53%	-5,042,210	-1.17%	- -	- -	1,525,722	0.36%	66,296,658	17.54%
2004	5,966,120	1.43%	15,186,086	3.63%	- -	- -	21,152,206	5.06%	48,545,327	11.22%
2005	4,606,424	1.08%	50,831,750	12.00%	$56,649,741	13.37%	112,087,915	26.45%	69,841,063	14.99%
Total	$102,100,826		$196,549,515		$56,649,741		$355,300,082		$340,837,403	
						Five-year average return		4.45%		4.60%
						Ten-year average return		8.33%		7.94%

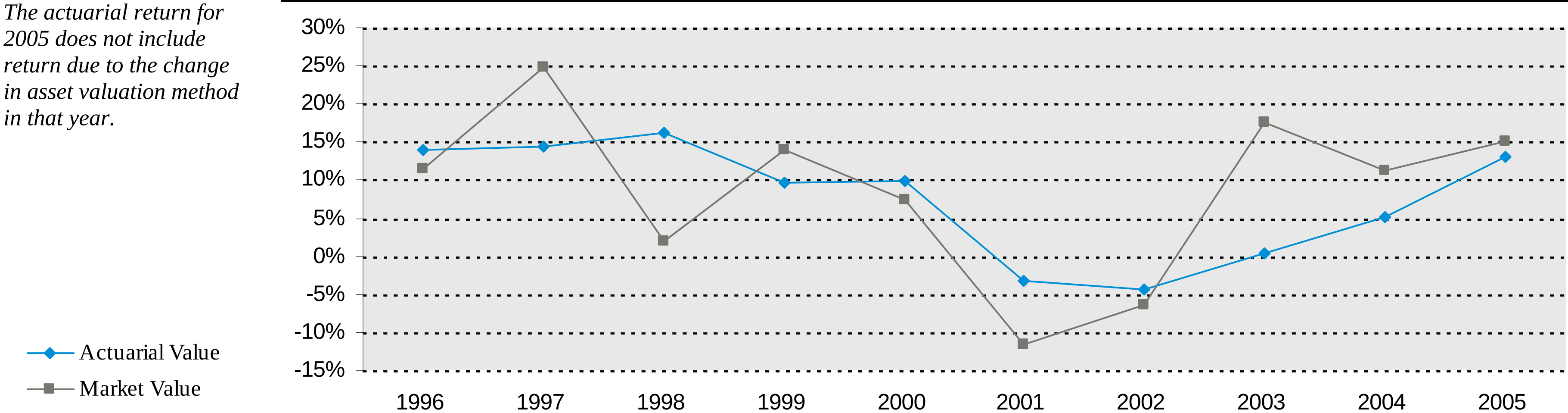
Note: Each year's yield is weighted by the average asset value in that year.

Subsection B describes the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 1995 – 2005. The actuarial return for 2005 does not include return due to the change in asset valuation method in that year.

CHART 12

Actuarial Rates of Return for Years Ended September 30, 1996 - 2005



Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended September 30, 2005 amounted to $353,635 which is less than 0.1% of the actuarial accrued liability.

As approved by the Board, actuarial assumptions were changed to align assumptions more closely to past and anticipated future experience.

A brief summary of the demographic gain/(loss) experience of the Plan for the year ended September 30, 2005 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Gain/(Loss) Due to Changes in Demographics for Year Ended September 30, 2005

1.	Turnover	$407,944
2.	Retirement (including DROP experience)	-2,386,256
3.	Deaths among retired members and beneficiaries	2,268,368
4.	Salary increase for continuing actives	-369,582
5.	Miscellaneous	-274,109
6.	Total	-$353,635

D. SCHEDULED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected compensation for active members to determine the funding rate. The funding rate is 13.17% of compensation as of October 1, 2005, compared to 13.19% as of October 1, 2004.

Section Eleven(3) of Ordinance #66511 requires that the unfunded actuarial accrued liability be amortized over 30 years. This period is reset to 30 each year.

The chart compares this valuation's scheduled contribution with the prior valuation.

CHART 14

Scheduled Contribution

	Year Beginning October 1			
	2005		2004	
	Amount	% of Compensation	Amount	% of Compensation
1. Total normal cost	$16,894,273	7.55%	$13,996,731	6.31%
2. Actuarial accrued liability	666,182,075		602,795,470	
3. Actuarial value of assets	527,733,171		431,853,406	
4. Unfunded actuarial accrued liability: (2) – (3)	$138,448,904		$170,942,064	
5. Payment on unfunded actuarial accrued liability, beginning of year	11,387,093	5.09%	14,059,579	6.34%
6. Total scheduled contribution: (1) + (5), adjusted for timing*	$29,478,032	13.17%	$29,243,453	13.19%
7. Projected compensation	$223,837,003		$221,768,791	

**Scheduled contributions are assumed to be paid at the end of every month.*

The scheduled contribution as of October 1, 2005 is based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. It includes all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

This valuation contains changes in assumptions and asset method as described in last year's experience study. The net effect of these changes is a slight decrease in the scheduled contribution.

Reconciliation of Scheduled Contribution

The chart below details the changes in the scheduled contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Scheduled Contribution from October 1, 2004 to October 1, 2005

Scheduled Contribution as of October 1, 2004	$29,243,453
Effect of change in asset method	-4,856,455
Effect of maintaining a fixed amortization period	-123,765
Effect of change in actuarial assumptions	4,642,481
Effect of contributions less than scheduled contribution	1,198,311
Effect of investment gain	-1,862,868
Effect of other gains and losses on accrued liability	30,586
Effect of net other changes	1,206,289
Total change	$234,579
Scheduled Contribution as of October 1, 2005	$29,478,032

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions, Years Ended September 30

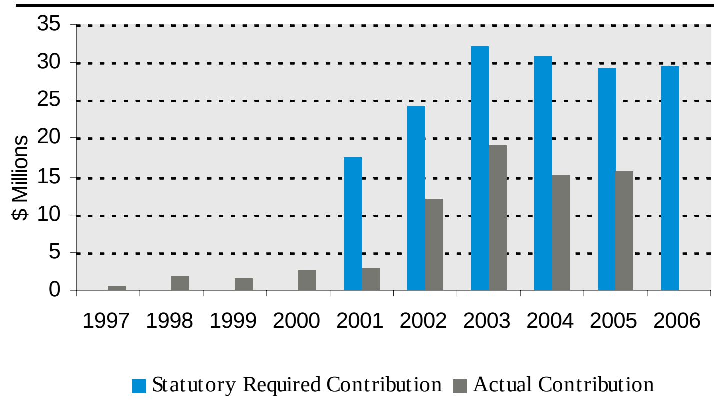


CHART 17

Funded Ratio, Years Ended September 30

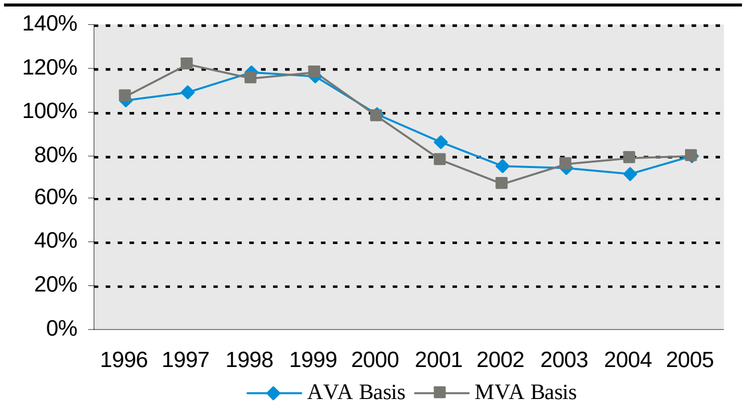


EXHIBIT A

Table of Plan Coverage

Category	Year Ended September 30 2005	Year Ended September 30 2004	Change From Prior Year
Active participants in valuation:			
Number	5,756	5,770	-0.2%
Average age	46.2	46.1	N/A
Average service	12.0	11.9	N/A
Total compensation	$223,837,003	$221,768,791	0.9%
Average compensation	38,888	38,435	1.2%
Total active vested participants	4,007	3,930	2.0%
Vested terminated participants	2,391	2,308	3.6%
Beneficiaries with right to deferred payments	1	0	N/A
Retired participants:			
Number in pay status	3,303	3,333	-0.9%
Average age	72.8	72.8	N/A
Average monthly benefit	$705	$655	7.6%
Beneficiaries in pay status	452	430	5.1%
DROP participants*:			
Number in pay status	473	403	17.4%
Average age	60.6	60.4	N/A
Average monthly benefit deposited to account	$1,490	$1,468	1.5%
Average account balance	$44,424	$37,911	17.2%

** DROP participants are also included in active participant status*

EXHIBIT B

Participants in Active Service as of September 30, 2005
By Age, Years of Creditable Service, and Average Annual Compensation

		Years of Creditable Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 20	3	3	- -	- -	- -	- -	- -	- -	- -	- -
	24,526	24,526	- -	- -	- -	- -	- -	- -	- -	- -
20 - 24	160	159	1	- -	- -	- -	- -	- -	- -	- -
	26,454	26,453	26,537	- -	- -	- -	- -	- -	- -	- -
25 - 29	397	342	54	1	- -	- -	- -	- -	- -	- -
	30,138	29,845	31,910	34,368	- -	- -	- -	- -	- -	- -
30 - 34	494	283	182	28	1	- -	- -	- -	- -	- -
	32,439	31,021	34,245	35,818	10,400	- -	- -	- -	- -	- -
35 - 39	620	229	222	120	48	1	- -	- -	- -	- -
	34,706	31,637	34,989	38,432	38,531	43,966	- -	- -	- -	- -
40 - 44	775	217	193	145	186	25	9	- -	- -	- -
	38,000	33,887	35,447	40,241	42,428	44,743	45,594	- -	- -	- -
45 - 49	983	177	232	179	177	84	127	7	- -	- -
	41,029	34,057	37,474	41,664	44,885	46,266	47,470	41,792	- -	- -
50 - 54	988	170	174	134	151	66	201	90	2	- -
	43,092	36,338	36,399	41,526	44,060	49,533	50,805	47,546	43,199	- -
55 - 59	813	113	129	103	110	51	118	154	35	- -
	44,057	31,314	36,549	42,110	44,861	48,678	51,494	52,642	46,502	- -
60 - 64	355	41	61	49	52	28	49	46	23	6
	43,168	36,958	37,195	40,415	41,120	49,089	51,646	47,665	46,794	41,299
65 - 69	111	10	23	18	19	14	10	4	7	6
	38,525	33,003	34,977	39,859	38,003	42,585	46,783	38,045	34,482	40,781
70 & over	57	5	6	13	13	4	7	2	2	5
	39,417	25,438	35,018	40,464	34,790	42,287	51,208	47,554	49,023	42,083
Total	5,756	1,749	1,277	790	757	273	521	303	69	17
	$38,888	$31,779	$35,722	$40,592	$43,060	$47,401	$50,066	$49,896	$45,357	$41,347

EXHIBIT C

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended September 30, 2005		Year Ended September 30, 2004	
Contribution income:				
Employer contributions	$15,752,497		$15,158,997	
Member purchase of additional service	61,071		176,753	
Net contribution income		$15,813,568		$15,335,750
Investment income:				
Interest, dividends and other income	$7,542,063		$8,631,932	
Adjustment toward market value	50,831,750		15,186,086	
Less investment and administrative fees	-2,935,639		-2,665,812	
Net investment income		55,438,174		21,152,206
Total income available for benefits		$71,251,742		$36,487,956
Less benefit payments:				
Retirement payments	-$29,863,972		-$28,747,182	
DROP distributions	-1,963,635		-785,967	
Contribution refunds	-140,347		-19,909	
Pension service transfer payments	-58,722		-5,726	
Member contributions	4,958		6,938	
Net benefit payments		-$32,021,718		-$29,551,846
Change in actuarial asset method		$56,649,741		$0
Change in reserve for future benefits		$95,879,765		$6,936,110

EXHIBIT D

Table of Financial Information

	Year Ended September 30, 2005		Year Ended September 30, 2004	
Cash equivalents		$156,576		$413,652
Accounts receivable:				
Accrued interest and dividends	$1,132,617		$1,126,758	
Contributions	80,586		79,843	
Total accounts receivable		1,213,203		1,206,601
Investments:				
Debt securities	$165,221,840		$159,171,269	
Managed funds	118,322,940		96,593,319	
Common stock and other	243,346,152		217,346,381	
Total investments at market value		526,890,932		473,110,969
Total assets		$528,260,711		$474,731,222
Less accounts payable		-$527,540		-$630,964
Net assets at market value*		$527,733,171		$474,100,258
Net assets at actuarial value*		$527,733,171		$431,853,406

**Includes $23,124,005 DROP account balances in 2005 and $16,526,758 in 2004.*

EXHIBIT E

Development of Unfunded Actuarial Accrued Liability for Year Ended September 30, 2005

1. Unfunded actuarial accrued liability at beginning of year		$170,942,064
2. Normal cost at beginning of year		13,996,731
3. Total contributions		-15,813,568
4. Interest		
(a) For whole year on (1) + (2)	$14,795,104	
(b) For half year on (3)	-632,543	
(c) Total interest		14,162,561
5. Expected unfunded actuarial accrued liability		$183,287,788
6. Changes due to:		
(a) (Gain)/loss	-$21,184,593	
(b) Change in assumptions	32,995,450	
(c) Change in asset valuation method	-56,649,741	
(d) Change in plan provisions	0	
(e) Total changes		-44,838,884
7. Unfunded actuarial accrued liability at end of year		$138,448,904

EXHIBIT F
Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a qualified defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a qualified defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $170,000 for 2005. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

EXHIBIT G
Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial valuation purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired participants as of the valuation date (including 452 beneficiaries in pay status)		3,755
2.	Participants inactive during year ended September 30, 2005 with vested rights (including 1 beneficiary with rights to future benefits)		2,392
3.	Participants active during the year ended September 30, 2005 (including 473 DROP participants)		5,756
	Fully vested	4,007	
	Not vested	1,749	

The actuarial factors as of the valuation date are as follows:

1.	Normal cost		$16,894,273
2.	Actuarial accrued liability		666,182,075
	Retired participants and beneficiaries	$277,739,956	
	Inactive participants with vested rights	42,986,724	
	Active participants	345,455,395	
3.	Actuarial value of assets ($527,733,171 at market value)		527,733,171
4.	Unfunded actuarial accrued liability		$138,448,904

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the scheduled contribution is as follows:

1.	Employer normal cost	$16,894,273
2.	Payment on unfunded actuarial accrued liability	11,387,093
3.	Total scheduled contribution: (1) + (2), adjusted for timing	$29,478,032
4.	Projected compensation	$223,837,003
5.	Total scheduled contribution as a percentage of projected compensation: (3) ÷ (4)	13.17%

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended September 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2000	$0	$2,535,798*	N/A
2001	17,492,110	2,768,207	15.8%
2002	24,269,937	12,106,532	49.9%
2003	32,186,050	19,115,679	59.4%
2004	30,926,604	15,158,997	49.0%
2005	29,243,453	15,752,497	53.9%
2006	29,478,032	--	--

** Does not include -$2,515,432 adjustment made the following year.*

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
10/01/2000	$507,655,329	$515,673,757	$8,018,428	98.45%	$204,696,581	3.92%
10/01/2001	466,630,792	542,547,374	75,916,582	86.01%	216,527,124	35.06%
10/01/2002	432,590,313	574,817,702	142,227,389	75.26%	230,184,836	61.79%
10/01/2003	424,917,296	576,127,904	151,210,608	73.75%	228,550,406	66.16%
10/01/2004	431,853,406	602,795,470	170,942,064	71.64%	221,768,791	77.08%
10/01/2005	527,733,171	666,182,075	138,448,904	79.22%	223,837,003	61.85%

** Not less than zero*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	October 1, 2005
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2005
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	Varies by age, ranging from 3.825% to 7.225%
Cost of living adjustments	5.00% per year; maximum cumulative increase of 25%
Plan membership:	
Retired participants and beneficiaries	3,755
Terminated participants entitled to, but not yet receiving benefits	2,392
Active participants	5,756
Total	11,903

EXHIBIT V
Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy: 1994 Group Annuity Mortality Table

Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

Mortality and Disability Rates before Retirement:

	Mortality Rate (%)		Disability Rate (%)	
Age	**Male**	**Female**	**Male**	**Female**
20	0.05	0.03	0.00	0.00
25	0.07	0.03	0.00	0.00
30	0.08	0.04	0.00	0.00
35	0.09	0.05	0.00	0.00
40	0.11	0.07	0.14	0.06
45	0.16	0.10	0.21	0.12
50	0.26	0.14	0.63	0.30
55	0.44	0.23	0.77	0.42
60	0.80	0.44	0.49	0.30

Withdrawal Rates before Retirement:

Withdrawal Rate (%)

With Less Than Four Years of Creditable Service			With Four or More Years of Creditable Service		
Creditable Service	Male	Female	Age	Male	Female
0	25.0	22.5	20	25.00	13.90
1	17.0	16.0	25	17.80	12.34
2	13.0	13.0	30	10.24	9.14
3	11.5	10.5	35	7.38	6.74
			40	5.74	5.56
			45	4.44	4.78
			50	3.64	3.84
			55	3.16	3.16

Retirement Rates:

Age	Retirement Rate (%)	Age	Retirement Rate (%)
55	6.0	63	15.0
56	3.5	64	20.0
57 – 59	5.0	65	40.0
60	10.0	66	25.0
61	15.0	67 – 69	20.0
62	25.0	70	100.0

In addition, the first year that a participant satisfies the requirements under the "Rule of 85," retirement is assumed to occur at the greater of 65% or the age-related rate in the table above.

Retirement Age for Inactive Vested Participants:

For members who terminate employment with 30 or more years of creditable service or are eligible for a Rule of 85 pension, immediate commencement of benefits is assumed. All others are assumed to retire at age 62.

DROP Participants:	Participants in the DROP are assumed to remain in the DROP for 5 years. The standard retirement rates are assumed. Interest to the DROP account is assumed to be creditable at 6% for those participants who enter the DROP after January 21, 2003.

Unknown Data for Participants:	Same as those exhibited by Participants with similar known characteristics. For inactive vested participants with unknown benefit amounts, $250 per month is assumed.
Rehires:	A 0.4% load on active accrued liability and normal cost has been added to reflect the cost of rehires.
Sick Leave:	Sick leave may be used to increase either Final Average Compensation, Creditable Service, or both. The valuation assumes: • 25 hours accrued each year • 50% of accrued hours are "banked" • 50% of banked hours are used first to increase Final Average Compensation • The remainder of available banked hours is used to increase Creditable Service
Percent Married:	1960 U.S. census, varies by sex and age
Age of Spouse:	Females (or males) are three years younger (or older) than their spouses

Net Investment Return:	8.00% per year, net of expenses
Salary Increases:	Varies by age, ranging from 3.825% to 7.225%
Increase in Social Security Taxable Wage Base:	3.5% per year
Cost-of-Living Adjustment:	5% per year for 5 years

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.

Actuarial Cost Method: Projected Unit Credit Actuarial Cost Method

Changes in Assumptions: Based on past experience and future expectations, as detailed in our most recent experience study, the following actuarial assumptions were changed:

- Disability rates, previously below:

	Disability Rate (%)	
Age	**Male**	**Female**
20	0.00	0.00
25	0.00	0.00
30	0.00	0.00
35	0.00	0.00
40	0.20	0.10
45	0.30	0.20
50	0.90	0.50
55	1.10	0.70
60	0.70	0.50

- Withdrawal for participants with less than four years of Creditable Service, previously below:

	Rate (%)	
Creditable Service	**Male**	**Female**
0	20.0	18.0
1	13.0	12.2
2	11.5	11.5
3	10.5	10.5

- Retirement rate in the first year that a participant satisfies the requirements under the "Rule of 85," previously the greater of 10% or the age-related rate.
- Sick leave accruals, previously:
  - 100 hours accrued each year
  - 50% of accrued hours are "banked"
  - 25% of banked hours are used first to increase Final Average Compensation
  - The remainder of available banked hours is used to increase Creditable Service
- Salary increases, previously 3.0%
- Increase in Social Security Taxable Wage Base, previously 4.5% per year

Change in Actuarial Asset Method:	Previously, the sum of: (a) The book value of assets, plus (b) 25% of the difference between market value and book value for each of the last four years, less (c) The Members' Savings Fund

EXHIBIT VI

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	October 1 through September 30
Final Average Compensation:	One-half the sum of: (a) The total compensation earned during the last two highest consecutive years of Creditable Service prior to termination (subject to the Section 401(a)(17) limit); and (b) The balance of sick leave pay as of the date of retirement less sick leave hours paid upon termination and less sick leave hours considered as Creditable Service. Said balance cannot exceed 25% of a member's total sick leave pay as of the date of retirement.
Benefit Compensation Base:	Amount of annual compensation with respect to which old age and survivor's insurance benefits would be provided under the Social Security Act as revised on December 1, 1973 to become effective in 1974 (old law) calculated when the member terminates employment.

Normal Retirement:

Age Requirement	65
Service Requirement	Five years of Creditable Service
Amount	The product of: (a) 1.30% of Final Average Compensation up to the Benefit Compensation Base, plus 2.05% of Final Average Compensation in excess of the Benefit Compensation Base, and (b) Creditable Service Minimum $200 per month for retirees with 12 or more years of service.

Rule of 85 Retirement:

Age and Service Requirement	Sum of Age and Creditable Service at date of termination equals or exceeds 85
Amount	The product of: (a) 1.30% of Final Average Compensation plus 0.75% of Final Average Compensation in excess of the Benefit Compensation Base, and (b) Creditable Service

Early Service Retirement:

Age and Service Requirement	Age 60 with five years of Creditable Service; or age 55 with 20 years of Creditable Service; or any age with 30 years of Creditable Service
Amount	Normal retirement amount reduced by 1/3% for each month benefit begins before age 65.

Disability:

Age Requirement	None
Service Requirement	Five years of Creditable Service and an active employee at disablement
Amount	Normal retirement amount based on Creditable Service and Final Average Compensation at disability, payable immediately

DROP (Deferred Retirement Option Plan):

Members who have achieved eligibility for retirement can continue active employment and defer receipt of their retirement allowance for a period not to exceed five years. During the DROP period, the member's retirement allowance will be paid directly into a separate account.

Service during the DROP period shall not be counted as Creditable Service, nor shall it count toward determination of retirement allowance. A member's DROP account shall not be adjusted for any cost-of-living increases during participation in the DROP. No member returning to non-DROP status shall make any withdrawal from his/her DROP account until after termination of employment.

The account balance is credited with interest annually. In no event does the total account balance exceed the accumulated value of five-years-payments with interest.

The annuity awarded upon full termination and subsequent benefit receipt reflects the unused sick-leave conversion to Creditable Service and/or Final Average Compensation. During participation in the DROP, the annual deposit to the account does NOT reflect any conversion of unused sick leave as each participant continues to accrue sick leave hours.

Vesting:

Age Requirement	None
Service Requirement	Five years of Creditable Service
Amount	Normal or early service retirement amount

Spouse's Pre-Retirement Death Benefit:

Age Requirement	None
Service Requirement	Five years of Creditable Service and an active employee
Amount	If married, 100% of the benefit the employee would have received had he or she retired the day before he or she died and elected the joint and 100% survivor option. If the employee died prior to eligibility for early service retirement, the spouse's benefit is deferred to the employee's earliest retirement date. Death benefits may also be payable to members who have terminated employment. The cost of those benefits are paid for by the reduction of the accrued benefit payable to the inactive vested participant.

Post-Retirement Death Benefits:	If married, the employee and spouse may elect to have pension benefits paid in the form of a 100% joint and survivor annuity. A member may also elect a ten year certain and life equivalent form of benefit. If any one of these options is elected, the benefit amount otherwise payable is reduced to reflect the coverage. If not elected, benefits are payable for the life of the employee without reduction.
Cost-of-Living Adjustment:	Based on the change in the Consumer Price Index (CPI) for the fiscal year, subject to a maximum increase of 5.0% per year (3.0% for retirements between March 21, 1972 and March 26, 1974; none for retirements prior to March 21, 1972), with a cumulative percentage increase (equal to the sum of the annual percentage increases) limited to 25.0%. If the increase in CPI is less than 1.0%, no adjustment is made. If the change is a decrease, the cost-of-living adjustment shall be zero unless the decrease is 5.0% or more. Adjustments begin on the second January 1 after payments begin.

Creditable Service:	Number of years and completed months of service during which the member receives compensation after April 1, 1960. Creditable Service for employment prior to April 1, 1960 is granted only if the member was an employee of an employer of the System on April 1, 1960. Unused credited sick leave shall be considered as Creditable Service provided the member does not receive payment for the sick leave.
Membership:	Immediate upon employment

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