Gabriel Roeder Smith & Company
Consultants & Actuaries

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

ANNUAL ACTUARIAL VALUATION AS OF JUNE 30, 2010

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November 10, 2010

Board of Trustees
State Employees' Retirement System
Springfield, IL

Re: State Employees' Retirement System Actuarial Valuation as of July 1, 2010

Dear Board Members:

The results of the June 30, 2010 Annual Actuarial Valuation of the State Employees' Retirement System (SERS or System) are presented in this report. The purposes of the valuation were to measure the System's funding status and to determine the employer contribution rate for the fiscal year beginning July 1, 2011 and ending June 30, 2012.

The valuation was based upon information furnished by SERS staff concerning Retirement System benefits, financial transactions, and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data.

The contribution rate has been determined under Illinois statues, in particular under 40 ILCS Section 5/14-131. The System's current contribution rate does not meet the requirements for amortizing the unfunded liability under GASB Statement No. 25.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of SERS as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

The undersigned actuaries are members of the American Academy of Actuaries and are independent of the plan sponsor and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company

By: Alex Rivera　　　　By: David T Kausch

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SECTION A

INTRODUCTION

Introduction

The law governing the State Employees' Retirement System (SERS or System) requires the Actuary, as the technical advisor to the Board of Trustees to:

> "...make an annual valuation of the liabilities and reserves of the System, make an annual determination of the amount of contributions required from the State under this Article, and certify the results thereof to the board. (40 ILCS Section 5/14 - 138(c))."

Gabriel, Roeder, Smith & Company has been retained by the Board of Trustees to perform an actuarial valuation as of June 30, 2010. In this report, we present the results of the valuation and the appropriation requirements under Public Act 88-0593, Public Act 93-0002, Public Act 93-0839, Public Act 94-0004, and Public Act 96-0043 for fiscal year ending June 30, 2012. For purposes of disclosure, this report also includes the annual required contribution and schedule of funding progress as required by GASB Statement No. 25 and the development of the net pension obligation in accordance with GASB Statement No. 27.

The valuation was completed based upon membership and financial data provided by the administrative staff of the System. The actuarial assumptions used were based on an experience review for the five-year period ending June 30, 2006, and were adopted for use commencing with the June 30, 2006, valuation. The cost method used to determine the benefit liabilities is the Projected Unit Credit Cost Method. For valuation purposes, as well as projection purposes, actuarial value of assets are based on a 5-year smoothing method.

Changes Since Last Valuation

Legislative Changes

Public Act 96-0889 (effective April 14, 2010) created a "second-tier" of benefits for future members of SERS hired after December 31, 2010. The key changes are as follows:

- Changes the eligibility for normal retirement benefits, to age 67 with 10 years of service. A plan member could retire at age 62 with 10 years of service, but with a reduction in benefits of one-half of one percent per month for each month the member's age is under 67.

- Calculates the retirement benefit on a maximum final average compensation of $106,800. This amount increases annually by three percent or one-half of the Consumer Price Index, whichever is less.

- Stops compounding annual cost of living increases. The original retirement benefit increases annually by three percent or one-half of the Consumer Price Index, whichever is less.

- Reduces participation in the "alternative formula," which provides enhanced benefits for members in high-risk state jobs.

- Tightens the restrictions on retired SERS members who go to work full-time for an employer covered by a reciprocal pension system. Pension payments would be suspended during this time.

- Increases the number of months used to calculate the final average rate of pay to the highest 96 months of the last ten years of service.

- Increases the surviving spouse annuity to 66-2/3 percent of what the deceased member had been receiving.

The Public Act did not directly impact the accrued liability at June 30, 2010, because it only applies to prospective new entrants, but it did reduce the fiscal year ending June 30, 2012, contribution rate from 31.762 percent of payroll to 29.477 percent of payroll (as measured before the change in the assumed rate of return). This occurred because the projected actuarial liability from 2011 to 2045 was reduced due to benefit reductions for members hired after December 31, 2010.

There were no other legislative changes in the past year that materially affect the valuation as of June 30, 2010.

A summary of the plan provisions are included in Section G of this report.

Assumption and Methods

On October 19, 2010, the SERS Board of Trustees adopted a change in the assumed rate of return from 8.50 percent to 7.75 percent. This change increased the actuarial accrued liabilities by $2.61 billion as of June 30, 2010, and it increased the fiscal year ending June 30, 2012, contribution rate from 29.477 percent of payroll to 32.252 percent of payroll.

The population projection was updated to reflect more recent trends. Last year, the ultimate projected population assumption was 68,000. This year, the active population is assumed to remain at the current level of 64,143 for all years of the projection.

Assumptions pertaining to members hired after December 31, 2010, affected by Public Act 96-0889 were adopted by the SERS Board of Trustees. These assumptions are disclosed in Section F of this report.

Following is a summary of the key valuation results for the current and prior plan years.

Key Valuation Results

Valuation Date:	June 30, 2010	June 30, 2009
Fiscal Year Ending:	June 30, 2012	June 30, 2011
Estimated Statutory Contributions:		
• Annual Amount	$1,368,577,000	$1,193,343,000
• Percentage of Covered Payroll	32.252%	28.452%
Annual Required Contribution (ARC):		
• Annual Amount	$1,582,881,273	$1,283,793,357
• Percentage of Covered Payroll	37.302%	30.609%
Membership		
• Number of		
- Active Members	64,143	65,599
- Members Receiving Payments	58,392	57,099
- Members Eligible for Deferred Benefits	272	282
- Total	122,807	122,980
• Covered Payroll	$4,119,360,892	$4,027,263,000
• Annualized Benefit Payments	$1,407,980,745	$1,318,356,040
Assets		
• Market Value of Assets (MVA)[1]	$9,201,830,655	$8,565,739,117
• Actuarial Value of Assets (AVA)	$10,961,540,164	$10,999,953,527
• Return on MVA	9.48%	-19.56%
• Return on AVA	0.34%	2.89%
• Ratio – AVA to MVA	119.12%	128.42%
Actuarial Information		
• Normal Cost Amount	$480,468,865	$380,007,803
• Actuarial Accrued Liability (AAL)	$29,309,464,296	$25,298,346,092
• Unfunded Actuarial Accrued Liability (UAAL)	$18,347,924,132	$14,298,392,565
• Funded Ratio based on AVA	37.40%	43.48%
• UAAL as % of Covered Payroll	445.41%	355.04%
• Funded Ratio based on MVA	31.40%	33.86%

[1]*Subsequent to the issuance of the fiscal year 2009 actuarial report, the market value of assets as of June 30, 2009, was reduced by $87,887,029 to $8,477,852,088.*

Appropriation Requirements Under P.A. 88-0593, P.A. 93-0002, P.A. 93-0839, P.A. 94-0004, and P.A. 96-0043

The law governing the System under P.A. 88-0593 provides that:

For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to cause the total assets of the System to equal 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level-percentage-of-payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method. For fiscal years 1997 through 2010, the minimum contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010, the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

The above calculation provides the basis for calculating the appropriation requirements under P.A. 93-0002. For fiscal years 2005 and later, the contributions under P.A. 93-0002 start with a calculation of the contribution based upon the hypothetical asset value which assumes no infusion from the proceeds of the GOB sale that were deposited July 1, 2003 (Table 4a). This contribution is then reduced by the debt service beginning in fiscal year 2005 to produce the maximum contribution. For fiscal years 2006 and 2007, the maximum contribution is equal to the contribution amounts stated in P.A. 94-0004 for each respective year. The contribution amounts stated in P.A. 94-0004 are $203,783,900 for fiscal year 2006 and $344,164,400 for fiscal year 2007. A second projection is performed to develop the P.A. 88-0593 formula rate, which includes the GOB deposit. The lower of this formula rate with the GOB assets included and the maximum contribution is the required state appropriation (Table 4b).

Pursuant to Public Act 96-0043, $723,703,100 of the total required State contribution for fiscal year 2010 will be paid from the proceeds of a GOB sale.

Pursuant to Public Act 96-0043, for the calculation of the fiscal year 2011 contribution and beyond, the value of the System's assets shall be equal to the actuarial value of the System's assets. As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the five-year period following that fiscal year. Furthermore, for purposes of determining the required State contribution to the System for a particular year, the projected actuarial value of assets shall be assumed to earn a rate of return equal to the System's actuarially assumed rate of return.

The following tables outline the reconciliation of the market value of assets and the development of the hypothetical asset value as of June 30, 2010. Also, the tables show the development of the actuarial value of assets under both the market value and the hypothetical value of assets.

Subsequent to the July 1, 2009, actuarial report, the market value of assets was restated. From an actuarial perspective, this change was viewed as immaterial. The small difference in the asset value is reflected in this year's valuation as an experience loss.

Market Value of Asset Reconciliation and the Development of the Actuarial Value of Assets based upon the Market Value of Assets

1.	Market Value of Assets 6/30/2009	$ 8,565,739,117
2.	Adjustment to the Market Value of Assets 6/30/2009	(87,887,029)
3.	Revised Market Value of Assets 6/30/2009	8,477,852,088
4.	Actual State Contribution Amount	1,095,545,856
5.	Employee Contribution Amount	246,172,971
6.	Benefit Payouts & Refunds	(1,405,915,366)
7.	Administrative Expenses	(11,720,755)
8.	Investment Income	799,895,861
9.	Market Value of Assets 6/30/2010	9,201,830,655
10.	Expected Investment Return at 8.5%	717,456,738
11.	Investment Gain/(Loss) Current Year	82,439,123
12.	Deferred Investment Gains and (Losses) All Years	(1,759,709,509)
13.	Actuarial Value of Assets 6/30/2010	10,961,540,164

Development of the Hypothetical Value of Assets and the Development of the Actuarial Value of Assets based upon the Hypothetical Value of Assets

The hypothetical asset value assumes no infusion from the proceeds of the GOB sale that were deposited July 1, 2003.

1. Hypothetical Value of Assets 6/30/2009	$ 7,274,256,825
2. Adjustment to the Hypothetical Value of Assets 6/30/2009	(75,078,932)
3. Revised Hypothetical Value of Assets 6/30/2009	7,199,177,893
4. State Contribution Amount[1]	1,196,180,016
5. Employee Contribution Amount	246,172,971
6. Benefit Payouts & Refunds	(1,405,915,366)
7. Administrative Expenses	(11,720,755)
8. Investment Income[2]	683,627,120
9. Hypothetical Value of Assets 6/30/2010	7,907,521,879
10. Expected Investment Return at 8.5%	612,959,166
11. Investment Gain/(Loss) Current Year	70,667,954
12. Deferred Investment Gains and (Losses) All Years	(1,486,435,866)
13. Hypothetical Actuarial Value of Assets 6/30/2010	9,393,957,745

[1]*Represents 29.038 percent of payroll for the basic contribution.*

[2]*Investment income assumes hypothetical value of assets earns the Fund's actual rate of return for fiscal year 2010 of 9.48 percent.*

The fiscal year ending June 30, 2011, certified contribution and projected future year required State contribution rates and amounts assuming deferred investments gains and losses are recognized in the assets are as follows:

Fiscal Year Ending June 30,	Base Contribution	Debt Service Contribution	Total Contribution	Assumed Payroll (billions)	Total Required Contribution
2011	28.452%	1.801%	30.253%	$4.194	$1,268,881,000
2012	32.252%	1.938%	34.190%	4.243	1,450,814,000
2013	33.203%	1.859%	35.062%	4.396	1,541,385,000
2014	34.079%	1.785%	35.864%	4.548	1,630,949,000
2015	34.885%	1.715%	36.600%	4.702	1,720,850,000
2016	34.957%	1.648%	36.605%	4.859	1,778,490,000
2017	34.950%	1.653%	36.603%	5.019	1,837,059,000
2018	34.950%	1.653%	36.603%	5.183	1,897,171,000
2019	34.956%	1.649%	36.605%	5.354	1,959,716,000
2020	34.887%	1.700%	36.587%	5.532	2,023,864,000
2021	34.832%	1.740%	36.572%	5.715	2,090,224,000

For fiscal years 2012 through 2033, the base contribution is limited by the maximum contribution determined under the assumption that the proceeds of the GOB sale were not deposited; therefore, the contribution rate is not level as a percent of pay.

Pursuant to Public Act 96-0043, the fiscal year 2012 contribution rate is calculated assuming the actuarial value of assets as of July 1, 2010, earns a rate of return equal to the System's actuarially assumed rate of return.

The contributions for fiscal years 2013 and beyond as presented above are developed in Tables 4c and 4d in this report. In those projections, the actuarial valuations as of June 30 for years 2011 through 2014 have been projected as though a valuation in each of those years was performed. At each projected valuation, an additional 20 percent of the investment return shortfalls are recognized. The market value of assets at June 30, 2010, is assumed to have a rate of return equal to the valuation interest rate going forward. Therefore, the actuarial value of assets is calculated by increasing the market value at each respective valuation date by the remaining percentage of the investment return shortfalls. The actuarial value of assets converges to market value in 2014, when all remaining investment return shortfalls have been recognized. Because the results of projected actuarial projections are incorporated into the projections, the projections found in Tables 4c and 4d do not show a stable contribution rate until the impact of the five-year asset smoothing has been fully realized.

Method of Calculation for Appropriation Requirements

The results are based on the projected unit credit actuarial cost method, the data provided and assumptions used for the June 30, 2010, actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions were used:

- Projected annualized payroll of $4,194,200,000 for fiscal year 2011. This amount was provided by the System.
- Total employer contributions of $1,193,343,000 (including no payments from the unclaimed property fund) for fiscal year 2011, as provided by the System.
- Administrative expenses of $15,588,400 for fiscal year 2011, as provided by the System.
- New entrants whose average age is 36.24 and average pay is $46,299 (2010 dollars). These values are based on the average age and average pay of new entrants over the last 15 years.
- The active member population is assumed to remain level at 64,143 for all years of the 35-year projection.
- Projected benefits for members hired on or after January 1, 2011, are based on the new provisions established in P.A. 96-0889.

The average increase in total payroll for the 35-year projection period is approximately 4.0 percent per year. It is important to note that benefits for new hires are based on capped payroll which is ultimately projected to grow at 1.5 percent per year. All results in this valuation assume that State contributions will be made on uncapped pay.

To determine the contribution rates, the expected 2011 appropriation was converted to a percentage of the expected 2011 payroll. An amortization schedule was then determined on the assumption that:

- The ratio of total assets to total actuarial liabilities will be 90 percent by June 30, 2045.
- The actuarial value of assets shall be assumed to earn a rate of return equal to the System's actuarially assumed rate of return.
- The contribution rates for fiscal years 2010 through 2033 will not be uniform, but the rate for any one of these years will be the minimum of: the difference between the "without-GOB" contribution and the debt service, and the underlying formula rate as determined by Public Act 88-0593.
- The contribution rate for fiscal year 2011 will be 28.452 percent (based on the June 30, 2009, valuation).
- The contribution rates for fiscal years 2034 through 2045 will be a uniform percentage of payroll.

GASB: Financial Accounting Information

In an effort to enhance the understandability and usefulness of the pension information that is included in the financial reports of pension plans for state and local governments, the Governmental Accounting Standards Board (GASB) has issued Statement No. 25—Financial Reporting for Defined Benefit Pension Plans and Statement No. 27—Accounting for Pensions by State and Local Governmental Employers.

GASB Statement No. 25 establishes a financial reporting framework for defined benefit plans. In addition to two required statements regarding plan assets, the statement requires two schedules and accompanying notes disclosing information relative to the funded status of the plan and contribution patterns.

- The Schedule of Funding Progress includes information about the actuarially determined funded status from a long-term ongoing plan perspective and the progress made toward accumulating sufficient assets. For SERS, the liabilities are developed based on the Projected Unit Credit Cost Method. The assets are shown as an actuarial value as described on page 45. The funded ratio has decreased from 43.48 percent as of June 30, 2009, to 37.40 percent as of June 30, 2010. This decrease is primarily due to the recognition of asset losses from the previous year and the change in the assumed rate of return from 8.50 percent to 7.75 percent.

- The Schedule of Employer Contributions provides information about the annual required contribution (ARC) and the percentage of the ARC that was actually contributed. For SERS, the ARC for fiscal year 2010 is equal to the employer normal cost plus a 30-year level-percentage-of-payroll amortization of the unfunded actuarial liability. For fiscal year 2010, State contributions of $1,095,545,856 were approximately 93.1 percent of the ARC. The ARC for fiscal years 2011 and 2012 is greater than the employer contribution required by State statute.

The annual required contribution as well as the statutory contribution for fiscal years 2011 and 2012 are shown below as a percentage of payroll. The ARC percentage and statutory contribution for 2011 are based on the results of the June 30, 2009, valuation. The dollar amount of the ARC and the statutory contribution for 2011 will be the product of the actual payroll for 2011 and the percentages shown below.

	Fiscal Year 2012	Fiscal Year 2011
1. Employer normal cost	$480,468,865	$380,007,803
2. Initial amount to amortize the unfunded liability over 30 years as a level percentage of payroll	1,102,412,408	903,785,554
3. ARC [(1) + (2)]	$1,582,881,273	$1,283,793,357
4. ARC as a percentage of payroll	37.302%	30.609%
5. Estimated statutory contribution	$1,368,577,000	$1,193,343,000
6. Estimated statutory contribution as a percentage of payroll	32.252%	28.452%
7. Estimated statutory contribution as a percentage of ARC [(5) ÷ (3)]	86.461%	92.954%

GASB Statement No. 27 establishes standards for the measurement, recognition, and disclosure of pension expense and related liabilities. Annual pension cost is measured and disclosed on the accrual basis of accounting. In general, the annual pension cost is equal to the ARC with adjustments for past under-contributions or over-contributions. These adjustments are based on the net pension obligation (NPO) that represents the cumulative difference between the annual pension cost and the actual contribution to the plan. The first adjustment is equal to interest on the NPO, which is added to the ARC. The second adjustment is an amortization of the NPO, which is deducted from the ARC. This amortization is over an open 30-year period for fiscal year 2010 (i.e., the 30-year period is restarted each fiscal year).

These Statements were adopted by SERS (and the State of Illinois) for the 1997 fiscal year. A transition pension liability (asset) was developed under Statement No. 27 equal to the cumulative difference between the actuarially determined funding requirement and the actual amount contributed for fiscal years 1988 through 1996. As of the adoption date, all outstanding pension liabilities (assets) were adjusted to equal the transition NPO. The NPO as of June 30, 2009, of $1,814,514,923 has increased to $1,933,269,341 as of June 30, 2010, due to the 2010 APC of $1,214,300,274 and actual 2010 employer contributions of $1,095,545,856.

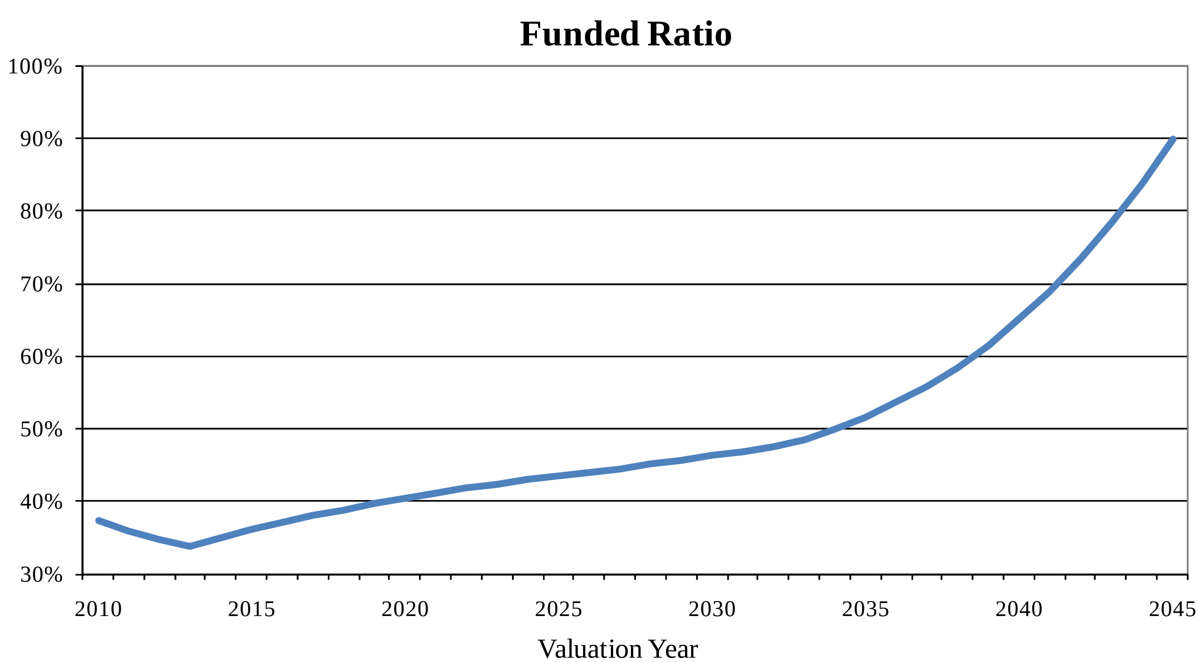
The GASB Statement Nos. 25 and 27 information is presented in draft form for review by the auditor. Please let us know if there are any changes so that we may maintain consistency with the State's financial statements.

Observations on Actuarial Funding and Statutory Funding

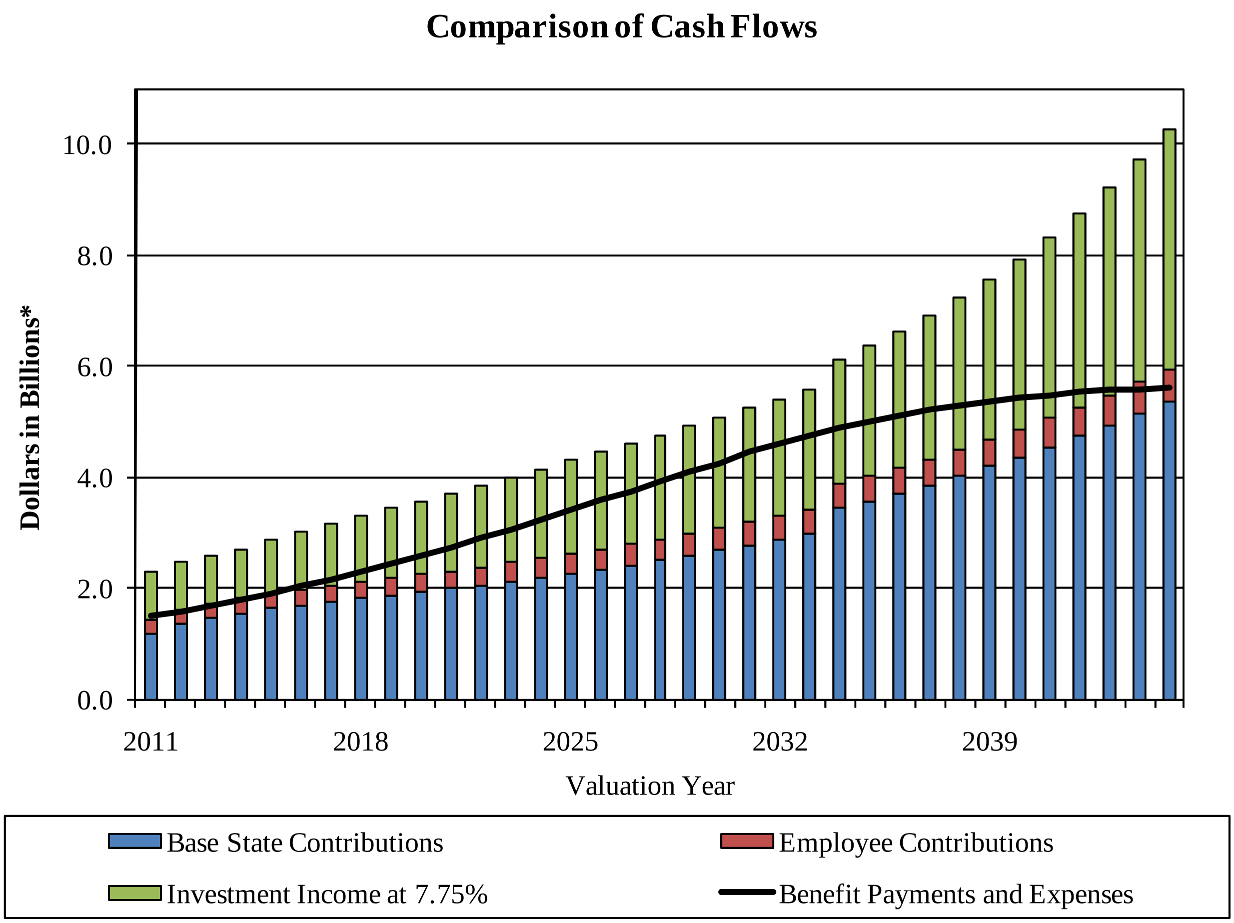
GASB Statements Nos. 25 and 27 provide guidance for retirement plans and plan sponsors on the development of an annual expense requirement to be reported in their annual financial statements. Under the GASB rules, this expense requirement is called the Annual Required Contribution (ARC). The ARC is the sum of the normal cost and amortization of the unfunded accrued liability and represents the annual employer contributions that are projected to finance benefits for current plan members over a period not to exceed 30 years.

A key objective of the ARC is to accrue costs over the working lifetime of plan members to ensure that benefit obligations are satisfied and intergenerational equity is promoted. Although the ARC is solely an accounting provision, in certain circumstances it could represent a reasonable annual funding target and therefore is used by some plan sponsors as their de facto funding requirement. Given there is no requirement that the accounting provision for pension expense must equal the annual funding requirement, some plan sponsors adopt funding policies that differ from the ARC. However, a funding policy that differs significantly from the ARC approach could result in a potential "back-loading," meaning contributions are deferred to the future. Back loading could result in an underfunding of the system.

The statutory funding policy adopted for SERS provides for level percent of pay funding that produces a funding target of 90 percent by 2045, assuming an open group projection. The following graph shows the projected funded ratio. A key observation is that the funded ratio is projected to decrease early on, then increase at a moderate rate for the next 23 years and does not grow markedly until after 2032. This illustrates how significantly the current funding policy defers contributions into the future.



The following graph compares the projected benefits and expenses against employer contributions, employee contributions, and investment income. In each year of the projection, benefits exceed State and employee contributions. From 2010 to 2032, the percentage of investment income needed to pay ongoing benefits increases from approximately 7.0 percent to 62.6 percent. This implies that a lower level of investment income is projected to be available for potential asset growth. After 2032, the percentage of investment income needed to pay ongoing benefits is projected to decrease from approximately 61.5 percent in 2033 to less than zero in 2045, which is projected to cause assets to grow at a higher rate.



**Future dollar amounts are based on assumed inflationary increases.*

The provisions of P.A. 96-0889 resulted in a reduction in the statutory contribution rate applicable to fiscal year 2012 from 31.8 percent to 29.5 percent of pay (as measured before the change in the assumed rate of return). This occurred because the projected actuarial liability from 2011 to 2045 was reduced due to benefit reductions for members hired after December 31, 2010. Effectively, the reduction in actuarial liability associated with members hired after December 31, 2010, is recognized in the development of the contribution rate for members participating before December 31, 2010. This approach has a tendency to defer contributions associated with current plan members. However, the change in the assumed rate of return from 8.5 percent to 7.75 percent increased the fiscal year 2012 contribution rate from 29.5 percent to 32.3 percent.

The provisions of P.A. 96-0043 develop an actuarial value of assets based on five year smoothing that does not recognize deferred investment gains and losses in the projection of assets used to develop the statutory contribution. This policy has a tendency to defer contributions when plan assets experience a loss.

Given that SERS funded ratio at June 30, 2010, is only 31 percent on a market value of assets basis, and because the current statutory policy tends to back-load and defer contributions, we would advise strengthening the current statutory funding policy. The Board has taken steps to strengthen the current statutory funding policy by adopting a lower assumed rate of return. This change increased the actuarial accrued liabilities by $2.61 billion as of June 30, 2010, and it increased the fiscal year ending June 30, 2012, contribution rate from 29.477 percent of payroll to 32.252 percent of payroll. Examples of other methods to strengthen the current funding policy include:

1. Using more conservative assumptions,
2. Reducing the projection period needed to reach 90 percent funding,
3. Increasing the 90 percent funding target,
4. Separating the financing of benefits for members hired before and after December 31, 2010, and,
5. Reverting back to the market value of assets when developing contribution rates.

Finally, the statutory contribution policy could also be strengthened by changing to an ARC based funding approach with an appropriate amortization policy for each respective tiered benefit structure.

SECTION B

FUNDING RESULTS

Results of Actuarial Valuation as of June 30, 2010

1	Number of Members	
	a. Active	64,143
	b. Inactive:	
	i. Eligible for deferred vested pension benefits (4,274 based on SERS service alone. An additional 372 are eligible when reciprocal service is added to SERS service).	4,646
	ii. Eligible for return of contributions only	15,866
	c. Current Benefit Recipients:	
	i. Retirement annuities	45,659
	ii. Survivor annuities	10,325
	iii. Disability annuities	2,408
	d. Eligible for Deferred Benefits:	
	i. Retirement annuities	107
	ii. Survivor annuities	165
	e. Total	143,319
2	Covered Payroll	$4,119,360,892
3	Annualized Benefit Payments Currently Being Made	
	a. Retirement	$1,269,523,591
	b. Survivor	95,115,159
	c. Disability	43,341,995
	d. Total	$1,407,980,745
4	Actuarial Liability—Annuitants	
	a. Current Benefit Recipients:	
	i. Retirement annuities	$15,730,971,638
	ii. Survivor annuities	933,684,422
	iii. Disability annuities	280,162,795
	b. Eligible for Deferred Benefits:	
	i. Retirement annuities	8,709,200
	ii. Survivor annuities	9,025,063
	c. Total	$16,962,553,118

		Normal Cost	Actuarial Liability
5	Actuarial Liability—Inactive Members		
	a. Eligible for Deferred Vested Pension Benefits		$422,518,127
	b. Eligible for Return of Contributions Only		27,261,284
	c. Total		$449,779,411
6	Active Members		
	a. Pension Benefits	$457,957,176	$8,385,555,036
	b. Cost-of-Living Adjustments	150,927,554	2,807,537,366
	c. Death Benefits		
	i. Occupational	$2,340,750	$27,507,638
	ii. Non-occupational	20,875,633	278,713,283
	iii. Refund	5,247,045	33,405,487
	iv. Total	$28,463,428	$339,626,408
	d. Disability		
	i. Occupational	$5,561,137	$0
	ii. Non-occupational	31,513,111	0
	iii. Total	$37,074,248	$0
	e. Withdrawal	28,961,401	364,412,957
	f. Expenses	15,588,400	0
	g. Total	$718,972,207	$11,897,131,767
7	Total Actuarial Liability (4 + 5 + 6)		$29,309,464,296
8	Market Value of Assets (MVA)		$9,201,830,655
9	Unfunded Actuarial Liability Based on MVA (7 – 8)		$20,107,633,641
10	Funded Percentage Based on MVA (8 ÷ 7)		31.40%
11	Actuarial Value of Assets (AVA)		$10,961,540,164
12	Unfunded Actuarial Liability Based on AVA (7 – 11)		$18,347,924,132
13	Funded Percentage Based on AVA (11 ÷ 7)		37.40%
14	Total Normal Cost	$718,972,207	
15	Employee Contributions	$238,503,342	
16	Annual Employer Normal Cost	$480,468,865	
	(% payroll)	11.66%	

Analysis of Change in Unfunded Accrued Actuarial Liability

In addition to the expected change in the unfunded accrued actuarial liability, changes in membership demographics, and fund assets have affected the valuation results. The increase in the unfunded accrued actuarial liability (UAAL) of $4,049,531,567 was due to the following:

1	UAAL at 06/30/2009			$14,298,392,565
2	Contributions			
	a.	Contributions due		
		i	interest on 1)	$ 1,215,363,368
		ii	members contributions	246,172,971
		iii	employer normal cost	380,007,803
		iv	interest on ii and iii	26,069,993
		v	total due	$ 1,867,614,135
	b.	Contributions paid		
		i	member contributions	$ 246,172,971
		ii	state agencies	1,095,545,856
		iii	interest on i and ii	55,860,226
		iv	total paid	$ 1,397,579,053
	c.	Expected increase in UAAL		$ 470,035,082
3	Expected UAAL at 06/30/2010			$14,768,427,647
4	(Gains)/Losses			
	a. investment income			$ 894,331,428
	b. demographic			78,830,839
	c. total			$ 973,162,267
5	Plan Provision Changes			$ -
6	Assumption Changes			$ 2,606,334,218
7	Total Change in UAAL			$ 4,049,531,567
8	UAAL at 06/30/2010			$18,347,924,132

Analysis of Financial Gains and Losses in Unfunded Accrued Actuarial Liability for Fiscal Year Ending June 30, 2010

	Activity		(Gain) Loss	% of 06/30/2009 AAL
1	Actuarial (Gain)/Loss			
	a. Retirements	$	202,866,437	0.81%
	b. Incidence of Disability		(92,491)	0.00%
	c. In-Service Mortality		(1,265,882)	-0.01%
	d. Retiree Mortality		(88,561,487)	-0.35%
	e. Salary Increases		(84,033,935)	-0.33%
	f. Terminations		(27,794,295)	-0.11%
	g. Investment		894,331,428	3.54%
	h. New Entrant Liability		41,775,998	0.17%
	i. Other		35,936,494	0.14%
	j. Total Actuarial (Gain)/Loss	$	973,162,267	3.86%
2	Plan Provision Changes	$	-	0.00%
3	Assumption Changes	$	2,606,334,218	10.30%
4	Contribution (Excess)/Shortfall	$	470,035,082	1.86%
5	Total Financial (Gain)/Loss	$	4,049,531,567	16.02%

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 94-0004, Public Act 96-0043
Maximum Contribution Calculation: Without GOB Proceeds
Rate of Return on Assets = 7.75%
(All Dollar Amounts in Millions)

							Annual Normal Cost				State Contribution		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Amount	Percent of Pay	Total Expenses
2011	64,143	30,784	10,170	20,614	33.04%	4,194	719	239	480	11.44%	1,296	30.91%	1,488
2012	64,143	32,332	11,109	21,223	34.36%	4,243	740	241	499	11.76%	1,480	34.88%	1,577
2013	64,143	33,916	12,081	21,835	35.62%	4,396	758	250	508	11.56%	1,534	34.90%	1,676
2014	64,143	35,530	13,079	22,451	36.81%	4,548	776	258	518	11.39%	1,586	34.88%	1,785
2015	64,143	37,165	14,098	23,067	37.93%	4,702	791	267	524	11.14%	1,640	34.88%	1,902
2016	64,143	38,811	15,132	23,679	38.99%	4,859	806	275	531	10.93%	1,695	34.88%	2,027
2017	64,143	40,462	16,176	24,286	39.98%	5,019	818	284	534	10.64%	1,751	34.89%	2,159
2018	64,143	42,110	17,225	24,885	40.90%	5,183	831	292	539	10.40%	1,808	34.88%	2,297
2019	64,143	43,751	18,281	25,470	41.78%	5,354	842	301	541	10.10%	1,868	34.89%	2,438
2020	64,143	45,374	19,335	26,039	42.61%	5,532	852	310	542	9.80%	1,930	34.89%	2,589
2021	64,143	46,970	20,386	26,584	43.40%	5,715	861	319	542	9.48%	1,994	34.89%	2,744
2022	64,143	48,528	21,429	27,099	44.16%	5,906	868	328	540	9.14%	2,060	34.89%	2,907
2023	64,143	50,041	22,460	27,581	44.88%	6,103	874	337	537	8.80%	2,129	34.88%	3,072
2024	64,143	51,502	23,482	28,020	45.59%	6,307	880	346	534	8.47%	2,200	34.88%	3,240
2025	64,143	52,899	24,489	28,410	46.29%	6,521	883	356	527	8.08%	2,275	34.89%	3,413
2026	64,143	54,230	25,487	28,743	47.00%	6,742	887	365	522	7.74%	2,352	34.89%	3,584
2027	64,143	55,488	26,478	29,010	47.72%	6,975	889	374	515	7.38%	2,433	34.88%	3,755
2028	64,143	56,671	27,469	29,202	48.47%	7,219	893	383	510	7.06%	2,518	34.88%	3,924
2029	64,143	57,777	28,467	29,310	49.27%	7,476	897	392	505	6.75%	2,608	34.88%	4,090
2030	64,143	58,804	29,482	29,322	50.14%	7,747	902	402	500	6.45%	2,703	34.89%	4,252

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 94-0004, Public Act 96-0043
Maximum Contribution Calculation: Without GOB Proceeds
Rate of Return on Assets = 7.75%
(All Dollar Amounts in Millions)

Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Annual Normal Cost: Total	Annual Normal Cost: Employee Cont.	Annual Normal Cost: Balance	Annual Normal Cost: Percent of Pay	State Contribution: Amount	State Contribution: Percent of Pay	Total Expenses
2031	64,143	59,681	30,475	29,206	51.06%	8,032	887	411	476	5.93%	2,802	34.89%	4,457
2032	64,143	60,469	31,490	28,979	52.08%	8,308	893	416	477	5.74%	2,898	34.88%	4,612
2033	64,143	61,178	32,561	28,617	53.22%	8,622	900	425	475	5.51%	3,008	34.89%	4,751
2034	64,143	61,820	33,715	28,105	54.54%	8,956	911	435	476	5.31%	3,124	34.88%	4,879
2035	64,143	62,400	34,973	27,427	56.05%	9,309	923	446	477	5.12%	3,248	34.89%	4,998
2036	64,143	62,928	36,365	26,563	57.79%	9,681	938	457	481	4.97%	3,377	34.88%	5,105
2037	64,143	63,415	37,919	25,496	59.80%	10,075	956	468	488	4.84%	3,515	34.89%	5,200
2038	64,143	63,874	39,669	24,205	62.11%	10,490	977	480	497	4.74%	3,660	34.89%	5,285
2039	64,143	64,314	41,647	22,667	64.76%	10,926	1,001	492	509	4.66%	3,812	34.89%	5,360
2040	64,143	64,747	43,890	20,857	67.79%	11,383	1,027	504	523	4.59%	3,971	34.89%	5,424
2041	64,143	65,185	46,436	18,749	71.24%	11,862	1,055	516	539	4.54%	4,138	34.88%	5,478
2042	64,143	65,639	49,325	16,314	75.15%	12,363	1,085	529	556	4.50%	4,313	34.89%	5,525
2043	64,143	66,122	52,602	13,520	79.55%	12,886	1,118	541	577	4.48%	4,495	34.88%	5,563
2044	64,143	66,643	56,309	10,334	84.49%	13,432	1,152	554	598	4.45%	4,686	34.89%	5,595
2045	64,143	67,211	60,493	6,718	90.00%	14,000	1,187	566	621	4.44%	4,884	34.89%	5,624

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 93-0002, Public Act 94-0004, Public Act 96-0043
Rate of Return on Assets = 7.75%
(All Dollar Amounts in Millions)

							Annual Normal Cost				Required State Contribution						
											(a)	(b)	(c)=(a)-(b)	(d)	Minimum of (c) and (d)		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Without GOB Cont.	Debt Service	Maximum Cont.	Formula Rate With GOB	Required Cont.	Percent of Pay	Total Expenses
2011	64,143	30,784	11,753	19,031	38.18%	4,194	719	239	480	11.44%	1,296	103	1,193	1,193	1,193	28.45%	1,488
2012	64,143	32,332	12,698	19,634	39.27%	4,243	740	241	499	11.76%	1,480	112	1,368	1,453	1,368	32.25%	1,577
2013	64,143	33,916	13,678	20,238	40.33%	4,396	758	250	508	11.56%	1,534	111	1,423	1,505	1,423	32.36%	1,676
2014	64,143	35,530	14,685	20,845	41.33%	4,548	776	258	518	11.39%	1,586	110	1,476	1,557	1,476	32.46%	1,785
2015	64,143	37,165	15,715	21,450	42.28%	4,702	791	267	524	11.14%	1,640	110	1,530	1,610	1,530	32.56%	1,902
2016	64,143	38,811	16,761	22,050	43.19%	4,859	806	275	531	10.93%	1,695	109	1,586	1,664	1,586	32.65%	2,027
2017	64,143	40,462	17,815	22,647	44.03%	5,019	818	284	534	10.64%	1,751	113	1,638	1,719	1,638	32.64%	2,159
2018	64,143	42,110	18,870	23,240	44.81%	5,183	831	292	539	10.40%	1,808	116	1,692	1,775	1,692	32.64%	2,297
2019	64,143	43,751	19,928	23,823	45.55%	5,354	842	301	541	10.10%	1,868	120	1,748	1,833	1,748	32.65%	2,438
2020	64,143	45,374	20,978	24,396	46.23%	5,532	852	310	542	9.80%	1,930	128	1,802	1,894	1,802	32.58%	2,589
2021	64,143	46,970	22,016	24,954	46.87%	5,715	861	319	542	9.48%	1,994	135	1,859	1,957	1,859	32.52%	2,744
2022	64,143	48,528	23,037	25,491	47.47%	5,906	868	328	540	9.14%	2,060	142	1,918	2,023	1,918	32.48%	2,907
2023	64,143	50,041	24,040	26,001	48.04%	6,103	874	337	537	8.80%	2,129	148	1,981	2,090	1,981	32.45%	3,072
2024	64,143	51,502	25,019	26,483	48.58%	6,307	880	346	534	8.47%	2,200	159	2,041	2,160	2,041	32.36%	3,240
2025	64,143	52,899	25,970	26,929	49.09%	6,521	883	356	527	8.08%	2,275	169	2,106	2,233	2,106	32.29%	3,413
2026	64,143	54,230	26,902	27,328	49.61%	6,742	887	365	522	7.74%	2,352	173	2,179	2,309	2,179	32.31%	3,584
2027	64,143	55,488	27,819	27,669	50.14%	6,975	889	374	515	7.38%	2,433	177	2,256	2,389	2,256	32.34%	3,755
2028	64,143	56,671	28,721	27,950	50.68%	7,219	893	383	510	7.06%	2,518	185	2,333	2,472	2,333	32.32%	3,924
2029	64,143	57,777	29,616	28,161	51.26%	7,476	897	392	505	6.75%	2,608	193	2,415	2,560	2,415	32.31%	4,090
2030	64,143	58,804	30,508	28,296	51.88%	7,747	902	402	500	6.45%	2,703	204	2,499	2,653	2,499	32.25%	4,252

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 93-0002, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 93-0002, Public Act 94-0004, Public Act 96-0043
Rate of Return on Assets = 7.75%
(All Dollar Amounts in Millions)

							Annual Normal Cost				Required State Contribution						
											(a)	(b)	(c)=(a)-(b)	(d)	Minimum of (c) and (d)		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Without GOB Cont.	Debt Service	Maximum Cont.	Formula Rate With GOB	Required Cont.	Percent of Pay	Total Expenses
2031	64,143	59,681	31,358	28,323	52.54%	8,032	887	411	476	5.93%	2,802	215	2,587	2,750	2,587	32.21%	4,457
2032	64,143	60,469	32,213	28,256	53.27%	8,308	893	416	477	5.74%	2,898	220	2,678	2,845	2,678	32.24%	4,612
2033	64,143	61,178	33,113	28,065	54.13%	8,622	900	425	475	5.51%	3,008	219	2,789	2,953	2,789	32.35%	4,751
2034	64,143	61,820	34,249	27,571	55.40%	8,956	911	435	476	5.31%	3,124	0	N/A	3,067	3,067	34.25%	4,879
2035	64,143	62,400	35,488	26,912	56.87%	9,309	923	446	477	5.12%	3,248	0	N/A	3,188	3,188	34.25%	4,998
2036	64,143	62,928	36,854	26,074	58.57%	9,681	938	457	481	4.97%	3,377	0	N/A	3,315	3,315	34.25%	5,105
2037	64,143	63,415	38,380	25,035	60.52%	10,075	956	468	488	4.84%	3,515	0	N/A	3,450	3,450	34.25%	5,200
2038	64,143	63,874	40,095	23,779	62.77%	10,490	977	480	497	4.74%	3,660	0	N/A	3,592	3,592	34.25%	5,285
2039	64,143	64,314	42,034	22,280	65.36%	10,926	1,001	492	509	4.66%	3,812	0	N/A	3,742	3,742	34.25%	5,360
2040	64,143	64,747	44,231	20,516	68.31%	11,383	1,027	504	523	4.59%	3,971	0	N/A	3,898	3,898	34.25%	5,424
2041	64,143	65,185	46,725	18,460	71.68%	11,862	1,055	516	539	4.54%	4,138	0	N/A	4,062	4,062	34.25%	5,478
2042	64,143	65,639	49,554	16,085	75.49%	12,363	1,085	529	556	4.50%	4,313	0	N/A	4,234	4,234	34.25%	5,525
2043	64,143	66,122	52,763	13,359	79.80%	12,886	1,118	541	577	4.48%	4,495	0	N/A	4,413	4,413	34.25%	5,563
2044	64,143	66,643	56,394	10,249	84.62%	13,432	1,152	554	598	4.45%	4,686	0	N/A	4,600	4,600	34.25%	5,595
2045	64,143	67,211	60,491	6,720	90.00%	14,000	1,187	566	621	4.44%	4,884	0	N/A	4,794	4,794	34.25%	5,624

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 93-0002, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 94-0004, Public Act 96-0043
Maximum Contribution Calculation: Without GOB Proceeds
Rate of Return on Assets = 7.75%
Phase-In of Deferred Asset Gains and Losses Recognized in the Projected Actuarial Value of Assets
(All Dollar Amounts in Millions)

							Annual Normal Cost				State Contribution		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Amount	Percent of Pay	Total Expenses
2011	64,143	30,784	9,555	21,229	31.04%	4,194	719	239	480	11.44%	1,296	30.90%	1,488
2012	64,143	32,332	9,869	22,463	30.52%	4,243	740	241	499	11.76%	1,480	34.88%	1,577
2013	64,143	33,916	10,246	23,670	30.21%	4,396	758	250	508	11.56%	1,571	35.74%	1,676
2014	64,143	35,530	11,193	24,337	31.50%	4,548	776	258	518	11.39%	1,660	36.50%	1,785
2015	64,143	37,165	12,180	24,985	32.77%	4,702	791	267	524	11.14%	1,750	37.22%	1,902
2016	64,143	38,811	13,182	25,629	33.96%	4,859	806	275	531	10.93%	1,807	37.19%	2,027
2017	64,143	40,462	14,195	26,267	35.08%	5,019	818	284	534	10.64%	1,867	37.20%	2,159
2018	64,143	42,110	15,215	26,895	36.13%	5,183	831	292	539	10.40%	1,928	37.20%	2,297
2019	64,143	43,751	16,243	27,508	37.13%	5,354	842	301	541	10.10%	1,991	37.19%	2,438
2020	64,143	45,374	17,272	28,102	38.07%	5,532	852	310	542	9.80%	2,058	37.20%	2,589
2021	64,143	46,970	18,300	28,670	38.96%	5,715	861	319	542	9.48%	2,126	37.20%	2,744
2022	64,143	48,528	19,323	29,205	39.82%	5,906	868	328	540	9.14%	2,197	37.20%	2,907
2023	64,143	50,041	20,338	29,703	40.64%	6,103	874	337	537	8.80%	2,270	37.19%	3,072
2024	64,143	51,502	21,346	30,156	41.45%	6,307	880	346	534	8.47%	2,346	37.20%	3,240
2025	64,143	52,899	22,344	30,555	42.24%	6,521	883	356	527	8.08%	2,426	37.20%	3,413
2026	64,143	54,230	23,338	30,892	43.04%	6,742	887	365	522	7.74%	2,508	37.20%	3,584
2027	64,143	55,488	24,329	31,159	43.85%	6,975	889	374	515	7.38%	2,594	37.19%	3,755
2028	64,143	56,671	25,326	31,345	44.69%	7,219	893	383	510	7.06%	2,685	37.19%	3,924
2029	64,143	57,777	26,338	31,439	45.59%	7,476	897	392	505	6.75%	2,781	37.20%	4,090
2030	64,143	58,804	27,373	31,431	46.55%	7,747	902	402	500	6.45%	2,882	37.20%	4,252

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 94-0004, Public Act 96-0043
Maximum Contribution Calculation: Without GOB Proceeds
Rate of Return on Assets = 7.75%
Phase-In of Deferred Asset Gains and Losses Recognized in the Projected Actuarial Value of Assets

(All Dollar Amounts in Millions)

							Annual Normal Cost				State Contribution		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Amount	Percent of Pay	Total Expenses
2031	64,143	59,681	28,396	31,285	47.58%	8,032	887	411	476	5.93%	2,987	37.19%	4,457
2032	64,143	60,469	29,449	31,020	48.70%	8,308	893	416	477	5.74%	3,090	37.19%	4,612
2033	64,143	61,178	30,569	30,609	49.97%	8,622	900	425	475	5.51%	3,207	37.20%	4,751
2034	64,143	61,820	31,783	30,037	51.41%	8,956	911	435	476	5.31%	3,331	37.19%	4,879
2035	64,143	62,400	33,115	29,285	53.07%	9,309	923	446	477	5.12%	3,463	37.20%	4,998
2036	64,143	62,928	34,594	28,334	54.97%	9,681	938	457	481	4.97%	3,601	37.20%	5,105
2037	64,143	63,415	36,253	27,162	57.17%	10,075	956	468	488	4.84%	3,748	37.20%	5,200
2038	64,143	63,874	38,125	25,749	59.69%	10,490	977	480	497	4.74%	3,902	37.20%	5,285
2039	64,143	64,314	40,246	24,068	62.58%	10,926	1,001	492	509	4.66%	4,064	37.20%	5,360
2040	64,143	64,747	42,653	22,094	65.88%	11,383	1,027	504	523	4.59%	4,234	37.20%	5,424
2041	64,143	65,185	45,388	19,797	69.63%	11,862	1,055	516	539	4.54%	4,412	37.19%	5,478
2042	64,143	65,639	48,493	17,146	73.88%	12,363	1,085	529	556	4.50%	4,599	37.20%	5,525
2043	64,143	66,122	52,013	14,109	78.66%	12,886	1,118	541	577	4.48%	4,793	37.20%	5,563
2044	64,143	66,643	55,997	10,646	84.03%	13,432	1,152	554	598	4.45%	4,996	37.19%	5,595
2045	64,143	67,211	60,493	6,718	90.00%	14,000	1,187	566	621	4.44%	5,207	37.19%	5,624

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 93-0002, Public Act 94-0004, Public Act 96-0043
Rate of Return on Assets = 7.75%
Phase-In of Deferred Asset Gains and Losses Recognized in the Projected Actuarial Value of Assets

(All Dollar Amounts in Millions)

							Annual Normal Cost				Required State Contribution						
											(a)	(b)	(c)=(a)-(b)	(d)	Minimum of (c) and (d)		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Without GOB Cont.	Debt Service	Maximum Cont.	Formula Rate With GOB	Required Cont.	Percent of Pay	Total Expenses
2011	64,143	30,784	11,024	19,760	35.81%	4,194	719	239	480	11.44%	1,296	103	1,193	1,193	1,193	28.45%	1,488
2012	64,143	32,332	11,230	21,102	34.73%	4,243	740	241	499	11.76%	1,480	112	1,368	1,453	1,368	32.25%	1,577
2013	64,143	33,916	11,498	22,418	33.90%	4,396	758	250	508	11.56%	1,571	111	1,460	1,572	1,460	33.20%	1,676
2014	64,143	35,530	12,431	23,099	34.99%	4,548	776	258	518	11.39%	1,660	110	1,550	1,689	1,550	34.08%	1,785
2015	64,143	37,165	13,400	23,765	36.06%	4,702	791	267	524	11.14%	1,750	110	1,640	1,803	1,640	34.89%	1,902
2016	64,143	38,811	14,384	24,427	37.06%	4,859	806	275	531	10.93%	1,807	109	1,698	1,862	1,698	34.96%	2,027
2017	64,143	40,462	15,373	25,089	37.99%	5,019	818	284	534	10.64%	1,867	113	1,754	1,923	1,754	34.95%	2,159
2018	64,143	42,110	16,363	25,747	38.86%	5,183	831	292	539	10.40%	1,928	116	1,812	1,986	1,812	34.95%	2,297
2019	64,143	43,751	17,356	26,395	39.67%	5,354	842	301	541	10.10%	1,991	120	1,871	2,052	1,871	34.96%	2,438
2020	64,143	45,374	18,339	27,035	40.42%	5,532	852	310	542	9.80%	2,058	128	1,930	2,120	1,930	34.89%	2,589
2021	64,143	46,970	19,309	27,661	41.11%	5,715	861	319	542	9.48%	2,126	135	1,991	2,190	1,991	34.83%	2,744
2022	64,143	48,528	20,262	28,266	41.75%	5,906	868	328	540	9.14%	2,197	142	2,055	2,263	2,055	34.79%	2,907
2023	64,143	50,041	21,196	28,845	42.36%	6,103	874	337	537	8.80%	2,270	148	2,122	2,338	2,122	34.76%	3,072
2024	64,143	51,502	22,106	29,396	42.92%	6,307	880	346	534	8.47%	2,346	159	2,187	2,417	2,187	34.67%	3,240
2025	64,143	52,899	22,987	29,912	43.45%	6,521	883	356	527	8.08%	2,426	169	2,257	2,499	2,257	34.60%	3,413
2026	64,143	54,230	23,850	30,380	43.98%	6,742	887	365	522	7.74%	2,508	173	2,335	2,584	2,335	34.62%	3,584
2027	64,143	55,488	24,698	30,790	44.51%	6,975	889	374	515	7.38%	2,594	177	2,417	2,673	2,417	34.65%	3,755
2028	64,143	56,671	25,531	31,140	45.05%	7,219	893	383	510	7.06%	2,685	185	2,500	2,766	2,500	34.63%	3,924
2029	64,143	57,777	26,358	31,419	45.62%	7,476	897	392	505	6.75%	2,781	193	2,588	2,865	2,588	34.62%	4,090
2030	64,143	58,804	27,183	31,621	46.23%	7,747	902	402	500	6.45%	2,882	204	2,678	2,969	2,678	34.56%	4,252

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 93-0002, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

Table 4d (Cont'd)

35-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 93-0002, Public Act 94-0004, Public Act 96-0043
Rate of Return on Assets = 7.75%
Phase-In of Deferred Asset Gains and Losses Recognized in the Projected Actuarial Value of Assets

(All Dollar Amounts in Millions)

							Annual Normal Cost				Required State Contribution						
											(a)	(b)	(c)=(a)-(b)	(d)	Minimum of (c) and (d)		
Plan Year End 6/30	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Without GOB Cont.	Debt Service	Maximum Cont.	Formula Rate With GOB	Required Cont.	Percent of Pay	Total Expenses
2031	64,143	59,681	27,968	31,713	46.86%	8,032	887	411	476	5.93%	2,987	215	2,772	3,078	2,772	34.52%	4,457
2032	64,143	60,469	28,760	31,709	47.56%	8,308	893	416	477	5.74%	3,090	220	2,870	3,184	2,870	34.55%	4,612
2033	64,143	61,178	29,599	31,579	48.38%	8,622	900	425	475	5.51%	3,207	219	2,988	3,304	2,988	34.66%	4,751
2034	64,143	61,820	30,842	30,978	49.89%	8,956	911	435	476	5.31%	3,331	0	N/A	3,432	3,432	38.32%	4,879
2035	64,143	62,400	32,210	30,190	51.62%	9,309	923	446	477	5.12%	3,463	0	N/A	3,567	3,567	38.32%	4,998
2036	64,143	62,928	33,732	29,196	53.60%	9,681	938	457	481	4.97%	3,601	0	N/A	3,710	3,710	38.32%	5,105
2037	64,143	63,415	35,442	27,973	55.89%	10,075	956	468	488	4.84%	3,748	0	N/A	3,861	3,861	38.32%	5,200
2038	64,143	63,874	37,373	26,501	58.51%	10,490	977	480	497	4.74%	3,902	0	N/A	4,020	4,020	38.32%	5,285
2039	64,143	64,314	39,563	24,751	61.52%	10,926	1,001	492	509	4.66%	4,064	0	N/A	4,187	4,187	38.32%	5,360
2040	64,143	64,747	42,050	22,697	64.95%	11,383	1,027	504	523	4.59%	4,234	0	N/A	4,362	4,362	38.32%	5,424
2041	64,143	65,185	44,876	20,309	68.84%	11,862	1,055	516	539	4.54%	4,412	0	N/A	4,545	4,545	38.32%	5,478
2042	64,143	65,639	48,086	17,553	73.26%	12,363	1,085	529	556	4.50%	4,599	0	N/A	4,737	4,737	38.32%	5,525
2043	64,143	66,122	51,725	14,397	78.23%	12,886	1,118	541	577	4.48%	4,793	0	N/A	4,938	4,938	38.32%	5,563
2044	64,143	66,643	55,844	10,799	83.80%	13,432	1,152	554	598	4.45%	4,996	0	N/A	5,147	5,147	38.32%	5,595
2045	64,143	67,211	60,491	6,720	90.00%	14,000	1,187	566	621	4.44%	5,207	0	N/A	5,365	5,365	38.32%	5,624

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 93-0002, Public Act 94-0004, and Public Act 96-0043.
Total expenses shown include benefit payments, refunds and administrative expenses.
Actuarial accrued liability and assets are measured at Plan Year End.

SECTION C

FUND ASSETS

State Employees' Retirement System of Illinois
Statement of Plan Net Assets
Years ended June 30, 2010 and 2009

	2010	2009
Assets		
Cash	$ 49,912,665	$ 232,679,069
Receivables:		
Contributions:		
Participants	15,308,885	$ 16,280,628
Employing state agencies	17,119,073	35,390,539
Other accounts	6,905,516	5,764,303
	$ 39,333,474	$ 57,435,470
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	$ 9,120,601,694	$ 8,200,755,918
Property and equipment, net of accumulated depreciation	$ 2,808,489	$ 2,574,759
Total Assets	$ 9,212,656,322	$ 8,493,445,216
Liabilities		
Benefits payable	$ 5,260,823	$ 3,852,764
Refunds payable	640,022	109,360
Administrative expenses payable	1,326,567	1,429,929
Participants' deferred service credit accounts	215,859	173,233
Due to State of Illinois	3,382,396	10,027,842
Total Liabilities	$ 10,825,667	$ 15,593,128
Net assets held in trust for pension benefits	$ 9,201,830,655	$ 8,477,852,088

State Employees' Retirement System of Illinois
Statement of Changes in Plan Net Assets
Years ended June 30, 2010 and 2009

		2010		2009
Additions:				
Contributions:				
Participants	$	246,172,971	$	242,227,432
Employing state agencies and appropriations		1,095,545,856		774,910,344
Total Contributions revenue	$	1,341,718,827	$	1,017,137,776
Investments income:				
Net investments income	$	200,200,994	$	224,823,314
Interest earned on cash balances		795,373		7,319,968
Net appreciation in fair value of investments		598,899,494		(2,441,040,917)
Total Investments income	$	799,895,861	$	(2,208,897,635)
Total Additions	$	2,141,614,688	$	(1,191,759,859)
Deductions:				
Benefits:				
Retirement annuities	$	1,237,118,008	$	1,164,454,557
Survivors' annuities		89,516,980		73,697,450
Disability benefits		48,312,629		46,513,406
Lump-sum benefits		15,693,575		15,548,262
Total Benefits	$	1,390,641,192	$	1,300,213,675
Refunds		15,274,174		14,859,487
Administrative		11,720,755		10,681,376
Total Deductions	$	1,417,636,121	$	1,325,754,538
Net increase	$	723,978,567	$	(2,517,514,397)
Net assets held in trust for pension benefits:				
Beginning of year	$	8,477,852,088	$	10,995,366,485
End of year	$	9,201,830,655	$	8,477,852,088

State Employees' Retirement System of Illinois
DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS - ACTUAL ASSETS

Year Ending June 30	2010	2011	2012	2013	2014
Beginning of Year:					
(1) Market Value of Assets	$ 8,565,739,117				
(2) Adjustment to the Market Value of Assets	(87,887,029)				
(3) Revised Market Value of Assets	8,477,852,088				
(4) Actuarial Value of Assets	10,999,953,527				
End of Year:					
(5) Market Value of Assets	9,201,830,655				
(6) Contributions and Disbursements					
(6a) Actual State Contribution Amount	1,095,545,856				
(6b) Employee Contribution Amount	246,172,971				
(6c) Benefit Payouts & Refunds	(1,405,915,366)				
(6d) Administrative Expenses	(11,720,755)				
(6e) Net of Contributions and Disbursements	(75,917,294)				
(7) Total Investment Income					
=(5)-(3)-(6e)	799,895,861				
(8) Projected Rate of Return	8.50%				
(9) Projected Investment Income					
=(3)x(8)+([1+(8)]^.5-1)x(6e)	717,456,738				
(10) Investment Income in					
Excess of Projected Income	82,439,123				
(11) Excess Investment Income Recognized					
This Year (5-year recognition)					
(11a) From This Year	16,487,825				
(11b) From One Year Ago	(608,553,603)	$ 16,487,825			
(11c) From Two Years Ago	0	(608,553,603)	$ 16,487,825		
(11d) From Three Years Ago	0	0	(608,553,603)	$ 16,487,825	
(11e) From Four Years Ago	0	0	0	(608,553,603)	$ 16,487,823
(11f) Total Recognized Investment Gain	(592,065,778)	(592,065,778)	(592,065,778)	(592,065,778)	16,487,823
(12) Change in Actuarial Value of Assets					
=(2)+(6e)+(9)+(11f)	(38,413,363)				
End of Year:					
(5) Market Value of Assets	**9,201,830,655**				
(13) Actuarial Value of Assets					
=(4)+(12)	**10,961,540,164**				

State Employees' Retirement System of Illinois
DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS - HYPOTHETICAL ASSETS

Year Ending June 30	2010	2011	2012	2013	2014
Beginning of Year:					
(1) Hypothetical Value of Assets	$ 7,274,256,825				
(2) Adjustment to the Hypothetical Value of Assets	(75,078,932)				
(3) Revised Hypothetical Value of Assets	7,199,177,893				
(4) Hypothetical Actuarial Value of Assets	9,331,550,464				
End of Year:					
(5) Hypothetical Value of Assets	7,907,521,879				
(6) Contributions and Disbursements					
(6a) State Contribution Amount[1]	1,196,180,016				
(6b) Employee Contribution Amount	246,172,971				
(6c) Benefit Payouts & Refunds	(1,405,915,366)				
(6d) Administrative Expenses	(11,720,755)				
(6e) Net of Contributions and Disbursements	24,716,866				
(7) Total Investment Income[2]					
=(5)-(3)-(6e)	683,627,120				
(8) Projected Rate of Return	8.50%				
(9) Projected Investment Income					
=(3)x(8)+([1+(8)]^.5-1)x(6e)	612,959,166				
(10) Investment Income in					
Excess of Projected Income	70,667,954				
(11) Excess Investment Income Recognized					
This Year (5-year recognition)					
(11a) From This Year	14,133,591				
(11b) From One Year Ago	(514,323,410)	$ 14,133,591			
(11c) From Two Years Ago	0	(514,323,410)	$ 14,133,591		
(11d) From Three Years Ago	0	0	(514,323,410)	$ 14,133,591	
(11e) From Four Years Ago	0	0	0	(514,323,410)	$ 14,133,590
(11f) Total Recognized Investment Gain	(500,189,819)	(500,189,819)	(500,189,819)	(500,189,819)	14,133,590
(12) Change in Hypothetical Actuarial Value of Assets					
=(2)+(6e)+(9)+(11f)	62,407,281				
End of Year:					
(5) Hypothetical Market Value of Assets	**7,907,521,879**				
(13) Hypothetical Actuarial Value of Assets					
=(4)+(12)	**9,393,957,745**				

[1] *Represents 29.038 percent of payroll for the basic contribution.*
[2] *Investment income assumes hypothetical value of assets earns the Fund's actual rate of return for fiscal year 2010 of 9.48%.*

SECTION D

ACCOUNTING DISCLOSURES

This information is presented in draft form for review by the auditor. Please let us know if there are any changes so that we may maintain consistency with the State's financial statements.

Financial Accounting Information in Accordance with GASB Statement No. 25

A. Schedule of Funding Progress

		6/30/2010	6/30/2009	6/30/2008
1	Actuarial Value of Assets	$ 10,961,540,164	$ 10,999,953,527	$ 10,995,366,485
2	Actuarial Accrued Liability (AAL)	29,309,464,296	25,298,346,092	23,841,280,102
3	Unfunded AAL (UAAL) [(2) - (1)]	18,347,924,132	14,298,392,565	12,845,913,617
4	Funded Ratio [(1) ÷ (2)]	37.40%	43.48%	46.12%
5	Covered Payroll	4,119,360,892	4,027,263,000	3,967,704,000
6	UAAL as a Percentage of Covered Payroll	445.41%	355.04%	323.76%

B. Schedule of Employer Contributions for the Fiscal Year End

		6/30/2010	6/30/2009	6/30/2008
1	Annual Required Contribution (ARC) per GASB 25			
	(a) Percentage of payroll	28.580%	24.916%	24.861%
	(b) Covered payroll for fiscal year	$4,119,360,892	$4,027,263,000	$3,967,704,000
	(c) ARC for fiscal year	1,177,313,343	1,003,432,849	986,410,891
2	Total Employer Contribution	1,095,545,856	774,910,344	587,732,407
3	Percentage of ARC Contributed [(2) ÷ (1)]	93.05%	77.23%	59.58%
4	Annual Contribution Required per State Statute			
	(a) Percentage of payroll	28.377%	19.116%	14.533%
	(b) Covered payroll for fiscal year	4,119,360,892	4,027,263,000	3,967,704,000
	(c) Total required contribution	1,168,951,040	769,851,595	576,626,422
5	Employer Contribution	1,095,545,856	774,910,344	587,732,407
6	Percentage of (4) Contributed [(5) ÷ (4)]	93.72%	100.66%	101.93%

C. Notes to Required Schedules

1. The cost method used to determine the ARC is the Projected Unit Credit Cost Method. The ARC (as percentage of payroll) for the 2010 fiscal year was determined as of June 30, 2008, based on the assumptions then in effect.
2. The assets are shown at actuarial value.
3. Economic assumptions include an inflation rate of 3.0 percent; an investment return rate of 8.50 percent prior to the June 30, 2010, valuation, and 7.75 percent after; salary increase rates based on age-related productivity and merit rates plus inflation; and postretirement benefit increases of 3.0 percent.
4. The amortization method is an open 30-year period, level-percentage-of-payroll.

Development of Net Pension Obligation in Accordance with GASB Statement No. 27 (Date of Transition is July 1, 1996)

Fiscal Year	Applicable Actuarial Valuation: As-of Date	Applicable Actuarial Valuation: Investment Assumption	Applicable Actuarial Valuation: Annual Required Contribution*	Actual Contribution**	Amortization: Years	Amortization: Factor
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/87 - 6/30/88	6/30/1986	8%	$ 186,935,353	$ 99,990,922	40	11.92461333
7/1/88 - 6/30/89	6/30/1987	8%	179,420,448	98,471,993	40	11.92461333
7/1/89 - 6/30/90	6/30/1988	8%	184,689,149	107,938,094	40	11.92461333
7/1/90 - 6/30/91	6/30/1989	8%	191,296,277	115,979,568	40	11.92461333
7/1/91 - 6/30/92	6/30/1990	8%	208,717,019	98,532,783	40	11.92461333
7/1/92 - 6/30/93	6/30/1991	8%	227,588,508	114,413,597	40	11.92461333
7/1/93 - 6/30/94	6/30/1992	8%	277,518,586	127,649,961	40	11.92461333
7/1/94 - 6/30/95	6/30/1993	8%	306,006,674	136,589,471	40	11.92461333
7/1/95 - 6/30/96	6/30/1994	8%	335,219,027	146,397,934	40	11.92461333
7/1/96 - 6/30/97	6/30/1995	8%	211,125,012	158,179,514	40	19.84983174
7/1/97 - 6/30/98	6/30/1996	8%	206,725,718	200,741,736	40	19.53100753
7/1/98 - 6/30/99	6/30/1997	8.5%	319,746,993	315,525,007	40	15.55212396
7/1/99 - 6/30/00	6/30/1998	8.5%	299,081,856	340,872,521	40	15.38193387
7/1/00 - 6/30/01	6/30/1999	8.5%	294,351,538	366,028,937	40	15.17924930
7/1/01 - 6/30/02	6/30/2000	8.5%	306,509,801	386,116,583	40	15.53675931
7/1/02 - 6/30/03	6/30/2001	8.5%	449,348,585	396,067,236	40	16.01251393
7/1/03 - 6/30/04	6/30/2002	8.5%	576,219,951	1,864,673,411	40	20.17751836
7/1/04 - 6/30/05	6/30/2003	8.5%	727,428,010	427,434,612	40	19.34057660
7/1/05 - 6/30/06	6/30/2004	8.5%	672,555,569	210,499,791	40	18.52371012
7/1/06 - 6/30/07	6/30/2005	8.5%	823,802,760	358,786,650	30	14.85458369
7/1/07 - 6/30/08	6/30/2006	8.5%	986,410,891	587,732,407	30	14.91835797
7/1/08 - 6/30/09	6/30/2007	8.5%	1,003,432,849	774,910,344	30	15.42654344
7/1/09 - 6/30/10	6/30/2008	8.5%	1,177,313,343	1,095,545,856	30	15.47602451

Fiscal Year	Beginning of Year NPO	Interest on NPO	Amortization of NPO	Annual Pension Cost (APC)*** (4 + 9 - 10)	Increase in NPO (11 - 5)	End of Year NPO (8 + 12)
(1)	(8)	(9)	(10)	(11)	(12)	(13)
7/1/87 - 6/30/88	$ 0	$ 0	$ 0	$186,935,353	$ 86,944,431	$ 86,944,431
7/1/88 - 6/30/89	86,944,431	6,955,554	7,291,174	179,084,828	80,612,835	167,557,267
7/1/89 - 6/30/90	167,557,267	13,404,581	14,051,379	184,042,351	76,104,257	243,661,524
7/1/90 - 6/30/91	243,661,524	19,492,922	20,433,495	190,355,705	74,376,137	318,037,660
7/1/91 - 6/30/92	318,037,660	25,443,013	26,670,690	207,489,343	108,956,560	426,994,220
7/1/92 - 6/30/93	426,994,220	34,159,538	35,807,804	225,940,241	111,526,644	538,520,864
7/1/93 - 6/30/94	538,520,864	43,081,669	45,160,447	275,439,808	147,789,847	686,310,711
7/1/94 - 6/30/95	686,310,711	54,904,857	57,554,127	303,357,404	166,767,933	853,078,644
7/1/95 - 6/30/96	853,078,644	68,246,292	71,539,313	331,926,005	185,528,071	1,038,606,716
7/1/96 - 6/30/97	1,038,606,716	83,088,537	52,323,200	241,890,349	83,710,835	1,122,317,551
7/1/97 - 6/30/98	1,122,317,551	89,785,404	57,463,372	239,047,750	38,306,014	1,160,623,565
7/1/98 - 6/30/99	1,160,623,565	98,653,003	74,627,978	343,772,018	28,247,011	1,188,870,576
7/1/99 - 6/30/00	1,188,870,576	101,053,999	77,290,059	322,845,796	(18,026,725)	1,170,843,851
7/1/00 - 6/30/01	1,170,843,851	99,521,727	77,134,503	316,738,762	(49,290,175)	1,121,553,676
7/1/01 - 6/30/02	1,121,553,676	95,332,062	72,187,105	329,654,758	(56,461,825)	1,065,091,851
7/1/02 - 6/30/03	1,065,091,851	90,532,807	66,516,217	473,365,175	77,297,939	1,142,389,790
7/1/03 - 6/30/04	1,142,389,790	97,103,132	56,616,962	616,706,121	(1,247,967,290)	(105,577,500)
7/1/04 - 6/30/05	(105,577,500)	(8,974,088)	(5,458,860)	723,912,782	296,478,170	190,900,670
7/1/05 - 6/30/06	190,900,670	16,226,557	10,305,747	678,476,379	467,976,588	658,877,258
7/1/06 - 6/30/07	658,877,258	56,004,567	44,355,148	835,452,179	476,665,529	1,135,542,787
7/1/07 - 6/30/08	1,135,542,787	96,521,137	76,117,143	1,006,814,885	419,082,478	1,554,625,265
7/1/08 - 6/30/09	1,554,625,265	132,143,148	100,775,995	1,034,800,002	259,889,658	1,814,514,923
7/1/09 - 6/30/10	1,814,514,923	154,233,768	117,246,837	1,214,300,274	118,754,418	1,933,269,341

* The annual required contributions for FYE 6/30/1988 through 6/30/1996 were determined based on the APB8 percentages provided by the System. Thereafter, the annual required contribution was obtained by adding the normal cost and an amortization over the period disclosed in column (6) (constant percent of payroll) of the UAAL (AAL - MVA) at the valuation date shown in column (2). The resulting percentage of payroll is applied to the actual covered payroll for the applicable fiscal year.

SECTION E

PARTICIPANT DATA

Active Age and Service Distribution
June 30, 2010

Age Group	Years of Service 0-4	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Up	Total	Percentage of Total
Under 20	40	8								48	0%
20-24	233	317	3							553	1%
25-29	405	1,360	515	17						2,297	4%
30-34	262	1,350	1,956	894	9					4,471	7%
35-39	223	1,036	1,865	2,647	597	18				6,386	10%
40-44	193	954	1,745	2,251	2,172	1,222	53			8,590	13%
45-49	178	912	1,561	1,848	2,016	2,921	1,561	128		11,125	17%
50-54	178	832	1,358	1,598	1,554	2,538	1,952	1,624	55	11,689	18%
55-59	159	702	1,158	1,438	1,511	2,023	1,362	1,269	470	10,092	16%
60-64	105	402	907	1,060	1,105	1,120	632	513	488	6,332	10%
65-69	14	100	323	410	337	281	148	120	150	1,883	3%
70 & Over	12	32	89	136	125	106	44	36	97	677	1%
Total	2,002	8,005	11,480	12,299	9,426	10,229	5,752	3,690	1,260	64,143	100%
Percentage of Total	3%	12%	18%	19%	15%	16%	9%	6%	2%	100%	

Retirees and Beneficiaries by Type of Benefit Being Paid
June 30, 2010

Type of Benefit Being Paid	Count		Monthly Payment		Annual Payment		Average Annual Payment
Retirement Annuity	45,659	$	105,746,464.66	$	1,268,957,575.92	$	27,792.06
Survivors	9,805		7,402,055.03		88,824,660.36		9,059.12
Widows	125		88,206.50		1,058,478.00		8,467.82
Occupational Death	64		48,565.61		582,787.32		9,106.05
QILDRO	321		336,801.67		4,041,620.04		12,590.72
Reversionary Annuity	10		30,412.94		364,955.28		36,495.53
Non-Occupational Disability	1,290		2,032,860.69		24,394,328.28		18,910.33
Occupational Disability	547		1,157,479.68		13,889,756.16		25,392.61
Temporary Disability	44		74,131.84		889,582.08		20,217.77
Total Temporary Disability - Occupational	527		347,360.74		4,168,328.88		7,909.54
Eligible for Deferred Retirement Annuity	107		47,167.89		566,014.68		5,289.86
Eligible for Deferred Survivor Annuity	165		20,221.53		242,658.36		1,470.66
Total	**58,664**	**$**	**117,331,728.78**	**$**	**1,407,980,745.36**	**$**	**24,000.76**

SECTION F

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods and Assumptions

Actuarial Cost Method Adopted June 30, 1989

The projected unit credit normal cost method is used. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current or attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs.

For ancillary benefits for active members, in particular death and survivor benefits, termination benefits, and the postretirement increases, the same procedure as outlined above is followed.

Estimated annual administrative expenses are added to the normal cost.

For valuation purposes, as well as projection purposes, an actuarial value of assets is used.

Actuarial Assumptions Adopted June 30, 2006, and Amended June 30, 2010

Mortality

1994 Group Annuity Mortality Table for males and for females. Five percent of deaths among active employees are assumed to be in the performance of their duty.

Interest

7.75 percent per annum, compounded annually.

Marriage Assumption

85.0 percent of active male participants and 65.0 percent of active female participants are assumed to be married. Actual marital status at benefit commencement is used for retirees.

Social Security Offset for Survivor Benefits

No offset assumption for male surviving spouses because it is assumed their own PIA is as great as their spouses' PIA. Sixty percent of married male members are assumed to have a dual income household. For the dual income household, it is assumed the offset at age 60 is 45.0 percent of the original survivor benefit. It is assumed the offset at age 62 is 10.0 percent of the original survivor benefit. Furthermore, it is assumed that 50 percent of retirees on or after July 1, 2009, will elect to remove the offset provision. In exchange for the removal, the member's retirement annuity is reduced by 3.825 percent monthly.

Termination

Illustrative rates of withdrawal from the plan are as follows:

Select Withdrawal of General Formula Employees		
Year of Service	Males	Females
0	0.2000	0.2000
1	0.0800	0.0800

Ultimate Withdrawal of General Formula Employees		
Age	Males	Females
25	0.0375	0.0450
30	0.0350	0.0400
35	0.0250	0.0300
40	0.0175	0.0200
45	0.0150	0.0150
50	0.0125	0.0150
55	0.0125	0.0150
60	0.0125	0.0150
65	0.0125	0.0150

Select Withdrawal of Alternate Formula Employees		
Years of Service	Males	Females
0	0.0600	0.1100
1	0.0450	0.0550

Ultimate Withdrawal of Alternate Formula Employees		
Age	Males	Females
25	0.0250	0.0375
30	0.0200	0.0300
35	0.0150	0.0225
40	0.0100	0.0170
45	0.0100	0.0160
50	0.0100	0.0140
55	0.0100	0.0140
60	0.0100	0.0140
65	0.0100	0.0140

It is assumed that terminated employees will not be rehired. The rates apply only to employees who have not fulfilled the service requirement necessary for retirement at any given age.

Salary Increases

Illustrative rates of increase per individual employee per annum, compounded annually:

Age	Annual Increase
25	8.35%
30	7.22%
35	6.41%
40	5.80%
45	5.33%
50	4.95%
55	4.65%
60	4.39%
65	4.17%
70	4.00%

These increases include a component for inflation of 3.0 percent per annum.

Disability

Because members who receive disability benefits typically spend less than one year on disability, they are considered active members. Therefore a load of 0.90 percent of pay on the normal cost is applied to reflect the near-term cash flow.

Population Projection

For purposes of determining annual appropriation as a percent of total covered payroll, the size of the active group is assumed to remain level at 64,143. New entrants are assumed to enter with an average age and an average pay as disclosed below. These values are based on the average age and average pay of new entrants over the last 15 years. The average increase in payroll for the 35-year projection period is 4.0 percent per annum.

New Entrant Benefit Group	Average Age	Average Pay (2010 Dollars)
New entrants eligible for Regular Formula Benefits that are covered by Social Security.	37.52	$44,588
New entrants eligible for Regular Formula Benefits that are not covered By Social Security.	32.06	$52,212
New entrants in positions formerly eligible for Alternate Formula Benefits that are covered by Social Security that are now eligible for Regular Formula Benefits.	40.97	$52,829
New entrants eligible for Alternate Formula Benefits that are covered by Social Security	28.54	$55,738
New entrants in positions formerly eligible for Alternate Formula Benefits that are not covered by Social Security that are now eligible for Regular Formula Benefits.	32.20	$47,481
New entrants eligible for Alternate Formula Benefits that are not covered by Social Security	27.75	$54,634

Retirement

Employees are assumed to retire in accordance with the rates shown below. The rates apply only to employees who have fulfilled the service requirement necessary for retirement at any given age.

Retirement Rates for General Formula Employees		
	Males	Females
50	5.00%	5.00%
51	5.00%	5.00%
52	12.00%	12.00%
53	10.00%	15.00%
54	11.70%	15.00%
55	12.60%	15.00%
56	15.00%	15.00%
57	15.00%	15.00%
58	15.00%	15.00%
59	15.00%	15.00%
60	12.50%	15.00%
61	12.50%	10.00%
62	15.00%	20.00%
63	15.00%	15.00%
64	10.00%	20.00%
65	20.00%	30.00%
66	15.00%	20.00%
67	15.00%	20.00%
68	10.00%	15.00%
69	20.00%	15.00%
70	100.00%	100.00%

Early Retirement Rates for General Formula Employees		
Age	Males	Females
55	6.00%	6.00%
56	7.00%	8.00%
57	8.00%	10.00%
58	9.00%	12.00%
59	10.00%	14.00%

Retirement Rates for Alternate Formula Employees		
Age	Males	Females
50	20.00%	25.00%
51	20.00%	10.00%
52	20.00%	10.00%
53	20.00%	20.00%
54	20.00%	20.00%
55	20.00%	20.00%
56	15.00%	15.00%
57	15.00%	15.00%
58	15.00%	15.00%
59	15.00%	15.00%
60	35.00%	20.00%
61	36.50%	15.00%
62	38.00%	25.00%
63	39.50%	40.00%
64	41.00%	40.00%
65	80.00%	55.00%
66	40.00%	55.00%
67	55.00%	45.00%
68	55.00%	45.00%
69	40.00%	45.00%
70	100.00%	100.00%

Assets

Assets available for benefits are used as described on page 45.

Expenses

As estimated and advised by SERS staff, based on current expenses with an allowance for expected increases.

Spouse's Age

The female spouse is assumed to be three years younger than the male spouse.

Children

It is assumed that married members have 2.2 children, one year apart in age.

The age of the youngest child of a deceased employee at his date of death is assumed to be as follows:

Age at Death of Employee	Age of Youngest Child	Age at Death of Employee	Age of Youngest Child
20	2	40	6
25	3	45	8
30	4	50	10
35	5	55	12
		60	14

Overtime and Shift Differentials

Reported earnings include base pay alone. It is assumed that overtime and shift differentials will increase total payroll by 3.5 percent over reported earnings.

Missing Data

If earnings were not available, the annual rate of pay was assumed to be $35,000. If a birth date was not available, the member was assumed to be age 35.

Assumptions as a result of Public Act 96-0889 (Adopted by the Board on July 12, 2010)

Members hired after December 31, 2010, are assumed to make contributions on salary up to the final average compensation cap in a given year until this plan provision or administrative procedure is clarified.

State contributions, expressed as a percentage of pay, are calculated based upon total pay including pay over the final average compensation cap in a given year until this plan provision or administrative procedure is clarified.

Retirement rates for tier two members eligible for regular formula benefits to account for the change in retirement age, as follows:

Age	Members Eligible For Normal Retirement	Age	Members Eligible For Early Retirement
67	50.0%	62	30.0%
68	75.0	63	34.0
69	90.0	64	38.0
70	100.0	65	42.0
		66	46.0

Members hired after December 31, 2010, eligible for the alternate formula benefits will retire according to the age-based retirement rates used in the most recent valuation as follows:

Age	Male Members Eligible For Normal Retirement	Female Members Eligible For Normal Retirement
60	35.0%	20.0%
61	37.0	15.0
62	38.0	25.0
63	40.0	40.0
64	41.0	40.0
65	80.0	55.0
66	40.0	55.0
67	55.0	45.0
68	55.0	45.0
69	40.0	45.0
70	100.0	100.0

Projection Methodology Adopted June 30, 2005, and Amended June 30, 2009

Appropriation Requirements Under P.A. 93-0002, P.A. 94-0004, and P.A. 96-0043

State Contributions under P.A. 93-0002

In general, for each year during the life of the GOB program, the state contributions to the System are to be calculated as follows:

1. Calculation of the contribution maximum
   a. A projection of contributions will be made from the valuation date to June 30, 2045. Such projection will be based on hypothetical asset values determined using the following assumptions:
      i) That the System had received no portion of the general obligation bond proceeds in excess of the scheduled contributions for the remainder of fiscal 2003 and for the entirety of 2004,
      ii) That hypothetical state contributions had been made each fiscal year from 2005 through the valuation date, based on the funding process in place prior to P.A. 93-0002 (without regard to prior state minimum requirements),
      iii) That the actual amounts of member contributions and the actual cash outflows (benefit payments, refunds and administrative expenses) for each year prior to the valuation date were realized, and
      iv) That the hypothetical fund earned returns in each prior fiscal year equal to the rate of total return actually earned by the retirement fund in that year.
   b. The hypothetical asset values developed in a., above, will not exceed the actual assets of the fund.
   c. A projection of maximum contributions for each year of the GOB program will be performed each year, by reducing the contributions produced in a., above, by the respective amount of debt service allocated to the System for each year.
2. Calculation of the contribution with GOB proceeds
   a. The basic projection of state contributions from the valuation date through June 30, 2045, will be made, taking into account all assets of the System, including the GOB proceeds.
   b. State contribution rates (expressed as a percentage of covered pay), in the pattern required by the funding sections of the statutes, are calculated.
   c. In those projections, the dollars of state contributions which are added to assets each year during the GOB program are limited by the contribution maximum. Because the bonds are to be liquidated by the end of fiscal 2033, there is no contribution maximum thereafter.

State Contributions under P.A. 94-0004

The following is an excerpt from the Illinois Compiled statutes 40 ILCS 5/14-108.3 (f)-(g):

> (f) The System shall determine the amount of the increase in the present value of future benefits resulting from the granting of early retirement incentives under this Section and shall report that amount to the Governor and the Commission on Government Forecasting and Accountability on or after the effective date of this amendatory Act of the 93rd General Assembly and on or before November 15, 2004. Beginning with State fiscal year 2008, the increase reported under this subsection (f) shall be included in the calculation of the required State contribution under Section 14-131.
>
> (g) In addition to the contributions otherwise required under this Article, the State shall appropriate and pay to the System an amount equal to $70,000,000 in State fiscal years 2004 and 2005.

State Contributions under P.A. 96-0043

The following is an excerpt from the Illinois Compiled statutes 40 ILCS 5/14-131:

> (g) For purposes of determining the required State contribution to the System, the value of the System's assets shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:
>
>> As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the five-year period following that fiscal year.
>
> (h) For purposes of determining the required State contribution to the System for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal to the System's actuarially assumed rate of return.

Following the above legislation we have calculated the required contribution and the results are shown in the summary section of this report.

SECTION G

PLAN PROVISIONS

Summary of Retirement System Plan (As of June 30, 2010)

Purpose

The State Employees' Retirement System of Illinois, a State Agency, provides an orderly means whereby aged or disabled employees may be retired from active service without prejudice or hardship and enables the employees to accumulate reserves for old age, disability, death and termination of employment.

Administration

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

Membership

All persons entering State service on or after January 1, 1984, become members upon completion of six months of continuous service except that, beginning July 1, 1991, employees in police positions become members on their first day of employment. Persons entering State service from January 1, 1972, to January 1, 1984, became members on their first day of employment. Excluded from membership are: any employee whose position is subject to membership under another State-supported system, any person who becomes an employee after June 30, 1979, as a public service employment program participant under the federal CETA program, or any enrollee of the Young Adult Conservation Corps. Prior to January 1, 1984, emergency and temporary employees were excluded from membership. Persons appointed by the Governor with the advice and consent of the Senate may elect to become members of the System. Other exceptions are identified in State law.

Membership Service

Membership service includes all service rendered while a member of the System for which credit is allowable. Persons entering service on or after January 1, 1984, or after July 1, 1982, in the case of emergency or temporary employees, may also receive membership service credit for periods of employment prior to membership by making contributions for such periods.

Member Contributions

Members are required to contribute a percentage of salary as their share of meeting the cost of the various benefits. Contribution rates are as shown below:

- Members covered by Social Security - 4.0 percent of Salary.
- Members not covered by Social Security - 8.0 percent of Salary.
- Members covered by Social Security who are serving in a position in which service toward the Alternative Retirement Annuity may be earned - 8.5 percent of Salary.
- Members not covered by Social Security who are serving in a position in which service toward the Alternative Retirement Annuity may be earned - 12.5 percent of Salary.

Members covered by Social Security also pay the current Social Security tax rate.

Credit for regular interest each fiscal year on a member's individual contribution account is computed on the accumulated balance in the account at the beginning of each fiscal year.

Retirement Pension

Qualification of Member

Upon termination of State service, a member is eligible for a pension at age 60 with at least eight years of pension credit or at any age with 35 or more years of credit.

General formula members are eligible for a retirement annuity if the sum of the member's age plus years (and whole months) of pension credit equals or exceeds 85. General formula members between ages 55 and 60 with at least 25 years of pension credit are eligible for a retirement annuity reduced by one-half of 1 percent for each month the member is under age 60. Certain positions in the Department of Corrections were placed under the general formula effective July 1, 2005.

Members serving in a position in which service toward the Alternative Retirement Annuity may be earned are eligible to receive the alternative retirement annuity at age 50 with at least 25 years of pension credit or at age 55 with at least 20 years of pension credit in such a position. Security employees of the Department of Human Services were placed under the alternative formula effective January 1, 2001. Certain members of the Department of Transportation and the Toll Highway Authority were placed under the alternative formula effective August 1, 2001.

Amount of Pension

The pension is based on the member's final average compensation and the number of years of pension credit that has been established.

Final Average Compensation is the average of the highest 48 consecutive months in the last 10 years. All employees whose benefit is calculated under the alternative formula will have their benefit based on the greater of (i) the salary rate in effect on their last day of service, provided the last day salary does not exceed 115 percent of the average monthly compensation received by the member for the last 24 months of service, or (ii) the average monthly compensation for the last 48 months prior to retirement.

The general formula for members retiring on or after January 1, 1998, (regardless of termination date) is as follows:

- 1.67 percent of final average salary per year of credited service for members covered by Social Security.

- 2.20 percent of final average salary per year of credited service for members not covered by Social Security.

The alternative formula for members retiring on or after January 1, 2001 (regardless of termination date) is as follows:

- 2.50 percent of final average salary per year of credited service for members covered by Social Security.

- 3.00 percent of final average salary per year of credited service for members not covered by Social Security.

The maximum pension payable is 75 percent of final average compensation for general formula members and 80 percent of final average compensation for alternative formula members.

Optional Forms of Payment

Reversionary Annuity—A member may elect to receive a smaller pension during his lifetime in order to provide a spouse or a designated dependent with a lifetime income. That payment would be in addition to any other benefit payable by the System.

Level Income—A member who contributes to Social Security as a State employee may elect to have his pension payments increased before Social Security Normal Retirement Age and reduced thereafter. To be eligible for this election the member must have established eligibility for a Social Security pension.

Annual Increases in Pension

Postretirement increases of 3.0 percent of the current pension (i.e., increases are compounded) are granted to members effective each January 1 occurring on or after the first anniversary of the pension.

Survivors Annuity

Qualification of Survivor

If death occurs while in State employment, the member must have established at least 18 months of pension credit. If death occurs after termination of State service and the member was not receiving a retirement pension, the member must have established at least eight years of pension credit.

An eligible spouse qualifies at age 50 or at any age if there is, in the care of the spouse, any unmarried children of the member under age 18 (age 22 if full-time student); unmarried children under age 18 (age 22 if full-time student) qualify if no spouse survives; dependent parents at age 50 qualify if neither an eligible spouse nor children survive the member.

Amount of Payment

If the member's death occurs before retirement, the named beneficiary receives a lump sum refund of all of the member's pension contributions plus interest, excluding contributions for widows and survivors benefits. A single lump sum payment of $1,000 is also made immediately to the survivor beneficiary of the member.

An eligible spouse receives a monthly annuity equal to 30 percent of the member's final average compensation subject to a maximum of $400. If children of the member are under the care of the spouse, the annuity is increased for each child, subject to a monthly maximum of $600 or 80 percent of final average compensation. If only eligible children survive, the monthly annuity may not exceed the lesser of $600 or 80 percent of final average compensation. The maximum combined monthly payment to parents may not exceed $400. If the member's death occurs after retirement or after termination of State employment but before the member receives a pension, the monthly benefit is further limited to 80 percent of the pension received or earned by the member. Monthly benefits payable to survivors of a member who was covered by Social Security as a State employee are reduced by one-half of the Social Security benefits for which the survivors are eligible. For benefits granted on or after January 1, 1992, the reduction may not exceed 50 percent of the amount of survivors annuity otherwise payable. If death of the member occurs on or after January 1, 1984, the minimum total survivors annuity benefit payable (before any reduction for Social Security benefits) is equal to 50 percent of the member's earned pension without regard to the member's age at death. Any member who retires on or after July 1, 2009, will have the option at the time of retirement to remove the offset provision. In exchange for the removal, SERS will reduce the member’s retirement annuity by 3.825 percent.

Duration of Payment

The monthly annuity payable to a spouse continues for his/her lifetime without regard to remarriage. The monthly annuity to children terminates upon death, marriage or attainment of age 18 (age 22 if full-time student). However, the monthly annuity will continue for a child who at age 18, is physically or mentally disabled and unable to accept gainful employment.

Annual Increases in Annuity

If the member's death occurs before retirement, increases of 3.0 percent of the current annuity are granted to survivors effective each January 1 occurring on or after the first anniversary of the annuity (i.e., increases are compounded). If the member's death occurs after retirement, the initial 3.0 percent increase applies on the January 1 on or after the survivor annuity begins.

Widow's Annuity Option

The widow of a male member who was a participant in the System prior to July 19, 1961, may have the option of taking a Widow's Annuity rather than the Survivor's Annuity.

Qualification of Widow

An eligible widow receives a Widow's Annuity if she is age 50 or over or has in her care any of the member's unmarried children under age 18. If she is not age 50 and has no such children in her care, she becomes eligible at age 50.

Amount of Payment

The Widow's Annuity consists of a lump sum payment of $500, plus a monthly annuity equal to 50 percent of the pension earned or received by the member at the date of death. If the widow has in her care eligible children of the member, the monthly annuity is increased because of each child, subject to a maximum payment equal to 66-2/3 percent of the earned pension. Monthly benefits payable to a widow of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits she is entitled to as a widow from Social Security (reduced by one-half of the amount of benefits she is entitled to based on her own Primary Insurance Amount). For benefits granted on or after January 1, 1992, the reduction may not exceed 50 percent of the amount of widow's annuity otherwise payable. Any member who retires on or after July 1, 2009, will have the option at the time of retirement to remove the offset provision. In exchange for the removal, SERS will reduce the member’s retirement annuity by 3.825 percent.

Duration of Payment

The monthly payment to the widow continues for her lifetime whether or not she remarries. If the amount of benefit was increased because of eligible children, it is adjusted downward as these children's benefits are terminated (death, marriage or attainment of age 18 or 22).

Annual Increases in Annuity

If the member's death occurs before retirement, increases of 3.0 percent of the current annuity are granted to widows effective each January 1 occurring on or after the first anniversary of the annuity (i.e., increases are compounded). If the member's death occurs after retirement, the initial 3.0 percent increase applies on the January 1 on or after the widow's annuity begins.

Occupational Death Benefit

Qualification of Survivors

If a member's death results from an injury on the job or a job related cause, the spouse may be eligible for an Occupational Death benefit. If only unmarried children under age 18 (age 22 if full-time student) survive, they would be eligible for the benefit. If neither a spouse nor eligible children survive, a dependent father or mother would be eligible.

Amount and Duration of Payment

The nominated beneficiary receives a lump sum payment consisting of all contributions made by the member plus interest credited to his account.

A surviving spouse is entitled to a monthly benefit equal to 50 percent of the member's final average compensation. The benefit is payable for the remaining lifetime of the spouse without regard to remarriage. If children under age 18 (age 22 if full-time student) also survive, the annuity is increased by 15 percent of such average because of each child, subject to a maximum of 75 percent. If there is no spouse, or if the spouse dies before all children have attained age 18 (age 22 if full-time student), each child receives a monthly allowance of 15 percent of final average compensation.

The combined payment to children may not exceed 50 percent of the member's final average compensation. Payments to or on account of children terminate upon their death, marriage or attainment of age 18 (age 22 if full-time student).

If there is no spouse or eligible children, a benefit of 25 percent of final average compensation is payable to each surviving dependent parent for life.

Annual Increases in Annuity

Increases of 3.0 percent of the current annuity are granted effective each January 1 occurring on or after the first anniversary of the annuity (i.e., increases are compounded).

Reductions

The monthly benefit is reduced by any payments awarded under the Workmen's Compensation or Occupational Diseases Acts.

Other Death Benefits

If the survivor beneficiaries of the member do not qualify for any of the previously described death benefits, one of the following benefits is payable to the nominated beneficiary on file with the System at the date of death.

Before Retirement

If the member's death occurred while in State service the benefit consists of: (1) a refund of all contributions plus interest credited to the member's account; and (2) a payment equal to one month's salary for each full year of pension credit not to exceed six month's salary. The minimum payment is equal to one month's salary.

If the member had terminated State service but not yet qualified for a pension, the benefit consists of a refund of all of the member's contributions to the System plus the interest credited to the member's account.

After Retirement

The benefit consists of a lump sum payment equal to the excess of contributions plus interest credited to the member's account over the total amount of pension payments made to the member. The minimum payment is $500.00.

Non-Occupational Disability Benefits

Qualification and Amount of Payment

Available to any member who has established at least one and one-half years of creditable service and who has been granted a disability leave of absence by his employing agency. The benefit is 50 percent of the member's final average compensation plus a credit to the member's account of service and contributions. It begins on the 31st day of absence from service on account of disability.

If the member has Social Security coverage as a State employee, the benefit payable by the System is reduced by the amount of any disability payment to which he is entitled under Social Security.

Duration of Payment

The member is eligible for the monthly benefit until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; (3) payments are made for a period of time equal to one-half of the service credit established as of the date disability began; or (4) attainment of age 65 if the benefit commences prior to age 60, or payment for 5 years if benefit commences after age 60.

If termination of the benefit is due to the member receiving benefits for a period of time equal to one-half of the service credit established at the date of disability, he shall be eligible for a retirement annuity if he has attained age 55 and has 15 years of service, or if he has attained age 50 and has 20 years of service.

Annual Increases in Annuity

A one time increase of 7.0 percent of the original annuity is granted to members on the January 1 following the fourth anniversary of the annuity. Increases of 3.0 percent of the current annuity are then granted to members each January 1 following the 7.0 percent increase (i.e., the 3.0 percent increases are compounded).

Occupational Disability Benefit

Qualification and Amount of Payment

Provided for any member who becomes disabled as the direct result of injury or diseases arising out of and in the course of State employment.

The benefit is 75 percent of final average compensation plus a credit to the member's account of service and contributions. The cash benefit is reduced by any payment received under the Workmen's Compensation or Occupational Diseases Acts.

Duration of Payment

Monthly benefits are payable until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; or (3) attainment of age 65 if the benefit commences prior to age 60, or payment for 5 years if the benefit commences after age 60.

If termination of the benefit is due to the member having attained age 65 or having received benefits for five years after age 60, the member is entitled to a retirement pension based upon service credit established as of that date.

Annual Increases in Annuity

A one-time increase of 7.0 percent of the original annuity is granted to members on the January 1 following the fourth anniversary of the annuity. Increases of 3.0 percent of the current annuity are then granted to members each January 1 following the 7.0 percent increase (i.e., the 3.0 percent increases are compounded).

Temporary Disability Benefit

A member who is initially denied Workers' Compensation benefits and is appealing the denial may receive payment at the non-occupational rate, 50 percent of pay, providing all eligibility requirements for the non-occupational benefit are met, until the determination is made.

Separation Benefits

Upon termination of State employment by resignation, discharge, dismissal, or layoff, a member may obtain a refund of the contributions made to the System. By accepting a refund, a member forfeits all accrued rights and benefits in the System for himself and his beneficiaries.

Provisions Applicable to Members Hired after December 31, 2010, as a result of Public Act 96-0889

Final Average Compensation

Based on last eight years of service and may not exceed $106,800, as automatically increased by the lesser of 3 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year.

Retirement Eligibility – All Members Except State policemen, fire fighters in the fire protection service of a department, or security employees of the Department of Corrections or the Department of Juvenile Justice

Normal retirement – 67 years old with 10 years of service.

Early Retirement – 62 years old with 10 years of service with a 6.0 percent per year reduction in benefit for each year age is under 67.

Retirement Eligibility – State policemen, fire fighters in the fire protection service of a department, or security employees of the Department of Corrections or the Department of Juvenile Justice

Normal retirement – 60 years old with 20 years of service.

Annual Increases in Annuity

Annual increases begin at the later of the first anniversary of retirement or age 67. The annual increases are equal to the lesser of 3.0 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year and are not compounded.

Survivor Benefits

Benefit equal to 66.67 percent of the earned retirement benefit at death. Survivor benefits are increased by the lesser of 3.0 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year and are not compounded.

Miscellaneous

State policeman, a fire fighter in the fire protection service of a department, or a security employee of the Department of Corrections or the Department of Juvenile are still eligible for Alternate formula benefits as defined in section 14-110 of the Illinois Pension Code.

SECTION H

GLOSSARY

Glossary

Actuarial Accrued Liability (AAL)	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
Actuarial Assumptions	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
Actuarial Cost Method	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of future Normal Costs and the Actuarial Accrued Liability.
Actuarial Equivalent	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV)	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
Actuarial Present Value of Future Benefits (APVFB)	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 25, such as the Funded Ratio and the Annual Required Contribution (ARC).
Actuarial Value of Assets	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution (ARC).

Glossary (cont'd)

Amortization Method	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
Amortization Payment	That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
Amortization Period	The period used in calculating the Amortization Payment.
Annual Required Contribution (ARC)	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB No. 25. The ARC consists of the Employer Normal Cost and Amortization Payment.
Closed Amortization Period	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
Employer Normal Cost	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Equivalent Single Amortization Period	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.
Experience Gain/Loss	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.

Glossary (cont'd)

Funded Ratio	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
GASB	Governmental Accounting Standards Board.
GASB No. 25 and GASB No. 27	These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.
Normal Cost	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
Open Amortization Period	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.
Unfunded Actuarial Accrued Liability	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
Valuation Date	The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.