
The Report of the
June 30, 2006 Actuarial Valuation
of the
State Universities Retirement
System of Illinois



GRS

Gabriel Roeder Smith & Company

Actuaries & Consultants

October 18, 2006

Board of Trustees
State Universities Retirement System of Illinois
1901 Fox Drive
Champaign, Illinois 61820

Dear Members of the Board:

At your request, we present the report of the actuarial valuation of the State Universities Retirement System of Illinois ("SURS") as of June 30, 2006.

This valuation provides information on the funding status of SURS. In addition, it includes a determination of the State contribution level for the fiscal year ending June 30, 2008, under Section 15-155 of the SURS Article of the Illinois Pension Code and estimates of contributions for subsequent years.

This valuation is based on the provisions and funding requirements of SURS in effect as of June 30, 2006, data on the SURS membership and information on the asset value of the trust fund as of that date. All member data and asset information were provided by SURS staff. While certain checks for reasonableness were performed, the data was not audited.

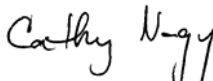
The actuarial cost method and assumptions used in this valuation are those used in the prior actuarial valuation of SURS. These assumptions and methods will be reviewed in our experience analysis later this year.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practices.

Respectfully submitted,



Larry Langer, ASA
Senior Consultant



Cathy Nagy, FSA
Senior Consultant



Norman S. Losk, FSA
Senior Consultant

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Summary of the Valuation

PURPOSES OF THE ACTUARIAL VALUATION

At your request we have performed the actuarial valuation of the State Universities Retirement System of Illinois (“SURS”) as of June 30, 2006.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of SURS as of the valuation date, and
- To develop the levels of contributions required under Section 15-155 of the SURS Article of the Illinois Pension Code (“Section 15-155”) for the fiscal year ending June 30, 2008 and to estimate contributions required under that Section for the subsequent years of the funding period ending in the year 2045.

REPORT HIGHLIGHTS

SURS had six successive years of double-digit investment performance through FY 2000, suffered significant investment losses in fiscal years 2001 through 2003, and have had investment gains in each subsequent year. The returns for the year ending June 30, 2006 amounted to about 11.7% after a 10.44% return in FY 2005.

The funded ratio decreased slightly from 65.6% as of June 30, 2005 to 65.4% as of June 30, 2006 primarily because less money was contributed to the fund for fiscal year ending June 30, 2006 than would be required on an actuarial basis.

Public Act 94-4 was enacted in the 2005 Legislative session. That legislation revised the funding provisions of the system and benefit provisions for future new members as follows:

- For fiscal years ending June 30, 2006 and June 30, 2007 the State contribution will be \$167 million and \$252 million respectively.
- The money purchase formula was eliminated for all members first entering the system on or after July 1, 2005.

There was no significant pension legislation in the 2006 Legislative session.

ACTUARIAL ASSUMPTIONS

The methods and assumptions used in this valuation are identical to those used in the prior valuation.

SURS BENEFITS

The benefits valued in this valuation are identical to those valued in the prior valuation.

EXPERIENCE DURING 2006

The fund earned 11.7% during FY 2006. The return during FY 2006 exceeded the assumed rate of investment return of 8.5%. Led by this actuarial gain on investment return, the SURS defined benefit programs experienced an overall actuarial gain of \$197.8 million.

Based on market value, the gain from investment return was about \$414.1 million. In addition, there was a loss of \$216.3 million from actuarial liabilities, including a loss of \$28.6 million from pay increases and a loss of about \$187.7 million from demographic experience.

The total gain or loss from liabilities for the system is calculated as follows:

1. AAL - Prior Year	\$20,349.9
2. Normal Cost - Prior Year	545.3
3. Benefits Paid in FY 2006	(1,128.0)
4. Interest on the above items	1,705.5
5. Expected AAL 6/30/2006 (1+2+3+4)	<u>21,472.7</u>
6. Actual AAL 6/30/2006 (before any changes)	21,689.0
7. Actuarial (Gain) or Loss on Liabilities (6-5)	<u>\$ 216.3</u>

The total net actuarial gain is the total of the gain from assets and the loss from liabilities. The total gain is as follows:

1. Actuarial (Gain) on Assets	\$(414.1)
2. Actuarial Loss on Liabilities	<u>216.3</u>
3. Total Actuarial (Gain) (1+2)	\$(197.8)

See Table 8, Appendix C, for detail of the gains and losses by source.

STATUTORY APPROPRIATIONS FOR THE 2008 FISCAL YEAR AND BEYOND

Section 15-155, which governs the development of Employer/State contributions to SURS, provides that:

1. Employer/State contributions are determined under the following process:
 - a) The overall objective is to achieve a funding ratio of 90% by the end of fiscal year (“FY”) 2045.
 - b) The Employer/State contribution for FY 2010 and each year thereafter to and including FY 2045 are to be based on a (theoretically) constant percentage of the payroll of active members of SURS.
 - c) The Employer/State contribution rate (expressed as a percentage of active member payroll) is to grade from the fiscal 2007 contribution to the fiscal 2010 contribution.
 - d) After 2045, the Employer/State contribution rate is to be sufficient to maintain the funding level at 90%.
2. During the period of amortization of the bond issue, the Employer/State contribution in any fiscal year may not exceed the excess of:
 - a) the contribution, as developed in 1., above, assuming that the special contribution (from the bond proceeds) has not been made, over
 - b) the debt service on the bond issue for the fiscal year.

3. For fiscal year ending June 30, 2007, the State will contribute \$252 million as provided in P.A. 94-4.
4. The dollar amount of Employer/State contribution required for a fiscal year shall be certified to the Bureau of the Budget no later than November 15 for the fiscal year commencing on the following June 30. The required amounts are budgeted pursuant to the continuing appropriations process.

Based on market value of assets, Employer/State contributions for FY 2008 and estimates of the required contributions for the subsequent five fiscal years are set out below.

Fiscal Year	Required State Contribution (in Millions)*		
	33% of New Members to SMP		
	SURS	SMP	Total
2008	\$338.9	\$41.4	\$380.3
2009	463.1	49.8	512.9
2010	590.7	55.6	646.3
2011	612.5	61.4	673.9
2012	635.6	67.3	702.9
2013	659.8	73.5	733.3

The State contribution for FY 2008 is \$380,320,000. This is equal to a gross contribution of \$382,937,000 less \$2,617,000 in SMP forfeitures.

Estimates of Employer/State contributions through 2045, assuming that 33% of future new members elect SMP, are set out in Table 14. In the last several valuations, we have noted that the participation in SMP was substantially lower than expected. This pattern has continued. We will review this assumption at the next review of actuarial assumptions later this year.

The State contributions set out in this report represent total required contributions. The net State General Fund appropriation is the total shown in this report, adjusted by contributions from such sources as State Pension Fund appropriations and contributions from federal and trust funds.

ASSET INFORMATION

The Governmental Accounting Standards Board (“GASB”) has promulgated Statements No. 25 and 27 that mandate, among other things, the use of market or market related asset value. It has been agreed that market value, without adjustment, will be used for all actuarial purposes. In this valuation, funding status determinations and contribution projections will be set out based on the market value of assets. The assets of the fund that are available for benefits are the total assets of the system reduced by current fund liabilities.

The market value of the assets of the fund that is available for benefits had increased from \$13,350.2 million as of June 30, 2005 to \$14,175.1 million as of June 30, 2006. This increase is due to favorable return on fund assets.

The detailed determinations of asset values utilized in this valuation and asset growth in the last year are set out in Appendix A.

FUNDING STATUS

The funding status of SURS is measured by the Funding Ratio. The Funding Ratio is the ratio of the assets available for benefits to the actuarial accrued liability of the System. Thus, it reflects the portion of benefits earned by SURS members, which are covered by System assets.

A funding ratio of 100% means that all of the benefits earned to date by SURS members are covered by assets. By monitoring changes in the funding ratio each year we can determine whether or not funding progress is being made.

Based on assets at market value, the SURS funding ratio decreased slightly from 65.6% at June 30, 2005, to 65.4% at June 30, 2006.

GASB DISCLOSURE

The accounting policies of the State of Illinois relative to its retirement systems are based on the terms of GASB Statement No. 25. Tables 9 and 10 are Required Supplemental Information tables mandated by that statement. Table 11 provides additional supporting information.

Appendices



Appendix A

Asset Information

TABLE 1
NET ASSETS AVAILABLE FOR BENEFITS
(\$ IN MILLIONS)

	Actuarial Valuation as of June 30,	
	2005	2006
Assets		
Accrued Investment Income	\$ 34.0	\$ 29.8
Contributions Receivable	16.2	15.4
Other Receivables	1.9	0.6
Investments	16,172.6	16,578.1
Fixed Assets	8.9	8.1
Total Assets	\$16,233.6	\$16,632.0
Current Liabilities	2,883.4	2,456.9
Net Assets Available for Benefits	<u>\$13,350.2</u>	<u>\$14,175.1</u>

TABLE 2
CHANGE IN ASSETS AVAILABLE FOR BENEFITS
(\$ IN MILLIONS)

	Actuarial Valuation June 30,	
	2005	2006
1. Assets Available at Beginning of Year	\$12,586.3	\$13,350.2
2. Revenues		
a. Member Contributions	\$ 251.9	\$ 252.9
b. Employer Contributions (includes State)	285.4	180.0
c. Investment Income	254.8	314.5
d. Investment Expense	(26.5)	(29.7)
e. Capital Gains (Losses)	1,051.4	1,247.3
Total Revenues	1,817.0	1,965.0
3. Expenses		
a. Benefits	\$ 1,004.5	\$ 1,085.4
b. Refunds	35.8	42.6
c. Administration Expense	12.1	12.0
d. Bond interest expense	0.7	0.1
Total Expense	\$ 1,053.1	\$ 1,140.1
4. Assets Available at End of Year	\$13,350.2	\$14,175.1

Appendix B
Membership Data

TABLE 3
SUMMARY OF DATA CHARACTERISTICS
(\$ IN MILLIONS)

	<u>June 30, 2005</u>		<u>June 30, 2006</u>	
	<u>Number</u>	<u>Earnings</u>	<u>Number</u>	<u>Earnings</u>
Active Members				
Full time				
Traditional SURS	50,963	\$2,061.4	50,557	\$2,117.7
Portable SURS	15,344	724.6	15,988	777.1
SMP	7,842	372.5	8,396	414.8
Total Full Time	<u>74,149</u>	<u>\$3,158.4</u>	<u>74,941</u>	<u>\$3,309.6</u>
Part time				
Traditional SURS	4,730	\$ 21.5	4,466	\$ 21.3
Portable SURS	625	3.2	748	4.2
SMP	598	3.3	714	4.4
Total Part Time	<u>5,953</u>	<u>\$ 28.0</u>	<u>5,928</u>	<u>\$ 29.9</u>
Total	80,102	\$3,186.4	80,869	\$3,339.5
Inactive Members				
Traditional/Portable	64,658		67,743	
SMP	5,191		4,863	
Total	<u>69,849</u>		<u>72,606</u>	
Benefit Recipients				
	<u>Number</u>	<u>Annual Benefits</u>	<u>Number</u>	<u>Annual Benefits</u>
Retirement	32,002	\$ 930.3	33,574	\$1,010.3
Survivor	6,550	68.9	6,807	75.2
Disability	1,248	21.1	1,257	22.0
Total	<u>39,800</u>	<u>\$1,020.2</u>	<u>41,638</u>	<u>\$1,107.5</u>

TABLE 4
DISTRIBUTION OF FULL-TIME* ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE
AS OF JUNE 30, 2006

Age	Years of Service								Totals	
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over		
Under 20	12	18	-	-	-	-	-	-	-	30
	53,554	247,918	-	-	-	-	-	-	-	301,472
20-24	298	684	32	-	-	-	-	-	-	1,014
	2,044,806	14,002,582	603,953	-	-	-	-	-	-	16,651,341
25-29	615	3,216	723	5	-	-	-	-	-	4,559
	5,916,796	97,248,496	23,907,398	181,157	-	-	-	-	-	127,253,847
30-34	640	3,695	2,209	331	8	-	-	-	-	6,883
	6,656,806	133,935,501	86,788,489	13,155,041	325,115	-	-	-	-	240,860,952
35-39	491	3,370	3,008	1,196	360	16	-	-	-	8,441
	5,682,220	130,800,466	134,510,612	58,072,565	16,106,264	713,517	-	-	-	345,885,644
40-44	359	2,687	3,105	1,643	1,162	372	20	-	-	9,348
	4,014,083	98,743,267	139,111,826	84,487,950	62,575,456	17,361,052	879,037	-	-	407,172,671
45-49	341	2,437	3,203	1,958	1,731	1,141	470	16	-	11,297
	3,644,765	88,127,433	137,816,166	101,758,834	100,904,802	65,659,702	24,061,420	959,841	-	522,932,963
50-54	272	2,177	3,088	2,074	2,175	1,610	970	194	-	12,560
	3,298,124	79,344,800	127,610,086	100,484,278	127,822,054	109,942,384	62,058,727	11,409,252	-	621,969,705
55-59	229	1,846	2,398	1,947	2,029	1,517	1,044	414	-	11,424
	2,945,741	62,633,131	94,882,358	82,324,404	110,222,441	104,562,735	81,929,410	35,214,154	-	574,714,374
60-64	84	998	1,350	1,083	1,031	751	497	397	-	6,191
	927,556	32,726,180	50,523,419	42,638,681	53,511,949	52,778,964	40,532,953	40,651,077	-	314,290,779
65 & Over	29	429	741	632	536	264	185	378	-	3,194
	255,184	8,568,331	20,005,033	17,603,073	22,290,076	16,637,438	14,670,448	37,564,926	-	137,594,509
Totals	3,370	21,557	19,857	10,869	9,032	5,671	3,186	1,399	-	74,941
	35,439,635	746,378,105	815,759,340	500,705,983	493,758,157	367,655,792	224,131,995	125,799,250	-	3,309,628,257

* Includes part-time members with at least three years of service.

TABLE 5
DISTRIBUTION OF BENEFIT RECIPIENTS BY AGE
AS OF JUNE 30, 2006

<u>Age</u>	<u>Number</u>	<u>Annual Benefit</u>
Retirees and Survivors		
Under 50	656	\$ 4,117,448
50-54	578	16,735,020
55-59	3,936	112,212,684
60-64	6,844	223,860,417
65-69	7,524	230,958,811
70 & Over	<u>20,843</u>	<u>497,651,155</u>
Total	40,381	\$1,085,535,535
Disabilitants		
Under 50	228	\$ 3,792,117
50-54	255	4,441,096
55-59	272	5,211,241
60-64	215	3,747,794
65-69	160	3,435,603
70 & Over	<u>127</u>	<u>1,362,384</u>
Total	1,257	\$21,990,235

Appendix C
Actuarial Determinations

TABLE 6
SUMMARY OF ACTUARIAL VALUES
AS OF JUNE 30, 2006
(\$ IN MILLIONS)

	APV of Projected Benefits	Projected Unit Credit Values	
		Actuarial Accrued Liability (AAL)	Normal (NC)
1. Active Members			
a. Retirement	\$11,798.8	\$ 7,852.4	\$440.6
b. Death	295.8	194.9	12.2
c. Disability	666.0	443.8	35.2
d. Termination	978.7	647.9	64.0
Total - Active Members	<u>\$13,739.3</u>	<u>\$ 9,139.0</u>	<u>\$552.0</u>
2. Benefit Recipients			
a. Retirement	\$10,756.2	\$10,756.2	\$ 0.0
b. Survivor	654.1	654.1	0.0
c. Disability	291.0	291.0	0.0
Total - Benefit Recipients	<u>\$11,701.3</u>	<u>\$11,701.3</u>	<u>\$ 0.0</u>
3. Other Inactive	\$ 848.7	\$ 848.7	
4. Grand Total	\$26,289.3	\$21,689.0	\$552.0
5. Operating Expense			\$ 11.8
6. Total Normal Cost			\$563.8

TABLE 7
ANALYSIS OF CHANGE IN
UNFUNDED ACTUARIAL ACCRUED LIABILITY
FOR THE YEAR ENDING JUNE 30, 2006
(\$ IN MILLIONS)

1. Actuarial (Gain)/Loss on AAL		
(a) AAL 6/30/05		\$20,349.9
(b) Normal Cost FY06	\$ 545.3	
(c) Benefits Paid FY06	(1,128.0)	
(d) Interest on (a), (b), and (c)	1,705.5	
(e) Expected AAL 6/30/2006 (a+b+c+d)		21,472.7
(f) Actual AAL 6/30/2006		<u>21,689.0</u>
(g) Actuarial (Gain)/Loss on AAL (f-e)		\$ 216.3
(h) Impact of Benefit Changes		0.0
(i) Impact of Change in Actuarial Assumptions and Methods		0.0
(j) Actual AAL After Changes ((f)+(h)+(i))		\$21,689.0
2. Actuarial (Gain)/Loss on Assets		
(a) Assets 6/30/05		13,350.2
(b) Contributions FY06	432.9	
(c) Benefits	(1,128.0)	
(d) Interest at 8.5%	1,105.9	
(e) Expected Assets 6/30/2006 (a+b+c+d)		13,761.0
(f) Actual Assets 6/30/2006		<u>14,175.1</u>
(g) Actuarial (Gain)/Loss on Assets (e-f)		\$ (414.1)
3. Total Actuarial (Gain)/Loss		
(a) (Gain)/Loss on AAL		\$ 216.3
(b) (Gain)/Loss on Assets		<u>(414.1)</u>
(c) Net (Gain)/Loss (a+b)		\$ (197.8)

TABLE 8
ANALYSIS OF ACTUARIAL GAINS AND LOSSES
(\$ IN MILLIONS)

	Amount of (Gain) or Loss			
	FY 2003	FY 2004	FY 2005	FY 2006
Investment Return	\$583.0	\$(950.5)	\$(218.0)	\$(414.1)
Salary Increase	10.3	(62.9)	(19.4)	28.6
Age and Service Retirement	49.7	105.4	253.1	133.8
General Employment Termination	(20.1)	(9.7)	(83.9)	(39.6)
Disability Incidence	11.4	22.1	15.1	13.7
In Service Mortality	3.0	3.0	2.4	2.4
Benefit Recipient	(37.5)	(89.5)	(171.6)	(49.7)
New Entrants	117.6	202.3	68.0	81.6
Other	204.4	\$(192.4)	124.9	45.5
Total Actuarial (Gain) Loss	\$921.8	\$(972.2)	\$ (29.4)	\$(197.8)

TABLE 9
SCHEDULE OF FUNDING STATUS
(\$ IN 000'S)

Plan Year	Assets*	AAL	UAAL	Funding Ratio	Payroll/DB**	UAAL as % of Payroll
1993	\$ 4,188,500	\$ 7,838,200	\$3,649,700	53.44	\$2,106,167	173.29
1994	4,446,900	8,585,500	4,138,600	51.80	2,140,139	193.38
1995	4,673,287	9,378,486	4,705,199	49.83	2,237,025	210.33
1996	5,082,891	10,155,039	5,072,148	50.05	2,330,038	217.69
1997	5,750,637	10,552,216	4,801,579	54.50	2,298,029	208.94
1997 *	8,376,347	10,552,216	2,175,869	79.38	2,298,029	94.68
1998	9,793,809	11,416,095	1,622,286	85.79	2,377,578	68.23
1999	10,762,157	12,617,495	1,855,338	85.30	2,411,118	76.95
2000	12,063,950	13,679,039	1,615,089	88.19	2,424,209	66.62
2001	10,753,297	14,915,317	4,162,020	72.10	2,474,631	168.19
2002	9,814,677	16,654,041	6,839,364	58.93	2,607,155	262.33
2003	9,714,547	18,025,032	8,310,485	53.89	2,763,428	300.73
2004	12,586,305	19,078,583	6,492,278	65.97	2,814,071	230.71
2005	13,350,278	20,349,922	6,999,644	65.60	2,939,185	238.15
2006	14,175,147	21,688,935	7,513,788	65.36	3,054,100	246.02

* *Book Value up to second 1997 value, then Market Value*

AAL - Actuarial Accrued Liability

UAAL - Unfunded Actuarial Accrued Liability

** *Payroll is rolled forward with salary scale for one year.*

TABLE 10
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ IN MILLIONS)

Fiscal Year	(1) Total ARC*	(2) Member Contributions	(3) (1) - (2) Net State ARC	(4) Actual State Contribution	(5) (4) / (3) State Cont. as Percent of Net ARC
1993	\$651.8	\$175.7	\$476.1	\$ 127.8	26.85 %
1994	706.8	183.1	523.7	133.8	25.55
1995	739.5	185.9	553.6	128.1	23.14
1996	787.1	197.0	590.1	147.4	24.97
1997	634.8	202.2	432.6	182.0	42.08
1998 **	512.1	221.7	290.4	227.8	78.44
1999	509.2	213.0	296.2	237.9	80.32
2000	547.8	222.5	325.3	241.1	74.11
2001	548.1	221.6	326.5	247.1	75.69
2002	686.9	251.6	435.3	256.1	58.84
2003	843.8	246.3	597.5	285.3	47.74
2004	934.8	243.8	691.0	1,757.5	254.36
2005	859.7	251.9	607.8	285.4	46.96
2006	914.9	252.9	662.0	180.0	27.19
2007	968.3				

* ARC - Annual Required Contribution as defined in GASB Statements No. 25 and 27

** Assets at market value.

TABLE 11
GENERAL INFORMATION GASB #25

Development of Net Pension Obligation
June 30, 2006
(\$ in Millions)

1. NPO at 6/30/05		\$4,361.901
2. State Expense for FY 2006	\$802.407	
3. State Contribution for FY 2006	180.018	
4. Excess of Expense over Contribution (2-3)	_____	622.389
5. NPO at 6/30/06 (1+4)		\$4,984.290

Development of ARC and Expense for FY 2007
(\$ in Millions)

1. Normal Cost		\$ 563.810
2. Amortization of UAAL (30 years remaining)		404.525
3. Total ARC (1+2)		\$ 968.335
4. Interest on NPO		423.665
5. NPO Adjustment		(268.343)
6. Total Expense (Including member contributions) (3+4+5)		\$1,123.657

Notes in Trend Data

Information	Data
Valuation Date	June 30, 2006
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market
 Actuarial Assumptions	
Investment rate of return	8.50%
Projected salary increases	5.5% - 9.5%
Cost-of-living adjustment	3.0%

Appendix D
Actuarial Projections

TABLE 12
BASELINE PROJECTIONS – ACTUARIAL VALUATION JUNE 30, 2006
ASSUMES CONTRIBUTIONS BASED ON TABLE 14 & INVESTMENT RETURN OF 8.5% EACH YEAR
(\$ MILLIONS)

Fiscal Year	Total Payroll	SMP Pay	DB Pay	Benefits	Expenses	Assets EOY	AAL	Funding Ratio
2007	\$ 3,456.949	\$ 503.304	\$ 2,953.645	\$1,297.723	\$12.230	\$14,484.695	\$22,666.996	63.90 %
2008	3,584.223	579.715	3,004.507	1,358.138	12.680	14,891.672	23,626.801	63.03
2009	3,716.873	655.690	3,061.183	1,437.302	13.150	15,384.365	24,593.270	62.56
2010	3,853.763	731.093	3,122.670	1,519.791	13.634	15,970.554	25,563.688	62.47
2011	3,996.487	807.377	3,189.110	1,608.250	14.139	16,542.230	26,526.724	62.36
2012	4,146.817	886.028	3,260.789	1,699.521	14.671	17,096.854	27,478.376	62.22
2013	4,304.828	967.643	3,337.186	1,795.293	15.230	17,629.880	28,411.308	62.05
2014	4,471.867	1,051.871	3,419.996	1,892.375	15.821	18,140.051	29,324.373	61.86
2015	4,648.267	1,138.768	3,509.499	1,990.821	16.445	18,626.021	30,215.501	61.64
2016	4,834.306	1,228.594	3,605.712	2,092.016	17.103	19,084.933	31,077.303	61.41
2020	5,694.484	1,622.520	4,071.964	2,501.396	20.146	20,633.965	34,172.742	60.38
2025	7,091.753	2,195.279	4,896.473	2,909.670	25.090	22,311.976	37,561.148	59.40
2030	8,942.771	2,882.843	6,059.928	3,291.459	31.638	24,432.243	40,632.308	60.13
2035	11,363.730	3,737.326	7,626.404	3,595.304	40.203	28,211.126	43,961.988	64.17
2040	14,498.915	4,810.008	9,688.907	3,830.791	51.295	35,808.401	48,606.058	73.67
2045	18,512.949	6,162.990	12,349.960	4,096.685	65.496	50,253.958	55,839.318	90.00

TABLE 13
PROJECTED STATE CONTRIBUTIONS FOR RETIREMENT
ACTUARIAL VALUATION AS OF JUNE 30, 2006
BEFORE IMPACT OF BONDS ISSUED IN 2004

45% Select Portable SURS

	33% of New Members to SMP			
	SURS Cont.	SMP Cont.	Total Contribution	
			\$	% of Pay
2008	\$ 435.985	\$ 41.441	\$ 477.426	13.32 %
2009	569.943	49.832	619.776	16.67
2010	713.097	55.563	768.660	19.95
2011	739.506	61.361	800.867	20.04
2012	767.323	67.338	834.661	20.13
2013	796.561	73.541	870.102	20.21
2014	827.470	79.942	907.412	20.29
2015	860.111	86.546	946.657	20.37
2016	894.535	93.373	987.908	20.44
2017	930.902	100.466	1,031.368	20.50
2018	969.412	107.819	1,077.231	20.56
2019	1,010.335	115.426	1,125.761	20.62
2020	1,053.702	123.312	1,177.013	20.67
2021	1,099.633	131.447	1,231.080	20.72
2022	1,148.349	139.849	1,288.198	20.76
2023	1,199.856	148.540	1,348.396	20.79
2024	1,254.505	157.534	1,412.039	20.83
2025	1,312.251	166.841	1,479.092	20.86
2026	1,373.415	176.495	1,549.910	20.88
2027	1,438.086	186.530	1,624.616	20.90
2028	1,506.466	196.958	1,703.424	20.92

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TABLE 13
PROJECTED STATE CONTRIBUTIONS FOR RETIREMENT
ACTUARIAL VALUATION AS OF JUNE 30, 2006
BEFORE IMPACT OF BONDS ISSUED IN 2004
(CONCLUDED)

45% Select Portable SURS

	33% of New Members to SMP			
	SURS Cont.	SMP Cont.	Total Contribution	
			\$	% of Pay
2029	\$ 1,578.632	\$ 207.801	\$ 1,786.433	20.94 %
2030	1,654.762	219.096	1,873.858	20.95
2031	1,735.010	230.897	1,965.907	20.97
2032	1,819.778	243.268	2,063.046	20.98
2033	1,909.163	256.239	2,165.402	20.99
2034	2,003.437	269.828	2,273.266	21.00
2035	2,102.734	284.037	2,386.771	21.00
2036	2,207.506	298.928	2,506.433	21.01
2037	2,317.681	314.470	2,632.151	21.01
2038	2,433.442	330.731	2,764.173	21.02
2039	2,555.100	347.746	2,902.845	21.02
2040	2,682.866	365.561	3,048.426	21.03
2041	2,817.143	384.253	3,201.396	21.03
2042	2,958.288	403.837	3,362.124	21.03
2043	3,106.501	424.348	3,530.849	21.03
2044	3,262.181	445.852	3,708.033	21.03
2045	3,425.619	468.387	3,894.006	21.03
Total	\$61,471.287	\$7,855.429	\$69,326.716	

TABLE 14
PROJECTED STATE CONTRIBUTIONS
ACTUARIAL VALUATION AS OF JUNE 30, 2006
INCLUDING IMPACT OF BONDS ISSUED IN 2004

45% Select Portable SURS

	33% of New Members to SMP			
	SURS Cont.	SMP Cont.	Total Contribution	
			\$	% of Pay
2008	\$ 338.878	\$ 41.441	\$ 380.320	10.61
2009	463.052	49.832	512.885	13.80
2010	590.654	55.563	646.217	16.77
2011	612.529	61.361	673.890	16.86
2012	635.570	67.338	702.908	16.95
2013	659.788	73.541	733.328	17.04
2014	685.389	79.942	765.331	17.11
2015	712.425	86.546	798.972	17.19
2016	740.939	93.373	834.312	17.26
2017	771.061	100.466	871.527	17.32
2018	802.959	107.819	910.778	17.38
2019	836.855	115.426	952.281	17.44
2020	872.776	123.312	996.087	17.49
2021	910.820	131.447	1,042.267	17.54
2022	951.171	139.849	1,091.020	17.58
2023	993.834	148.540	1,142.374	17.62
2024	1,039.100	157.534	1,196.633	17.65
2025	1,086.931	166.841	1,253.772	17.68
2026	1,137.592	176.495	1,314.087	17.70
2027	1,191.159	186.530	1,377.689	17.73
2028	1,247.798	196.958	1,444.755	17.75

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TABLE 14
PROJECTED STATE CONTRIBUTIONS
ACTUARIAL VALUATION AS OF JUNE 30, 2006
INCLUDING IMPACT OF BONDS ISSUED IN 2004
(CONCLUDED)

45% Select Portable SURS

	33% of New Members to SMP			
	SURS Cont.	SMP Cont.	Total Contribution	
			\$	% of Pay
2029	\$ 1,307.573	\$ 207.801	\$ 1,515.374	17.76 %
2030	1,370.630	219.096	1,589.726	17.78
2031	1,437.099	230.897	1,667.996	17.79
2032	1,507.313	243.268	1,750.580	17.80
2033	1,581.350	256.239	1,837.589	17.81
2034	1,659.436	269.828	1,929.265	17.82
2035	1,741.683	284.037	2,025.720	17.83
2036	1,828.465	298.928	2,127.393	17.83
2037	1,919.723	314.470	2,234.193	17.84
2038	2,015.607	330.731	2,346.338	17.84
2039	2,116.376	347.746	2,464.121	17.85
2040	2,222.203	365.561	2,587.764	17.85
2041	2,333.425	384.253	2,717.678	17.85
2042	2,450.334	403.837	2,854.171	17.85
2043	2,573.098	424.348	2,997.446	17.85
2044	2,702.047	445.852	3,147.899	17.86
2045	2,837.422	468.387	3,305.809	17.86
Total	\$50,885.065	\$7,855.429	\$58,740.494	

Appendix E
Actuarial Method and Assumptions

PROJECTED UNIT CREDIT METHOD

The Projected Unit Credit Method is mandated under Section 15-155 as the funding method to be used for all purposes under SURS.

The concept of this method is that funding of benefits should occur as benefits are accrued (earned) by active members of SURS.

The Normal Cost (NC) for a fiscal year under this method is the actuarial present value of all benefits expected to be accrued during the fiscal year. The Actuarial Accrued Liability (AAL) under this method is the actuarial present value of all benefits accrued to the valuation date. To the extent that the assets of the fund are insufficient to cover the AAL, an Unfunded Actuarial Accrued Liability (UAAL) develops. Under the classical application of this method, the contribution for a year is the NC for that year plus an amount to amortize the UAAL.

Under Section 15-155, the employer/State contribution is determined such that the assets of SURS reach 90% of the AAL by the end of FY 2045.

This contribution is determined as a level percentage of pay for all years except that the contribution rates through 2010 shall grade in equal steps to the desired level contribution rate.

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE JULY 1, 2001)

Rate of Investment Return. For all purposes under the system the rate of investment return is assumed to be 8.5% per annum.

Effective Rate of Interest: The assumed rate credited to member accounts is 9.0% per annum.

Annual Compensation Increases. Each member's compensation is assumed to increase by 5.5% each year, 4% reflecting salary inflation and 1.5% reflecting standard of living increases. That rate is increased for members with less than 6 years of service, as follows:

<u>Service Year</u>	<u>Additional Increase</u>
0	.0400
1	.0300
2	.0175
3	.0175
4	.0175
5	.0100

Mortality. The mortality assumption for retirees, beneficiaries and disabilities are based on the 1994 Group Annuity Mortality Table with a one-year age setback for males and no age setback for females. The assumed mortality rates for active members are 75% of those for retirees.

Disability. A table of disability incidence with sample rates follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
20	0.0002	0.0002
30	0.0010	0.0010
40	0.0018	0.0018
50	0.0042	0.0042
60	0.0071	0.0071
70	0.0100	0.0100

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE JULY 1, 2001)
(CONTINUED)

Retirement. Upon eligibility, active members are assumed to retire as follows:

<u>Age</u>	<u>All</u>
50	.200
51	.200
52	.200
53	.200
54	.250
55	.100
56	.090
57	.080
58	.080
59	.100
60	.150
61	.150
62	.175
63	.175
64	.175
65	.250
66	.200
67	.200
68	.200
69	.250
70	1.000

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE JULY 1, 2001)
(CONTINUED)

General Turnover. A table of termination rates based on experience in the 1996-2001 period. The assumption is a table of turnover rates by years of service. A sample of these rates follows:

<u>Years of Service</u>	<u>All Members</u>
0	.275
1	.250
2	.200
3	.175
4	.150
5	.125
6	.100
7	.090
8	.075
9	.060
10	.050
15	.030
20 & Over	.020

Part time members with less than 3 years of service are assumed to terminate at the valuation date.

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE JULY 1, 2001)
(CONTINUED)

Operational Expenses. The amount of operational expenses incurred in the latest fiscal year are supplied by SURS staff and incorporated in the Normal Cost.

Marital Status. Members are assumed to be married in the following proportions:

<u>Age</u>	<u>Males</u>	<u>Females</u>
20	25 %	40 %
30	70	75
40	80	80
50	85	80
60	85	70

Spouse Age. The female spouse is assumed to be 3 years younger than the male spouse.

Future New Hires. For projection purposes 33% of new hires are assumed to elect to participate in the SMP.

Loads in Final Average Salary. None

Appendix F
Summary of Benefit Provisions
of Traditional SURS

It should be noted that the purpose of this appendix is to describe the benefit structures of SURS for which actuarial values have been generated. There is no description of the SMP and many portions of the defined plans are described in a manner which is not legally complete or precise.

It is not our intent to provide an exhaustive description of all benefits provided under SURS or the policies and procedures utilized by SURS staff. A more precise description of the provisions of SURS is contained in the Member's Guide, published by SURS staff. Of course, the statute is controlling.

GENERAL

Plans

There are two defined benefit plans available under SURS, the Traditional Plan and the Portable Plan. A Member must select one of these plans within the first six months of participation. If no choice is made in that time, the Traditional Plan is deemed chosen.

The provisions of the plans are identical in many areas. The description below is primarily of the Traditional Plan. Where different, the Portable plan provisions will be described in *italics*.

Member Contributions

Most members contribute a total of 8% of compensation, broken down as follows:

Retirement Annuity	6.5%
Survivor Benefits	1.0%
Annual Increases in Retirement Benefits	0.5%

Police officers and firefighters contribute a total of 9.5% of compensation, with the additional 1.5% allocated to the retirement annuity.

Portable Plan members contribute a total of 8% of compensation, but the breakdown set out above does not apply.

Since January 1, 1981, the member contributions under SURS have been “picked up” by employers.

Effective Rate of Interest

The interest rate credited to member contribution accounts for most purposes under the system is called the Effective Rate of Interest (“ERI”). Effective for the 2006 fiscal year, the ERI for the purpose of determining the money purchase benefit is established annually by the State Comptroller.

For the purpose of withdrawal of contributions at termination by Traditional Plan Members, this rate is not greater than 4.5% by statute.

RETIREMENT BENEFITS

Normal Retirement:

Eligibility

For police officers and firefighters, separation from service on or after the attainment of the earlier of:

1. Age 55 with 20 years of service, or
2. Age 50 with 25 years of service.

For other members, separation from service on or after attainment of the earlier of:

1. Age 62 with 5 years of service,
2. Age 60 with 8 years of service, and
3. 30 years of service regardless of age.

Initial Benefit Amount

There are 3 alternate formulae. The initial benefit is the largest produced by one of the three:

1. General Formula: The following percentages of high 4 consecutive year average compensation for each year of service:

<u>Year of Service</u>	<u>General</u>	<u>Police/Fire</u>
1 st 10 Years	2.20 %	2.25 %
Next 10 Years	2.20	2.50
Over 20	2.20	2.75

2. Money Purchase Formula:
 - a) The member contributions for retirement benefits accumulated with interest at the ERI, plus
 - b) An imputed employer contribution match at \$1.40 per dollar of member contribution accumulated with interest at the ERI.
 - c) The total of the accumulations in (a) and (b) is converted into an annuity using a life annuity factor that takes into account neither the automatic 50% spousal survivor benefit nor the automatic annual increases.

3. Minimum Benefit - A benefit for each year of service, up to 30, based on final annual pay, as follows:

Under 3,500	\$ 8
\$3,500 - \$4,500	9
\$4,500 - \$5,500	10
\$5,500 - \$6,500	11
\$6,500 - \$7,500	12
\$7,500 - \$8,500	13
\$8,500 - \$9,500	14
Over \$9,500	15

4. Minimum Retirement Annuity – No retiree shall receive a retirement annuity less than \$25 per month for each year of service up to 30. The comparable benefit for survivor benefit recipients is \$17.50 per month for each year of service up to 30.

Members hired on or after July 1, 2005 no longer receive the Money Purchase Formula under the plan.

Maximum Benefit

80% of high 4-year average compensation.

The present value of the benefits for pay increases in excess of 6% during the last four years prior to retirement will be paid by the employer. The employer will pay this amount in a lump sum to the Retirement System.

Benefit Duration

The Normal Retirement benefit is payable for the lifetime of the retired member. If the retiree under the Traditional Plan has a spouse at date of retirement and if that spouse survives the retiree the spouse will receive, upon the death of the retiree, a survivor benefit equal to 50% of the monthly benefit being paid to the retiree as of the date of death. Such benefit will continue for the lifetime of the surviving spouse.

For retirees under the Portable Plan, the normal form of benefit is an annuity which is payable for the lifetime of the retiree only. Benefit forms, which provide for continuation of the benefit to a surviving spouse after the death of the retiree, are available as options. Those selecting such an option will have their benefit reduced to cover the cost of the option.

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

Early Retirement

Eligibility

For members other than police and fire employees, separation from service on or after attainment of age 55 with 8 years of service but not eligible for Normal Retirement.

Benefits

The benefit amounts and all terms of benefit payment are the same as that for Normal Retirement, except that the benefit amounts calculated under the General Formula and the Minimum Formula shall be reduced by .5% for each month by which the retirement date precedes the 60th birthday.

BENEFITS ON DEATH BEFORE RETIREMENT

Survivor Benefits – Traditional Plan Only

Eligibility

Death of an active member with at least 1.5 years of service or a terminated member with at least 10 years of service. For this purpose, service under the State Employees' Retirement System, the State Teachers' Retirement System, and the Chicago Teacher's Retirement System is recognized.

Benefits

An annuity to the surviving spouse equal to the greater of:

1. 50% of the benefit accrued to the date of the death of the member, and
2. The applicable benefit from the following list:
 - a) \$400 per month to a single survivor (spouse, child or dependent parent), or
 - b) \$600 to two or more survivors.

Benefit Duration

Surviving spouse may receive a lifetime benefit commencing at the later of the member's date of death and the spouse's attainment of age 50. Benefits are payable to a spouse at an earlier date so long as there is a surviving dependent, unmarried child under age 18 (over 18 if disabled).

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each survivor annuity recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

Death Benefit – Portable Plan

Upon the death of a member of the Portable Plan prior to retirement, the member's survivors will receive a benefit whose value is the larger of:

1. A Pre-Retirement Survivor Annuity, and
2. A refund of all member contributions plus interest at the full Effective Rate, plus, if the member has at least 5 years of service at death, a like amount of imputed employer contributions.

Lump Sum Death Benefit – Traditional and Portable Plan

Eligibility

Death of member prior to retirement.

Benefit

The following are payable to the member's beneficiary:

1. Refund of accumulated member contributions for retirement and annual adjustment,
2. \$1,000
3. If survivor benefits not payable,
 - a) Refund of the accumulated member contribution for survivor benefits, and
 - b) \$5,000 to a dependent beneficiary or \$2,500 to a non-dependent beneficiary

BENEFITS FOR DISABILITY

Disability Benefit

Eligibility

Disablement after completing 2 years of service. The service requirement is waived if the disablement is accidental.

Disability definition - inability to perform the duties of "own occupation".

Pregnancy and childbirth are, by definition, disablement.

Benefit

50% of the basic compensation paid at date of disablement. This base benefit level is offset dollar for dollar by each of the following:

1. Earnings while disabled in excess of the disability benefit.
2. Other disability insurance either fully or partially employer provided.
3. Worker's compensation benefits.

Duration of Benefit

Benefits become payable on the later of the termination of salary and sick leave, or the 61st day after disablement and continue to the earlier of the following:

1. Recovery or death
2. Benefits paid equal 50% of total compensation during the period of SURS service
3. If disablement occurs prior to age 65, the attainment of age 70
4. If disablement occurs at or after attainment of age 65, completion of 5 years in disablement.

If, at discontinuance of the disability benefit, the member is eligible for a retirement benefit (based on service, which includes the period of disability), the member may retire and receive that benefit.

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each disability benefit recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

Disability Retirement Annuity

Eligibility

Continuing disablement after discontinuation of the disability benefit as a result of reaching the “50% of total earnings” limitation. Disability is defined in accordance with the Social Security disability definition.

Benefit

35% of the compensation being earned at disablement.

Duration of Benefit

Benefits become payable upon discontinuance of the disability benefit and continue to the earlier of the following:

1. Recovery or death
2. Election to receive a retirement benefit

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each disability retirement benefit recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

BENEFITS FOR DEFERRED MEMBERS

Eligibility

Separation from employment with at least 5 years of service.

Benefit

Benefit as defined for normal retirement purposes, but calculated based on final average compensation and service at date of termination.

Commencement of Benefit

Benefits commence when member reaches the age condition for either normal or early retirement.

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.