

**STATE UNIVERSITIES RETIREMENT
SYSTEM OF ILLINOIS**
ACTUARIAL VALUATION REPORT
AS OF JUNE 30, 2007



October 11, 2007

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, 2007.

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, 2009, 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 of SURS in effect as of June 30, 2007, 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.

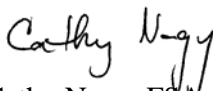
The actuarial cost method and assumptions used in this valuation are those recommended in our experience review performed after the previous valuation and adopted by the Board first effective for the valuation as of June 30, 2007.

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.

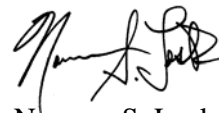
Respectfully submitted,



Larry Langer, ASA
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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, 2007.

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, 2009 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 has had investment gains in each subsequent year. The returns for the year ending June 30, 2007 amounted to about 18.3% after a 11.7% return in FY 2006.

The funded ratio increased from 65.4% as of June 30, 2006 to 68.4% as of June 30, 2007 primarily because of favorable investment return.

There was no pension legislation affecting funding in the 2007 Legislative session. However, laws requiring divestment with respect to Sudan and Iran were enacted during the 2007 session.

ACTUARIAL ASSUMPTIONS

The methods and assumptions used in this valuation are updated based on the recommendations from the experience review performed for the period 2001 through 2006 which was performed after the June 30, 2006 valuation. The changes to the assumptions include the following:

- Decrease in the general pay increase assumption and change to the merit/longevity portion of the salary increase assumption
- Decrease in the assumed effective rate of interest
- Increase in the retirement rates for ages under 55 and decrease in the retirement rates for ages 55 and older
- Decrease in the postretirement mortality rates for males
- Slight increase in the turnover rates
- Decrease in the disability rates
- Decrease in the SMP election percentage
- Change in valuation methodology for current inactives to estimating and valuing an annuity benefit

SURS BENEFITS

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

EXPERIENCE DURING 2007

The fund earned 18.3% during FY 2007. The return during FY 2007 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 \$1,153.0 million.

Based on market value, the gain from investment return was about \$1,342.0 million. In addition, there was a loss of \$189.0 million from actuarial liabilities, including a loss of \$67.0 million from pay increases and a loss of about \$122.0 million from demographic experience. In addition, there was an increase in the actuarial liabilities of \$324.4 million, measured as of June 30, 2006, due to the adoption of new assumptions and methods and refinements in valuation methodology.

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

1. AAL - Prior Year	\$21,689.0
2. Adjustment for New Assumptions and Methods	324.4
3. AAL - New Assumptions and Methods	22,013.4
4. Normal Cost - Prior Year, New Assumptions and Methods	547.4
5. Benefits and Admin Expenses Paid in FY 2007	(1,230.4)
6. Interest on the above items	1,842.7
7. Expected AAL 6/30/2007 (3+4+5+6)	<u>23,173.1</u>
8. Actual AAL 6/30/2007	<u>23,362.1</u>
9. Actuarial (Gain)/Loss on Liabilities (8-7)	\$ 189.0

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)/Loss on Assets	\$(1,342.0)
2. Actuarial (Gain)/Loss on Liabilities	<u>189.0</u>
3. Total Actuarial (Gain)/Loss (1+2)	\$(1,153.0)

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

STATUTORY APPROPRIATIONS FOR THE 2009 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 2009 and estimates of the required contributions for the subsequent five fiscal years are set out below.

Fiscal Year	Required State Contribution (in Millions)		
	15% of New Members to SMP		
	SURS	SMP	Total
2009	\$457.2	\$34.1	\$491.3
2010	565.3	41.0	606.3
2011	584.0	42.9	626.9
2012	603.9	45.1	649.0
2013	624.8	47.3	672.1
2014	647.1	49.8	696.9

The State contribution for FY 2009 is \$491,216,000. This is equal to a gross contribution of \$496,393,000 less \$5,177,000 in SMP forfeitures.

Estimates of Employer/State contributions through 2045, assuming that 15% of future new members elect SMP, are set out in Table 14. The assumption of future new members electing SMP decreased from 33% to 15% as a result of the experience review.

The State contributions set out in this report represent total required contributions. The net State appropriation is the total shown in this report, adjusted by 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 \$14,175.1 million as of June 30, 2006 to \$15,985.7 million as of June 30, 2007. 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 increased from 65.4% at June 30, 2006, to 68.4% at June 30, 2007.

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
STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2007 AND JUNE 30, 2006

	Defined Benefit Plan	Self Managed Plan	Reporting Entity Totals	
			2007	2006
Assets				
Cash and short-term investments	788,901,518		788,901,518	934,742,836
Receivables				
Participants	13,321,253	1,304,197	14,625,450	15,884,075
Federal, trust funds, and other	731,845	1,205,883	1,937,728	1,553,538
Notes receivable, long-term	883,468		883,468	616,685
Pending investment sales	2,186,217,154		2,186,217,154	248,418,707
Interest and dividends	<u>33,821,070</u>		<u>33,821,070</u>	<u>29,784,816</u>
Total receivables	2,234,974,790	2,510,080	2,237,484,870	296,257,821
Prepaid expenses	14,237		14,237	18,367
Investments, at fair value				
Equity investments	10,712,800,406	32,399,894	10,745,200,300	9,692,422,530
Fixed income investments	4,804,009,271	15,899,761	4,819,909,032	3,816,079,807
Real estate investments	185,523,936	210,112	185,734,048	131,569,925
Mutual fund and variable annuities		<u>533,003,487</u>	<u>533,003,487</u>	<u>405,332,778</u>
Total investments	15,702,333,613	581,513,254	16,283,846,867	14,045,405,040
Securities lending collateral	2,162,980,971		2,162,980,971	1,791,458,483
Capital assets, at cost, net of accumulated depreciation \$15,182,625 and \$16,161,193 respectively	<u>7,444,568</u>		<u>7,444,568</u>	<u>8,142,980</u>
Total assets	20,896,649,697	584,023,334	21,480,673,031	17,076,025,527
Liabilities				
Benefits payable	7,036,909		7,036,909	6,451,829
Refunds payable	3,053,323		3,053,323	5,045,192
Securities lending collateral	2,162,980,971		2,162,980,971	1,791,458,483
Payable to brokers for unsettled trades	2,725,185,889		2,725,185,889	643,514,461
Administrative expenses payable	<u>12,662,376</u>		<u>12,662,376</u>	<u>10,393,335</u>
Total liabilities	<u>4,910,919,468</u>		<u>4,910,919,468</u>	<u>2,456,863,300</u>
Net assets held in trust for pension benefits	<u>15,985,730,229</u>	<u>584,023,334</u>	<u>16,569,753,563</u>	<u>14,619,162,227</u>

TABLE 2
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	Defined Benefit	Self Managed	Reporting Entity Totals	
	Plan	Plan	2007	2006
Additions				
Contributions				
Employer	261,142,635	33,308,829	294,451,464	209,651,367
Participant	<u>262,350,838</u>	<u>41,641,763</u>	<u>303,992,601</u>	<u>292,392,188</u>
Total Contributions	523,493,473	74,950,592	598,444,065	502,043,555
Investment Income				
Net appreciation				
in fair value of investments	2,169,592,566	74,060,865	2,243,653,431	1,281,932,946
Interest	225,548,765		225,548,765	183,792,025
Dividends	155,508,304		155,508,304	126,245,756
Securities lending	<u>4,958,036</u>		<u>4,958,036</u>	<u>4,525,486</u>
	2,555,607,671	74,060,865	2,629,668,536	1,596,496,213
Less investment expense				
Asset management expense	37,104,488		37,104,488	28,813,142
Securities lending expense	<u>1,007,138</u>		<u>1,007,138</u>	<u>872,700</u>
Net investment income	<u>2,517,496,045</u>	<u>74,060,865</u>	<u>2,591,556,910</u>	<u>1,566,810,371</u>
Total additions	3,040,989,518	149,011,457	3,190,000,975	2,068,853,926
Deductions				
Benefits	1,177,348,077	1,896,072	1,179,244,149	1,086,565,418
Refunds of contributions	41,353,881	7,107,042	48,460,923	51,422,635
Bond interest expense				179,640
Administrative expense	<u>11,704,567</u>		<u>11,704,567</u>	<u>11,982,284</u>
Total deductions	1,230,406,525	9,003,114	1,239,409,639	1,150,149,977
Net increase	1,810,582,993	140,008,343	1,950,591,336	918,703,949
Net assets held in trust for pension benefits				
Beginning of year	<u>14,175,147,236</u>	<u>444,014,991</u>	<u>14,619,162,227</u>	<u>13,700,458,278</u>
End of Year	<u>15,985,730,229</u>	<u>584,023,334</u>	<u>16,569,753,563</u>	<u>14,619,162,227</u>

APPENDIX B
MEMBERSHIP DATA

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

	<u>June 30, 2006</u>		<u>June 30, 2007</u>	
	<u>Number</u>	<u>Earnings</u>	<u>Number</u>	<u>Earnings</u>
Active Members				
Full time				
Traditional SURS	50,557	\$2,117.7	50,434	\$2,186.2
Portable SURS	15,988	777.1	16,614	843.3
SMP	8,396	414.8	8,880	464.0
Total Full Time	<u>74,941</u>	<u>\$3,309.6</u>	<u>75,928</u>	<u>\$3,493.5</u>
Part time				
Traditional SURS	4,466	\$ 21.3	4,268	\$ 20.7
Portable SURS	748	4.2	776	4.6
SMP	714	4.4	719	5.0
Total Part Time	<u>5,928</u>	<u>\$ 29.9</u>	<u>5,763</u>	<u>\$ 30.3</u>
Total	80,869	\$3,339.5	81,691	\$3,523.8
Inactive Members				
Traditional/Portable	67,743		69,726	
SMP	4,863		5,535	
Total	<u>72,606</u>		<u>75,261</u>	
	<u>Number</u>	<u>Annual Benefits</u>	<u>Number</u>	<u>Annual Benefits</u>
Benefit Recipients				
Retirement	33,574	\$ 1,010.3	35,200	\$1,093.8
Survivor	6,807	75.2	6,958	81.1
Disability	1,257	22.0	1,237	22.3
Total	<u>41,638</u>	<u>\$1,107.5</u>	<u>43,395</u>	<u>\$1,197.2</u>

TABLE 4
DISTRIBUTION OF FULL-TIME* ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE
AS OF JUNE 30, 2007

Age	Years of Service								Totals	
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over		
Under 20	21	22	-	-	-	-	-	-	-	43
	60,048	289,796	-	-	-	-	-	-	-	349,844
20-24	383	918	35	-	-	-	-	-	-	1,336
	3,152,577	20,903,546	680,859	-	-	-	-	-	-	24,736,982
25-29	638	3,448	863	10	-	-	-	-	-	4,959
	6,509,198	110,717,021	30,998,054	409,785	-	-	-	-	-	148,634,058
30-34	670	3,811	2,380	408	13	-	-	-	-	7,282
	8,013,489	143,897,438	99,712,745	17,416,370	610,007	-	-	-	-	269,650,049
35-39	419	3,381	3,101	1,337	385	28	-	-	-	8,651
	5,525,956	138,292,866	146,506,045	67,163,516	18,467,979	1,360,514	-	-	-	377,316,876
40-44	351	2,598	3,102	1,718	1,190	449	27	-	-	9,435
	3,895,037	101,265,092	147,457,401	91,602,373	67,200,346	22,907,210	1,344,541	-	-	435,671,999
45-49	338	2,419	3,155	1,985	1,686	1,202	512	28	-	11,325
	4,092,424	91,255,793	140,168,159	108,094,955	104,090,444	73,022,414	27,775,210	1,909,762	-	550,409,160
50-54	233	2,158	3,024	2,056	2,148	1,627	955	222	-	12,423
	2,804,967	79,136,668	131,538,361	103,865,112	126,545,344	117,701,813	62,841,028	14,136,568	-	638,569,860
55-59	189	1,836	2,377	1,881	2,034	1,481	1,027	418	-	11,243
	2,606,169	64,945,563	100,756,091	84,868,081	108,680,784	104,274,851	84,383,613	35,947,797	-	586,462,949
60-64	66	940	1,389	1,059	1,091	747	464	397	-	6,153
	836,455	33,487,606	54,489,567	46,205,226	56,066,319	52,853,279	39,503,630	42,466,562	-	325,908,645
65 & Over	34	424	739	558	532	268	155	368	-	3,078
	345,683	9,519,964	20,739,618	16,916,171	21,883,621	17,077,072	12,308,620	36,960,007	-	135,750,756
Totals	3,342	21,955	20,165	11,012	9,079	5,802	3,140	1,433	-	75,928
	37,842,003	793,711,354	873,046,898	536,541,588	503,544,844	389,197,153	228,156,642	131,420,696	-	3,493,461,179

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

TABLE 5
DISTRIBUTION OF BENEFIT RECIPIENTS BY AGE
AS OF JUNE 30, 2007

<u>Age</u>	<u>Number</u>	<u>Annual Benefit</u>
Retirees and Survivors		
Under 50	614	\$ 4,176,473
50-54	574	16,972,241
55-59	3,916	112,733,642
60-64	7,316	239,728,687
65-69	8,058	258,234,287
70 & Over	<u>21,680</u>	<u>543,010,590</u>
Total	42,158	\$1,174,855,920
Disabilitants		
Under 50	216	\$ 3,686,766
50-54	252	4,559,072
55-59	257	4,744,911
60-64	230	4,546,551
65-69	157	3,317,213
70 & Over	<u>125</u>	<u>1,425,717</u>
Total	1,237	\$22,280,230

APPENDIX C
ACTUARIAL DETERMINATIONS

TABLE 6
SUMMARY OF ACTUARIAL VALUES
AS OF JUNE 30, 2007
(\$ IN MILLIONS)

	APV of Projected Benefits	Projected Unit Credit Values	
		Actuarial Accrued Liability (AAL)	Normal (NC)
1. Active Members			
a. Retirement	\$11,030.3	\$ 7,381.6	\$425.5
b. Death	251.8	166.5	11.0
c. Disability	531.9	346.5	31.0
d. Termination	1,325.6	849.6	94.5
Total - Active Members	<u>\$13,139.6</u>	<u>\$ 8,744.2</u>	<u>\$562.0</u>
2. Benefit Recipients			
a. Retirement	\$11,845.4	\$11,845.4	\$ 0.0
b. Survivor	695.2	695.2	0.0
c. Disability	297.5	297.5	0.0
Total - Benefit Recipients	<u>\$12,838.1</u>	<u>\$12,838.1</u>	<u>\$ 0.0</u>
3. Other Inactive	\$ 1,779.8	\$ 1,779.8	
4. Grand Total	\$27,757.5	\$23,362.1	\$562.0
5. Operating Expense			\$ 12.5
6. Total Normal Cost			\$574.5

TABLE 7
ANALYSIS OF CHANGE IN
UNFUNDED ACTUARIAL ACCRUED LIABILITY
FOR THE YEAR ENDING JUNE 30, 2007
(\$ IN MILLIONS)

1. Actuarial (Gain)/Loss on AAL		
(a) AAL 6/30/06		\$21,689.0
(b) Impact of Change in Actuarial Assumptions and Methods		324.4
(c) AAL 6/30/06 New Assumptions		<u>22,013.4</u>
(d) Normal Cost FY07	\$ 547.4	
(e) Benefits and Admin Expenses Paid FY07	(1,230.4)	
(f) Interest on (a), (b), and (c)	1,842.7	
(g) Expected AAL 6/30/2007 (c+d+e+f)		23,173.1
(h) Actual AAL 6/30/2007		<u>23,362.1</u>
(i) Actuarial (Gain)/Loss on AAL (h-g)		\$ 189.0
(j) Impact of Benefit Changes		0.0
(k) Actual AAL After Changes ((h)+(j))		\$23,362.1
2. Actuarial (Gain)/Loss on Assets		
(a) Assets 6/30/06		14,175.1
(b) Contributions FY07	523.5	
(c) Benefits and Admin Expenses	(1,230.4)	
(d) Interest at 8.5%	1,175.5	
(e) Expected Assets 6/30/2007 (a+b+c+d)		14,643.7
(f) Actual Assets 6/30/2007		<u>15,985.7</u>
(g) Actuarial (Gain)/Loss on Assets (e-f)		\$ (1,342.0)
3. Total Actuarial (Gain)/Loss		
(a) (Gain)/Loss on AAL		\$ 189.0
(b) (Gain)/Loss on Assets		<u>(1,342.0)</u>
(c) Net (Gain)/Loss (a+b)		\$ (1,153.0)

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

	Amount of Gain or Loss			
	FY 2004	FY 2005	FY 2006	FY 2007
Investment Return	\$(950.5)	\$(218.0)	\$(414.1)	\$(1,342.0)
Salary Increase	(62.9)	(19.4)	28.6	67.0
Age and Service Retirement	105.4	253.1	133.8	(21.7)
General Employment Termination	(9.7)	(83.9)	(39.6)	46.5
Disability Incidence	22.1	15.1	13.7	(1.4)
In Service Mortality	3.0	2.4	2.4	5.5
Benefit Recipient	(89.5)	(171.6)	(49.7)	44.7
New Entrants	202.3	68.0	81.6	71.3
Other	(192.4)	124.9	45.5	(22.9)
Total Actuarial (Gain)/Loss	\$(972.2)	\$(29.4)	\$ (197.8)	\$(1,153.0)

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

Plan Year	Assets*	AAL	UAAL	Funding Ratio	Payroll/DB**	UAAL as % of Payroll
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
2007	15,985,730	23,362,079	7,376,349	68.43	3,180,985	231.89

* *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
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	262.4	705.9	261.1	36.99
2008	971.6				

* 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, 2007
(\$ in Millions)

1. NPO at 6/30/06		\$4,984.290
2. State Expense for FY 2007	\$861.306	
3. State Contribution for FY 2007	261.143	
4. Excess of Expense over Contribution (2-3)	600.163	
5. NPO at 6/30/07 (1+4)		\$5,584.453

Development of ARC and Expense for FY 2008
(\$ in Millions)

1. Normal Cost		\$ 574.511
2. Amortization of UAAL (30 years remaining)		397.126
3. Total ARC (1+2)		\$ 971.637
4. Interest on NPO		474.679
5. NPO Adjustment		(300.654)
6. Total Expense (Including member contributions) (3+4+5)		\$1,145.662

Notes in Trend Data

Information	Data
Valuation Date	June 30, 2007
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% - 10%
Cost-of-living adjustment	3.0%

APPENDIX D
ACTUARIAL PROJECTIONS

TABLE 12
BASELINE PROJECTIONS – ACTUARIAL VALUATION JUNE 30, 2007
ASSUMES CONTRIBUTIONS BASED ON TABLE 14 & INVESTMENT RETURN OF 8.5% EACH YEAR
(\$ MILLIONS)

Fiscal Year Ending	Total Payroll	SMP Pay	DB Pay	Benefits	Expenses	Assets EOY	AAL	Funding Ratio
2008	\$ 3,699.564	\$ 497.134	\$ 3,202.430	\$ 1,319.562	\$ 12.020	\$ 16,581.490	\$ 24,169.924	68.60 %
2009	3,812.584	516.282	3,296.302	1,402.869	12.387	17,267.954	25,282.177	68.30
2010	3,932.794	539.038	3,393.756	1,493.284	12.777	18,039.008	26,401.800	68.32
2011	4,062.376	564.872	3,497.503	1,589.570	13.198	18,802.928	27,521.344	68.32
2012	4,200.765	592.815	3,607.950	1,691.063	13.648	19,555.531	28,635.391	68.29
2013	4,346.664	622.826	3,723.838	1,797.881	14.122	20,291.862	29,739.176	68.23
2014	4,501.382	655.072	3,846.311	1,910.522	14.625	21,006.312	30,825.771	68.15
2015	4,666.523	689.169	3,977.353	2,026.460	15.161	21,695.828	31,888.793	68.04
2016	4,842.866	725.350	4,117.516	2,145.269	15.734	22,357.701	32,923.003	67.91
2017	5,028.387	763.127	4,265.261	2,268.758	16.337	22,986.681	33,919.299	67.77
2020	5,666.761	885.692	4,781.069	2,629.868	18.411	24,695.952	36,696.146	67.30
2025	7,023.426	1,114.597	5,908.830	3,180.120	22.819	27,146.805	40,689.729	66.72
2030	8,825.361	1,371.522	7,453.839	3,629.157	28.673	29,852.407	44,387.010	67.25
2035	11,191.854	1,703.321	9,488.533	3,994.139	36.362	34,160.424	48,567.657	70.34
2040	14,271.079	2,147.985	12,123.094	4,273.012	46.366	42,290.860	54,485.137	77.62
2045	18,208.032	2,732.078	15,475.955	4,616.243	59.157	57,232.989	63,592.210	90.00

TABLE 13
PROJECTED STATE CONTRIBUTIONS FOR RETIREMENT
ACTUARIAL VALUATION AS OF JUNE 30, 2007
BEFORE IMPACT OF BONDS ISSUED IN 2004

45% Select Portable SURS

FYE	15% of New Members to SMP			
	SURS Cont.	SMP Cont.	Total Contribution	
			\$	% of Pay
2009	\$ 563.802	\$ 34.060	\$ 597.862	15.68 %
2010	685.395	40.967	726.362	18.47
2011	707.978	42.930	750.908	18.48
2012	732.096	45.054	777.150	18.50
2013	757.523	47.335	804.857	18.52
2014	784.487	49.785	834.272	18.53
2015	813.267	52.377	865.644	18.55
2016	843.999	55.127	899.126	18.57
2017	876.331	57.998	934.329	18.58
2018	911.181	60.997	972.179	18.59
2019	948.302	64.115	1,012.417	18.61
2020	987.585	67.313	1,054.898	18.62
2021	1,029.390	70.612	1,100.002	18.62
2022	1,073.732	74.007	1,147.738	18.63
2023	1,121.088	77.503	1,198.591	18.63
2024	1,171.033	81.073	1,252.106	18.63
2025	1,224.020	84.709	1,308.730	18.63
2026	1,280.080	88.448	1,368.528	18.63
2027	1,339.342	92.239	1,431.581	18.63
2028	1,402.082	96.133	1,498.215	18.62
2029	1,468.196	100.111	1,568.307	18.62

(Continued on next page)

TABLE 13
PROJECTED STATE CONTRIBUTIONS FOR RETIREMENT
ACTUARIAL VALUATION AS OF JUNE 30, 2007
BEFORE IMPACT OF BONDS ISSUED IN 2004
(CONCLUDED)

45% Select Portable SURS

FYE	15% of New Members to SMP			
	SURS Cont.	SMP Cont.	Total Contribution	
			\$	% of Pay
2030	\$ 1,538.056	\$ 104.236	\$ 1,642.292	18.61 %
2031	1,611.776	108.635	1,720.411	18.60
2032	1,689.691	113.380	1,803.070	18.60
2033	1,771.929	118.413	1,890.342	18.59
2034	1,858.838	123.808	1,982.646	18.59
2035	1,950.481	129.452	2,079.933	18.58
2036	2,047.273	135.429	2,182.703	18.58
2037	2,149.382	141.829	2,291.211	18.58
2038	2,256.521	148.571	2,405.092	18.58
2039	2,368.966	155.700	2,524.666	18.57
2040	2,487.118	163.247	2,650.365	18.57
2041	2,611.160	171.214	2,782.374	18.57
2042	2,741.518	179.606	2,921.124	18.57
2043	2,878.434	188.472	3,066.905	18.57
2044	3,022.254	197.811	3,220.064	18.57
2045	3,173.238	207.638	3,380.876	18.57
Total	\$56,877.541	\$3,770.336	\$60,647.878	

TABLE 14
PROJECTED STATE CONTRIBUTIONS
ACTUARIAL VALUATION AS OF JUNE 30, 2007
INCLUDING IMPACT OF BONDS ISSUED IN 2004

45% Select Portable SURS

FYE	15% of New Members to SMP				Debt Service
	SURS Cont.	SMP Cont.	Total Contribution		
			\$	% of Pay	
2009	\$ 457.155	\$ 34.060	\$ 491.216	12.88	\$ 106.647
2010	565.347	40.967	606.314	15.42	106.373
2011	583.975	42.930	626.905	15.43	106.050
2012	603.868	45.054	648.922	15.45	115.487
2013	624.842	47.335	672.176	15.46	114.754
2014	647.083	49.785	696.868	15.48	114.000
2015	670.822	52.377	723.199	15.50	113.227
2016	696.172	55.127	751.298	15.51	112.435
2017	722.841	57.998	780.838	15.53	116.476
2018	751.587	60.997	812.584	15.54	120.304
2019	782.205	64.115	846.321	15.55	123.920
2020	814.608	67.313	881.921	15.56	132.009
2021	849.091	70.612	919.703	15.57	139.615
2022	885.666	74.007	959.673	15.58	146.736
2023	924.728	77.503	1,002.231	15.58	153.373
2024	965.925	81.073	1,046.998	15.58	164.417
2025	1,009.632	84.709	1,094.341	15.58	174.604
2026	1,055.872	88.448	1,144.320	15.58	179.149
2027	1,104.754	92.239	1,196.994	15.58	183.195
2028	1,156.505	96.133	1,252.638	15.57	191.634
2029	1,211.039	100.111	1,311.151	15.56	199.325

(Continued on next page)

TABLE 14
PROJECTED STATE CONTRIBUTIONS
ACTUARIAL VALUATION AS OF JUNE 30, 2007
INCLUDING IMPACT OF BONDS ISSUED IN 2004
(CONCLUDED)

45% Select Portable SURS

FYE	15% of New Members to SMP				
	SURS Cont.	SMP Cont.	Total Contribution		Debt Service
			\$	% of Pay	
2030	\$ 1,268.663	\$ 104.236	\$ 1,372.899	15.56 %	\$ 211.160
2031	1,329.471	108.635	1,438.107	15.55	221.997
2032	1,393.739	113.380	1,507.119	15.54	226.944
2033	1,461.573	118.413	1,579.986	15.54	226.249
2034	1,533.260	123.808	1,657.068	15.54	
2035	1,608.851	129.452	1,738.304	15.53	
2036	1,688.691	135.429	1,824.120	15.53	
2037	1,772.915	141.829	1,914.744	15.53	
2038	1,861.288	148.571	2,009.859	15.52	
2039	1,954.038	155.700	2,109.739	15.52	
2040	2,051.496	163.247	2,214.743	15.52	
2041	2,153.812	171.214	2,325.026	15.52	
2042	2,261.337	179.606	2,440.943	15.52	
2043	2,374.272	188.472	2,562.744	15.52	
2044	2,492.902	197.811	2,690.713	15.52	
2045	2,617.441	207.638	2,825.079	15.52	
Total	\$46,907.467	\$3,770.336	\$50,677.803		\$3,800.078

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 WITH THE JUNE 30, 2007 ACTUARIAL VALUATION)

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 8.5% per annum.

Annual Compensation Increases. Each member's compensation is assumed to increase by 5.0% each year, 3.75% reflecting salary inflation and 1.25% reflecting standard of living increases. That rate is increased for members with less than 9 years of service, as follows:

<u>Service Year</u>	<u>Additional Increase</u>
0	5.00%
1	4.00
2	2.50
3	1.50
4	1.25
5	1.00
6	0.80
7	0.50
8	0.30
9 & Over	0.00

Mortality. The mortality assumption for retirees, beneficiaries and disabilities are based on the 1994 Group Annuity Mortality Table with a two-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	0.05%	0.05%
30	0.08	0.08
40	0.16	0.16
50	0.34	0.34
60	0.55	0.55
70	0.85	0.85

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE WITH THE JUNE 30, 2007 ACTUARIAL VALUATION)
(CONTINUED)

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

Age	Members Eligible For Normal Retirement	Members Eligible For Early Retirement
Under 55	35.0%	0.0%
55	30.0	7.0
56	30.0	5.0
57	27.0	5.0
58	27.0	5.5
59	26.0	6.0
60	12.0	
61	12.0	
62	15.0	
63	15.0	
64	15.0	
65	20.0	
66	17.0	
67	17.0	
68	17.0	
69	17.0	
70	100.0	

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE WITH THE JUNE 30, 2007 ACTUARIAL VALUATION)
(CONTINUED)

General Turnover. A table of termination rates based on experience in the 2001-2006 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	29.5%
1	25.5
2	19.0
3	16.0
4	14.0
5	12.0
6	10.0
7	9.0
8	7.5
9	6.5
10	5.5
15	3.0
20 & Over	2.1

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

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE WITH THE JUNE 30, 2007 ACTUARIAL VALUATION)
(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.

Load on Final Average Salary. No load is assumed to account for higher than assumed pay increases in final years of employment before retirement

Valuation of Inactives. An annuity benefit is estimated based on information provided by staff.

Self Managed Plan Election Percentage: 15%

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.

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

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.

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 Teachers' Retirement System of the State of Illinois, and the Public School Teachers' Pension and Retirement Fund of Chicago 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, or
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.