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The State of Indiana Public Employees' Retirement Fund

Public Employees' Retirement Fund

Actuarial Valuation as of
June 30, 2010

pwc

April 20, 2011

Board of Trustees
The State of Indiana Public Employees' Retirement Fund
1 North Capitol, Suite 001
Indianapolis, IN 46204

Re: Certification of the Actuarial Valuations of the State of Indiana Public Employees' Retirement Fund as of June 30, 2010

Dear Board of Trustees:

Actuarial valuations are performed annually for the State of Indiana Public Employees' Retirement Fund ("Indiana PERF") defined benefit pension plans ("Plans"). The results of the latest actuarial valuations, which were prepared as of June 30, 2010, are presented in individual valuation reports for each fund and were prepared pursuant to the engagement letter between Indiana PERF and PricewaterhouseCoopers LLP ("PwC"), dated June 7, 2010. The reports are intended to provide the Board of Trustees ("Board") with information on the funded status of the Plans, development of the contribution rates, and certain financial statement disclosure information.

Under Indiana statutes, employer contribution rates are adopted annually for each Plan by the Board. These rates are actuarially determined based on the Board's funding policy and adopted actuarial assumptions. Contribution rates determined by the actuarial valuation become effective either twelve or eighteen months after the valuation date, depending on the applicable employer. For example, the rates determined by the June 30, 2010 actuarial valuation and adopted by the Board will become effective on either July 1, 2011 or January 1, 2012. If new legislation is enacted between the valuation date and the date the contribution rates become effective, the Board may adjust the recommended rates before adopting them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Financing Objectives and Funding Policy
In setting the contribution rates, the Board's principal objectives have been:

- To set contribution rates such that the unfunded actuarial accrued liability ("UAAL") will be amortized over a 30-year period.
- To set contribution rates such that they remain relatively level over time.

To accomplish this, the Board's funding policy requires that the employer contribution rate be equal to the sum of the employer normal cost rate (which pays the current year cost) and an amortization rate which results in the amortization of the UAAL in equal installments.

In addition , the Board has adopted contribution rate smoothing rules for the Public Employees' Retirement Fund, the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, and the Prosecuting Attorneys' Retirement Fund. The contribution rate smoothing rules vary based on the size of the employer and are periodically revised via Board Resolutions. The contribution rate smoothing rules reduce annual volatility in the contribution rates, by phasing in the effects of gains and losses over time.

For 2008, an additional smoothing rule was adopted which stated that any employer contribution amount or rate developed based on the 2008 valuation could not be less than the employer contribution amount or rate based on the prior year valuation. This smoothing rule was adopted in anticipation of the recent economic downturn. This additional smoothing rule was continued for the 2009 and 2010 valuations, but will be reconsidered in future years.

No membership growth is anticipated in setting the contribution rate. This is consistent with GASB #25, which prohibits anticipating membership growth in determining the minimum Annual Required Contribution ("ARC").

Progress Toward Realization of Financing Objectives
The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The combined funded ratio for all Plans decreased by 7.4% from the preceding year due to experience losses when compared to that anticipated by the actuarial assumptions.

Benefit Provisions
The benefit provisions reflected in the valuation reports are those which were in effect at June 30, 2010, as set forth in the related Indiana statutes. None of the Plans had any material changes in benefit provisions since the 2009 valuation.

Assets and Member Data
The valuations were based on asset values of the trust funds and member census data as of June 30, 2010. All asset and member data was provided by Indiana PERF. While certain checks for reasonableness were performed, the data was used unaudited. The accuracy of the results presented in the reports is dependent upon the accuracy and completeness of the underlying asset and census information.

Actuarial Assumptions and Methods
The actuarial assumptions and methods used in the valuations have been selected and approved by the Board. In our opinion, the assumptions and methods are reasonable for the purposes of the valuation reports and comply with the parameters set forth in Statements No. 25 and No. 27 of the Governmental Accounting Standards Board ("GASB"). Different assumptions and methods may be reasonable for other purposes. As such, the results presented in the valuation reports should only be relied upon for the intended purpose.

Certification
We certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by PERF as of June 30, 2010.

This report contains the required accounting information to be included in the Comprehensive Annual Financial Report. This information has been prepared in accordance with our understanding of Governmental Accounting Standards No. 25 and No. 27 (as amended by No. 50).

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 practice and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Indiana state law. The undersigned actuaries are members of the Society of Actuaries and other professional organizations, including the American Academy of Actuaries, and meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States relating to pension plans. There is no relationship between PwC and Indiana PERF that may impair our objectivity.

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. This includes penalties that may apply if the transaction that is the subject of this document is found to lack economic substance or fails to satisfy any other similar rule of law. This document has been prepared pursuant to an engagement letter between Indiana PERF and PwC, and is intended solely for the use and benefits of Indiana PERF and not for reliance by any other person.

Respectfully submitted,

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HIGHLIGHTS OF THE ACTUARY'S REPORT

This report presents the results of the actuarial valuation of the Public Employees' Retirement Fund ("PERF") and has been prepared to present the current funded status of the Plan, contribution requirements for fiscal year 2012 (July 1, 2011 through June 30, 2012 for State and January 1, 2012 through December 31, 2012 for Political Subdivisions), and certain financial statement disclosure information. The valuation was performed using census data for plan members as of as of June 30, 2010 provided by Indiana PERF, asset information as of June 30, 2010 provided by Indiana PERF, the actuarial assumptions and methods approved by the Board and summarized in Section V, and the plan provisions effective June 30, 2010 as summarized in Section VI.

Contribution Rates

The State employer contribution rate, after reflecting the contribution smoothing rules, increased from 7.0% to 8.6%. This contribution rate is equal to the prior year Actual Rate (after smoothing), plus a portion of the increase (or less a portion of the decrease) between the current year True Rate (prior to smoothing) and the prior year's Actual Rate, rounded to the nearest tenth of a percent. The contribution rate determined by the June 30, 2010 valuation becomes effective on July 1, 2011. Therefore, the actual dollar amount of employer cost will depend on the actual payroll during fiscal year 2012.

The Political Subdivisions employer contribution rate, after reflecting the contribution smoothing rules and aggregating over all participating Political Subdivisions, increased from 7.9% to 8.8%. The contribution rate for each Political Subdivision is smoothed based on its respective size. The Political Subdivisions contribution rates determined by the June 30, 2010 valuation become effective on January 1, 2012. Therefore, the actual dollar amount of employer cost will depend on the actual payroll during calendar year 2012.

In addition to the smoothing rules stated above, an additional rule was implemented such that the current year Actual Rate cannot be less than the prior year Actual Rate. This additional smoothing rule applied for this year as the contribution rates for certain Political Subdivisions would have decreased this year without this additional requirement.

Employees of the State and participating Political Subdivisions contribute 3% of their compensation to an Annuity Savings Account. Employers may "pick up" the employee contributions. The accumulated balance in each member's Annuity Savings Account can be withdrawn as a lump sum upon termination or can be converted to an annuity and added to the benefit that is funded by the employer contributions upon retirement.

Funded Status

The funded status of PERF is measured by the funded ratio, which is the ratio of the assets available for benefits to total liability measure for PERF. While there are several such measures that could be appropriately used, the total liability measure that ties most closely to PERF's funding strategy is the Actuarial Accrued Liability (“AAL”).

Using the Actuarial Value of Assets ("AVA"), an asset value that smoothes the market gains and losses over four (4) years, the PERF AAL funded ratio decreased from 93.1% at June 30, 2009 to 85.2% at June 30, 2010. The decrease is primarily due to a loss on the AVA from smoothing investment losses that occurred in 2008 and 2009, as well as the net effect of changes to the discount rate, cost-of-living, and mortality assumptions, which increased the AAL.

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Investment Experience

On a Market Value basis, from June 30, 2009 to June 30, 2010, PERF experienced an approximate investment return of 13.5%. However, on an Actuarial Value basis over the same time period, PERF experienced an approximate investment return of (0.7%). The negative investment return on the AVA can be attributed to the smoothing of prior losses that more than offset the gain on Market Value from June 30, 2009 to June 30, 2010.

Cost-of-Living Adjustment

Cost-of-living increases for retired members have historically been granted on an "ad hoc" basis. No increase in monthly benefits was provided to retired members, disabled members, or beneficiaries at July 1, 2010. Instead a "13th check" was paid to each member in pay status during September 2010. The amount of the 13th check varied based on the years of creditable service the member had earned prior to retirement.

Changes in Actuarial Assumptions

For the June 30, 2010 valuation, the Board approved the following assumption changes:

- The interest rate (net of administrative and investment expenses) was lowered from 7.25% to 7.0%.
- The cost-of-living increase assumption changed from 1.5% compounded annually to 1.0% compounded annually. No increase is assumed to be applied to annuitized ASA balances.
- The mortality assumption was changed from rates based on PERF experience from 1995-2000 to the IRS 2008 Static Mortality Table projected forward five (5) years with Scale AA.

Changes in Plan Provisions

There have been no changes in the plan provisions since the June 30, 2009 valuation.

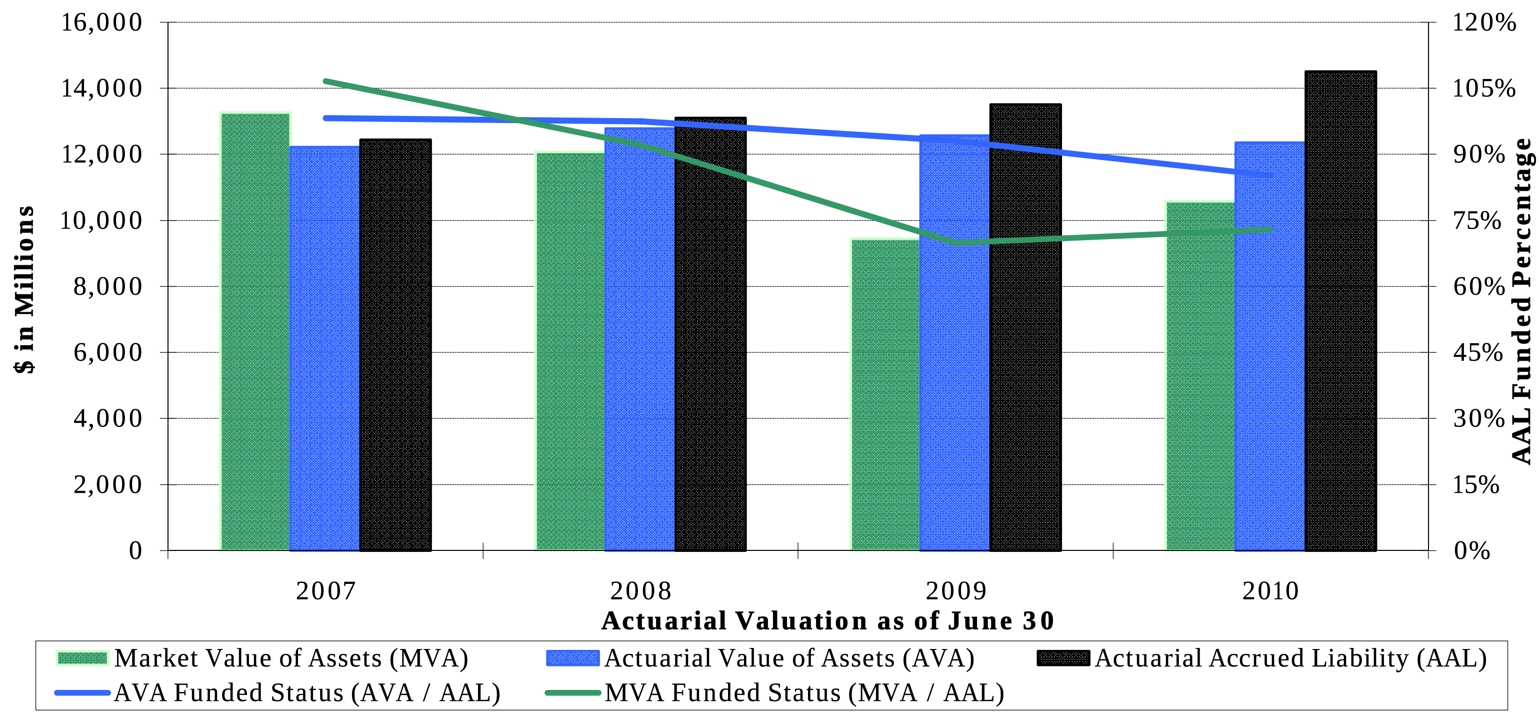
Changes in Actuarial Methods

For the June 30, 2010 valuation, the Board approved the following method change:

- The AVA was changed from 75% of the expected Actuarial Value, plus 25% of the actual Market Value to a four-year smoothing of gains and losses on the MVA, with a 20% corridor, where the AVA cannot be more than 120% or less than 80% of the Market Value of Assets ("MVA") after the four-year smoothing of gains and losses is applied. This change was made to be consistent with the other PERF plans and to ensure convergence of the AVA and MVA.

HISTORICAL SUMMARY

Total PERF – 4 Year History of Funded Status [1]



Actuarial Valuation as of June 30:	2007	2008	2009	2010
Actuarial Accrued Liability (AAL)	$12,439.8	$13,103.2	$13,506.3	$14,506.1
Actuarial Value of Assets (AVA)	12,220.9	12,780.1	12,569.3	12,357.2
Market Value of Assets (MVA)	13,262.4	12,073.5	9,442.3	10,581.3
Unfunded Liability (AAL - AVA)	218.9	323.1	937.0	2,148.9
AVA Funded Status (AVA / AAL)	98.2%	97.5%	93.1%	85.2%
MVA Funded Status (MVA / AAL)	106.6%	92.1%	69.9%	72.9%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results [1]

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Employer Contributions - Before Smoothing				
Normal Cost (Beginning of Year)	$ 267,642,927	$ 279,655,104	$ 298,159,870	$ 320,524,189
Amortization of Unfunded Actuarial Accrued Liability	17,041,115	25,269,003	72,839,046	163,318,289
Total Contribution Amount	$ 284,684,042	$ 304,924,107	$ 370,998,916	$ 483,842,478
Contribution Rate	6.7%	6.9%	7.8%	9.9%
Employer Contributions - After Smoothing				
Contribution Amount	$ 290,622,068	$ 310,571,401	$ 360,183,300	$ 428,086,297
Contribution Rate [2]	6.6%	6.8%	7.3%	8.7%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary. Contribution rates prior to June 30, 2010 reflect a half-year of interest.

[2] The Employer Contributions are based on the aggregate of the State and Political Subdivisions' contribution amounts based on payroll as of June 30, 2010. Since the contribution rates determined by the June 30, 2010 valuation become effective July 1, 2011 for the State rate and January 1, 2012 for the Political Subdivisions' rates, the actual dollar amount of employer cost will depend on the actual payroll during fiscal year 2012 for the State and calendar year 2012 for the Political Subdivisions. The amount shown is meant to illustrate the impact of the contribution rate smoothing.

HISTORICAL SUMMARY (CONTINUED)

State – Summary of Valuation Results [1]

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Employer Contributions - Before Smoothing				
Normal Cost (Beginning of Year)	$ 94,396,107	$ 98,916,617	$ 103,491,300	$ 110,142,867
Amortization of Unfunded Actuarial Accrued Liability	(1,199,457)	3,417,230	24,800,374	66,147,093
Total Contribution Amount	$ 93,196,650	$ 102,333,847	$ 128,291,674	$ 176,289,960
Contribution Rate	6.1%	6.4%	7.6%	10.2%
Employer Contributions - After Smoothing				
Contribution Amount	$ 99,134,676	$ 107,981,141	$ 118,199,909	$ 148,821,254 [2]
Contribution Rate	6.3%	6.5%	7.0%	8.6%

Political Subdivisions – Summary of Valuation Results [1]

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Employer Contributions - Before Smoothing				
Normal Cost (Beginning of Year)	$ 173,246,820	$ 180,738,487	$ 194,668,570	$ 210,381,322
Amortization of Unfunded Actuarial Accrued Liability	18,240,572	21,851,773	48,038,672	97,171,196
Total Contribution Amount	$ 191,487,392	$ 202,590,260	$ 242,707,242	$ 307,552,518
Contribution Rate	7.1%	7.1%	7.9%	9.7%
Employer Contributions - After Smoothing				
Contribution Amount	$ 191,487,392	$ 202,590,260	$ 241,983,391	$ 279,265,043 [3]
Contribution Rate [4]	7.1%	7.1%	7.9%	8.8%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary. Contribution rates prior to June 30, 2010 reflect a half-year of interest.

[2] The Employer Contributions are based on the State payroll as of June 30, 2010. Since the contribution rates determined by the June 30, 2010 valuation become effective on July 1, 2011, the actual dollar amount of employer cost for the State will depend on the actual payroll during fiscal year 2012. The amount shown is meant to illustrate the impact of contribution rate smoothing.

[3] The Employer Contributions are based on the Political Subdivision payroll as of June 30, 2010. Since the contribution rates determined by the June 30, 2010 valuation become effective on January 1, 2012, the actual dollar amount of employer cost for the Political Subdivisions will depend on the actual payroll during calendar year 2012. The amount shown is meant to illustrate the impact of contribution rate smoothing.

[4] Contribution rate smoothing is applied to each individual Political Subdivision. The employer rate shown is the weighted average of those smoothed rates.

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results [1]

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Census Information				
Active				
Number				
State	45,465	45,713	46,749	48,220
Political Subdivisions	93,398	94,433	101,043	101,657
Total	138,863	140,146	147,792	149,877
Average Age	47.8	47.8	47.3	47.5
Average Years of Service	11.4	11.6	10.9	11.2
Covered Payroll of Actives				
State	1,573,566,285	1,661,248,319	1,749,780,803	1,730,479,696
Political Subdivisions	2,812,109,584	2,939,105,575	3,181,642,137	3,165,532,884
Total	$ 4,385,675,869	$ 4,600,353,894	$ 4,931,422,940	$ 4,896,012,580
Inactive - Vested				
Number	14,789	15,450	10,670	14,759
Average Age				53.9
Average Years of Service				15.1
Inactive - Non-Vested				
Number				88,234
Retiree/Beneficiary/Disabled				
Number	60,332	62,424	65,099	67,166
Average Age				72.6
Annual Benefits Payable	$ 412,744,835	$ 436,748,994	$ 477,552,507	$ 498,199,312

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results (Continued) [1]

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Actuarial Accrued Liability (AAL)				
ASA Account Balance		$ 2,694,331,410	$ 2,669,318,240	$ 2,780,570,388
ASA Annuities - Retiree/Beneficiary/Disabled				710,683,223
Pension - Retiree/Beneficiary/Disabled		4,227,365,567	4,611,256,619	4,220,908,907
Pension - Active and Inactive				
State		2,513,791,279	2,443,039,325	2,678,030,588
Political Subdivisions		3,667,732,921	3,782,666,167	4,115,859,095
Total		$ 6,181,524,200	$ 6,225,705,492	$ 6,793,889,683
Total	$ 12,439,798,183	$ 13,103,221,177	$ 13,506,280,351	$ 14,506,052,201
Actuarial Value of Assets (AVA)				
ASA Account Balance		$ 2,694,331,410	$ 2,669,318,240	$ 2,780,570,388
ASA Annuities - Retiree/Beneficiary/Disabled				710,683,223
Pension - Retiree/Beneficiary/Disabled		4,227,365,567	4,611,256,619	4,220,908,907
Pension - Active and Inactive		5,858,419,075	5,288,761,052	4,645,036,496
Total	$ 12,220,934,214	$ 12,780,116,052	$ 12,569,335,911	$ 12,357,199,014
Market Value of Assets (MVA)				
ASA Account Balance		$ 2,694,331,410	$ 2,669,318,240	$ 2,780,570,388
ASA Annuities - Retiree/Beneficiary/Disabled				710,683,223
Pension - Retiree/Beneficiary/Disabled		4,227,365,567	4,611,256,619	4,220,908,907
Pension - Active and Inactive		5,151,772,961	2,161,760,681	2,869,156,895
Total	$ 13,262,413,477	$ 12,073,469,938	$ 9,442,335,540	$ 10,581,319,413
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance		$ -	$ -	$ -
ASA Annuities - Retiree/Beneficiary/Disabled				-
Pension - Retiree/Beneficiary/Disabled		-	-	-
Pension - Active and Inactive		323,105,125	936,944,440	2,148,853,187
Total	$ 218,863,969	$ 323,105,125	$ 936,944,440	$ 2,148,853,187
Funded Percentage: AVA / AAL				
ASA Account Balance		100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled				100.0%
Pension - Retiree/Beneficiary/Disabled		100.0%	100.0%	100.0%
Pension - Active and Inactive		94.8%	85.0%	68.4%
Total	98.2%	97.5%	93.1%	85.2%
Summary of Assumptions				
Valuation Interest Rate	7.25%	7.25%	7.25%	7.0%
Salary Scale	4.0%	4.0%	4.0%	4.0%
Cost-of-Living Assumption	2.75%	2.75%	1.5%	1.0%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

FUNDING

A. Development of Funded Status [1]

		June 30, 2009	June 30, 2010
1.	Actuarial Accrued Liability		
a.	Annuity Savings Account	$ 2,669,318,240	$ 2,780,570,388
b.	ASA Annuities		710,683,223
c.	Retirees, Beneficiaries, and Disabled	4,611,256,619	4,220,908,907
d.	Active and Inactive	6,225,705,492	6,793,889,683
e.	Total: (1)(a) + (1)(b) + (1)(c) + (1)(d)	$ 13,506,280,351	$ 14,506,052,201
2.	Actuarial Value of Assets		
a.	Annuity Savings Account	$ 2,669,318,240	$ 2,780,570,388
b.	ASA Annuities		710,683,223
c.	Retirees, Beneficiaries, and Disabled	4,611,256,619	4,220,908,907
d.	Active and Inactive	5,288,761,052	4,645,036,496
e.	Total: (2)(a) + (2)(b) + (2)(c) + (2)(d)	$ 12,569,335,911	$ 12,357,199,014
3.	Unfunded Actuarial Accrued Liability		
a.	Annuity Savings Account	$ -	$ -
b.	ASA Annuities		-
c.	Retirees, Beneficiaries, and Disabled	-	-
d.	Active and Inactive	936,944,440	2,148,853,187
e.	Total: (1)(e) - (2)(e)	$ 936,944,440	$ 2,148,853,187
4.	Funded Status		
a.	Annuity Savings Account	100.0%	100.0%
b.	ASA Annuities		100.0%
c.	Retirees, Beneficiaries, and Disabled	100.0%	100.0%
d.	Active and Inactive	85.0%	68.4%
e.	Total: (2)(e) / (1)(e)	93.1%	85.2%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

B. Unfunded Actuarial Accrued Liability Reconciliation [1]

		June 30, 2009	June 30, 2010
1.	Unfunded Actuarial Accrued Liability, Prior Year	$ 323,105,125	$ 936,944,440
2.	Changes in Unfunded Actuarial Accrued Liability		
a.	Actuarial Value of Assets Experience (Gain)/Loss	$ 1,042,333,456	$ 879,515,662
b.	Actuarial Accrued Liability Experience (Gain)/Loss	(424,818,257)	10,544,338
c.	Additional Liability Due to Transition from Prior Actuary	-	87,125,871
d.	Additional Liability Due to Changes in Actuarial Assumptions	-	244,914,281
e.	Additional Liability Due to Changes in Plan Provisions	-	-
f.	Total New Amortization Bases (2)(a) + (2)(b) + (2)(c) + 2(d) + (2)(e)	N/A	$ 1,222,100,152
g.	Amortization of Existing Bases	(3,675,884)	(10,191,405)
h.	Change in Unfunded Actuarial Accrued Liability: (2)(f) + (2)(g)	$ 613,839,315	$ 1,211,908,747
3.	Unfunded Actuarial Accrued Liability, Current Year: (1) + (2)(h)	$ 936,944,440	$ 2,148,853,187

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

C. Actuarial Accrued Liability Reconciliation

			Dollar Change in Liability	Percent Change in Liability
1.	June 30, 2009 Actuarial Accrued Liability [1]		$ 13,506,280,351	
2.	Normal Cost [1]		298,159,870	
3.	Actual Benefit Payments		619,343,234	
4.	Interest of 7.25% on (1) + (2) - (3)/2		978,370,724	
5.	Expected June 30, 2010 Actuarial Accrued Liability: (1) + (2) - (3) + (4)		$ 14,163,467,711	
6.	(Gain)/Loss Components			
	a.	Transition from Prior Actuary	$ 87,125,871	0.6%
	b.	Census	10,544,338	0.1%
	c.	Mortality Assumption Change	385,720,930	2.7%
	d.	Cost-of-living Assumption (COLA) Change	(453,630,856)	(3.2%)
	e.	Discount Rate Assumption Change	312,824,207	2.2%
	f.	Total: (6)(a) + (6)(b) + (6)(c) + (6)(d) + (6)(e)	$ 342,584,490	2.4%
7.	Actual June 30, 2010 Actuarial Accrued Liability: (5) + (6)(f)		**$ 14,506,052,201**	

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

D. Reconciliation of Market Value of Assets

			June 30, 2009		June 30, 2010
1.	Market Value of Assets, Prior June 30	$	12,073,469,938	$	9,442,335,540
2.	Receipts				
	a. Employer Contributions	$	323,151,092	$	331,089,590
	b. Employee Contributions		160,033,862		158,089,692
	c. Investment Income and Dividends Net of Fees		(2,517,954,977)		1,290,841,251
	d. Security Lending Income Net of Fees		-		6,701,978
	e. Net Transfers In		3,147,867		2,339,098
	f. Miscellaneous Income		-		61,417
	g. Total Receipts:	$	(2,031,622,156)	$	1,789,123,026
3.	Disbursements				
	a. Benefits Paid During the Year	$	536,783,325	$	579,710,876
	b. Refund of Contributions and Interest		36,098,593		39,632,358
	c. Administrative Expenses		21,497,782		24,958,702
	d. Net Transfers Out		5,132,542		5,837,217
	e. Miscellaneous Disbursements		-		-
	f. Total Disbursements:	$	599,512,242	$	650,139,153
4.	Market Value of Assets, Current June 30: (1) + (2)(g) + (3)(f)	**$**	**9,442,335,540**	**$**	**10,581,319,413**
5.	Market Value of Assets Approximate Annual Rate of Investment Return		(21.1%)		13.5%

E. Reconciliation of Actuarial Value of Assets

1.	Market Value of Assets, June 30, 2009				$	9,442,335,540
2.	Market Value of Assets, June 30, 2010					10,581,319,413
3.	Expected Earnings/Expenses					
	a. Expected Investment Earnings at 7.25% on June 30, 2009 Market Value					684,569,327
	b. Expected Receipts and Investment Earnings at 7.25%					509,399,565
	c. Expected Disbursements and Investment Expenses at 7.25%					647,843,242
4.	Expected Assets, June 30, 2010: (1) + (3)(a) + (3)(b) + (3)(c)				$	9,988,461,190
5.	2009-2010 Gain/(Loss): (2) - (4)					592,858,223
6.	Smoothing of Gain/(Loss)					
		Year	Gain/(Loss)	% Unrecognized		
	a.	2009-2010	$ 592,858,223	75%		444,643,667
	b.	2008-2009	(3,411,455,871)	50%		(1,705,727,936)
	c.	2007-2008	(2,059,181,327)	25%		(514,795,332)
7.	Preliminary Actuarial Value of Assets, June 30, 2010: (2) - (6)(a) - (6)(b) - (6)(c)				$	12,357,199,014
8.	Corridor					
	a. 120% of Market Value					12,697,583,296
	b. 80% of Market Value					8,465,055,530
9.	Actuarial Value of Assets, June 30, 2010				**$**	**12,357,199,014**
10.	Actuarial Value of Assets as a Percent of Market Value: (9) / (2)					116.8%
11.	Actuarial Value of Assets Approximate Annual Rate of Investment Return					(0.7%)

F. Allocation of Assets

			June 30, 2009		June 30, 2010
1.	Total Assets Available for Benefit				
	a. Market Value of Assets	$	9,442,335,540	$	10,581,319,413
	b. Actuarial Value of Assets		12,569,335,911		12,357,199,014
2.	Annuity Savings Accounts		2,669,318,240		2,780,570,388
3.	Assets for Retirees, Beneficiaries, and Disabled Members, including ASA Annuities				
	a. Retirees, Beneficiaries, and Disabled	$	4,611,256,619	$	4,220,908,907
	b. ASA Annuities				710,683,223
	c. Total	$	4,611,256,619	$	4,931,592,130
4.	Total Non-Retired Assets				
	a. Market Value of Assets: (1)(a) - (2) - (3)(c)	$	2,161,760,681	$	2,869,156,895
	b. Actuarial Value of Assets: (1)(b) - (2) - (3)(c)	$	5,288,761,052	$	4,645,036,496
5.	Total Ledger Assets	$	2,353,380,818	$	3,100,604,632
	a. State Amount	$	944,042,551	$	1,203,962,341
	b. State Percent		40.1%		38.8%
	c. Political Subdivisions Amount	$	1,409,338,267	$	1,896,642,291
	d. Political Subdivisions Percent		59.9%		61.2%
6.	State Allocation				
	a. Market Value of Assets: (4)(a) x (5)(b)	$	867,175,446	$	1,114,091,367
	b. Actuarial Value of Assets: (4)(b) x (5)(b)	$	2,121,550,162	$	1,803,664,020
7.	Political Subdivisions Allocation				
	a. Market Value of Assets: (4)(a) x (5)(d)	$	1,294,585,235	$	1,755,065,528
	b. Actuarial Value of Assets: (4)(b) x (5)(d)	$	3,167,210,890	$	2,841,372,476

G. State – Contribution Rate

		June 30, 2010	
		$	% of Payroll
1.	Current Payroll	$ 1,730,479,696	
2.	Normal Cost (Beginning of Year)	110,142,867	6.37%
3.	Unfunded Actuarial Accrued Liability (UAAL) Amortizations		
	a. UAAL Balance	874,366,568	
	b. Annual Amortization	66,147,093	3.82%
4.	Employer Contributions - True Rate (Before Smoothing): (2) + (3)(b)	176,289,960	10.19%
5.	Prior Year Actual Rate		7.00%
6.	Difference between True Rate and Prior Year Actual Rate: (4) - (5)		3.19%
7.	If increase, one-half of difference in (6); if decrease, excess of (6) over 1.00%; rounded up the nearest tenth percent		1.60%
8.	Employer Contributions - Actual Rate (After Smoothing): [(5) + (7), not less than (5)]	**148,821,254** [1]	**8.60%**

[1] The Employer Contributions are based on the State payroll as of June 30, 2010. Since the State contribution rate determined by the June 30, 2010 valuation becomes effective on July 1, 2011, the actual dollar amount of employer cost will depend on the actual payroll during fiscal year 2012. The amount shown is meant to illustrate the impact of contribution rate smoothing.

H. Political Subdivisions – Aggregate Contribution Rate

		June 30, 2010	
		$	% of Payroll
1.	Current Payroll	$ 3,165,532,884	
2.	Normal Cost (Beginning of Year)	210,381,322	6.65%
3.	Unfunded Actuarial Accrued Liability (UAAL) Amortizations		
	a. UAAL Balance	1,274,486,619	
	b. Annual Amortization	97,171,196	3.07%
4.	Employer Contributions - True Rate (Before Smoothing): (2) + (3)(b)	307,552,518	9.72%
5.	Prior Year Actual Rate		7.88%
6.	Difference between True Rate and Prior Year Actual Rate: (4) - (5)		1.84%
7.	Employer Contributions - Actual Rate (After Smoothing)	**279,265,043** [1]	**8.82%** [2]

[1] The Employer Cntributions are based on the Political Subdivision payroll as of June 30, 2010. Since the contribution rates determined by the June 30, 2010 valuation become effective on January 1, 2012, the actual dollar amount of employer cost will depend on the actual payroll during calendar year 2012. The amount shown is meant to illustrate the impact of contribution rate smoothing.

[2] Contribution rate smoothing is applied to each individual Political Subdivision. The employer rate shown is the weighted average of those smoothed rates.

Unfunded Actuarial Accrued Liability Amortization Schedule [1]

I. State

	Date Base Established	Reason		Remaining Unfunded	Remaining Period		Amortization Amount
1.	6/30/2008	Fresh Start	$	43,429,316	28	$	3,344,136
2.	6/30/2009	Actuarial Experience Loss		274,769,410	29		20,915,512
3.	6/30/2010	Actuarial Experience Loss and Change in Actuarial Assumptions		556,167,842	30		41,887,445
4.	Total		$	874,366,568		$	66,147,093

J. Political Subdivisions

	Date Base Established	Reason		Remaining Unfunded	Remaining Period		Amortization Amount
1.	6/30/2006	Fresh Start	$	221,728,089	26	$	17,522,949
2.	6/30/2007	Actuarial Experience Gain and Change in Actuarial Assumptions		4,434,969	27		345,786
3.	6/30/2008	Actuarial Experience Loss		45,894,481	28		3,533,958
4.	6/30/2009	Actuarial Experience Loss		336,496,770	29		25,614,213
5.	6/30/2010	Actuarial Experience Loss and Change in Actuarial Assumptions		665,932,310	30		50,154,290
6.	Total		$	1,274,486,619		$	97,171,196

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

K. History of Employer Contribution Rates [1, 2]

1.	2.		3.		4.
	State		Political Subdivisions		
Valuation Date	Effective Date	Contribution Rate	Effective Date	Contribution Rate	Weighted Average
June 30, 2001	July 1, 2002	5.2%	January 1, 2003	5.0%	5.1%
June 30, 2002	July 1, 2003	5.6%	January 1, 2004	6.2%	5.9%
June 30, 2003	July 1, 2004	3.8%	January 1, 2005	4.7%	4.4%
June 30, 2004	July 1, 2005	4.5%	January 1, 2006	5.3%	5.0%
June 30, 2005	July 1, 2006	5.5%	January 1, 2007	6.3%	6.0%
June 30, 2006	July 1, 2007	6.3%	January 1, 2008	6.9%	6.7%
June 30, 2007	July 1, 2008	6.3%	January 1, 2009	6.9%	6.6%
June 30, 2008	July 1, 2009	6.5%	January 1, 2010	7.1%	6.8%
June 30, 2009	July 1, 2010	7.0%	January 1, 2011	7.9%	7.6%
June 30, 2010	July 1, 2011	8.6%	January 1, 2012	8.8%	8.8%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

[2] Rates shown reflect application of the contribution rate smoothing.

L. Historical Investment Experience

1.	2.	3.	4.
	Approximate Annual Rate of Investment Return		Actuarial Assumed
Year Ending June 30	Actuarial Basis	Market Basis	Interest Rate
2001	5.8%	(2.1%)	7.25%
2002	3.1%	(4.9%)	7.25%
2003	4.2%	3.5%	7.25%
2004	6.3%	16.2%	7.25%
2005	7.0%	9.2%	7.25%
2006	7.9%	10.4%	7.25%
2007	10.4%	17.7%	7.25%
2008	5.3%	(8.3%)	7.25%
2009	(0.9%)	(21.1%)	7.25%
2010	(0.7%)	13.5%	7.25%

ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27

A. Assumptions and Methods Under GASB #25 and #27

Under the Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 27, certain information about the plan is required to be disclosed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Dollar
Amortization Period	30 Years
Actuarial Value of Assets	4-Year Smoothed Market Value with 20% Corridor
Actuarial Assumptions:	
Investment Rate of Return	7.0% (changed from 7.25% as of June 30, 2009)
Future Salary Increases	4.0% (includes 3.0% wage inflation)
Cost-of-Living Increases	1.0% compounded annually on employer funded pension (changed from 1.5% as of June 30, 2009)

B. Membership Data

The plan consisted of the following membership as of June 30, 2010, the date of the latest actuarial valuation:

Retired members, beneficiaries and disabled members receiving benefits:	67,166
Terminated vested plan members entitled to but not yet receiving benefits:	14,759
Terminated non-vested plan members entitled to a refund of ASA balance:	88,234
Active Plan Members:	149,877
Total membership:	320,036

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

C. Total PERF – Statement of Plan Net Assets

1.	Assets			
	a.	Cash and Cash Equivalents	$	954,061,011
	b.	Securities Lending Collateral		1,849,736,546
	c.	Receivables		
		i. Contributions Receivable	$	98,301,351
		ii. Accrued Investment Income		33,639,666
		iii. Receivables for Investment Securities		761,559,493
		iv. Member Loans		-
		v. Miscellaneous Receivables		387,234
		vi. Due From Other Governmental Plans		166,998
		vii. Due From Other Funds		24,309,761
		viii. Total Receivables	$	918,364,503
	d.	Investments		
		i. Debt Securities	$	3,008,153,768
		ii. Equity Securities		3,613,563,684
		iii. Mutual Funds		997,402,635
		iv. Other Investments		1,969,994,919
		v. Total Investments	$	9,589,115,006
	e.	Capital Assets		7,993,077
	f.	Total Assets: (1)(a) + (1)(b) + (1)(c) + (1)(d) + (1)(e)	$	13,319,270,143
2.	Liabilities			
	a.	Accounts Payable	$	12,743,135
	b.	Salaries and Benefits Payable		932,176
	c.	Investments Payable		872,792,811
	d.	Securities Lending Collateral		1,849,736,546
	e.	Due To Other Governmental Plans		1,370,570
	f.	Due To Other Funds		45,523
	g.	Total Current Liabilities	$	2,737,620,761
	h.	Compensated Absences - Long Term		329,969
	i.	Total Liabilities: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g) + (2)(h)	$	2,737,950,730
3.	Net Assets Held in Trust for Pension Benefits: (1)(f) - (2)(i)		**$**	**10,581,319,413**

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

D. Total PERF – Statement of Changes in Plan Net Assets

1.	Net Assets as of June 30, 2009		$	9,442,335,540
2.	Revenue (Additions)			
	a.	Contributions		
		i. Member Contributions	$	158,089,692
		ii. Employer Contributions		331,089,590
		iii. Other Contributions		-
		iv. Total Contributions	$	489,179,282
	b.	Investment Income/Loss		
		i. Investment Income/Loss	$	1,344,183,406
		ii. Securities Lending Income		9,600,601
		iii. Securities Lending Expenses		(2,898,624)
		iv. Other Investment Expenses		(53,342,155)
		v. Net Investment Income	$	1,297,543,228
	c.	Other Additions		
		i. Intergovernmental Transfers	$	2,339,099
		ii. Miscellaneous Income		61,417
		iii. Total Other Additions	$	2,400,516
	d.	Total Revenue (Additions): (2)(a)(iv) + (2)(b)(v) + (2)(c)(iii)	$	1,789,123,026
3.	Expenses (Deductions)			
	a.	Pension and Disability Benefits	$	579,710,876
	b.	Death, Survivor, and Funeral Benefits		-
	c.	Distributions of Contributions and Interest		39,632,358
	d.	Intergovernmental Transfers		5,837,217
	e.	Pensions Relief Distributions		-
	f.	Local Unit Withdrawals		-
	g.	Administrative Expenses		24,958,702
	h.	Total Expenses (Deductions): (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e) + (3)(f) + (3)(g)	$	650,139,153
4.	Changes in Net Assets Held in Trust for Pension Benefits: (2)(d) - (3)(h)		$	1,138,983,873
5.	Net Assets as of June 30, 2010: (1) + (4)		**$**	**10,581,319,413**

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

E. Total PERF – Schedule of Funding Progress [1]

($ in Thousands)

1. Actuarial Valuation Date June 30	2. Actuarial Value of Assets	3. Actuarial Accrued Liability (AAL)	4. Unfunded Actuarial Accrued Liability (UAAL)	5. Funded Ratio	6. Annual Anticipated Payroll	7. UAAL as a % of Payroll
			(3) - (2)	(2) / (3)		(4) / (6)
2005	$ 10,471,937	$ 10,858,322	$ 386,385	96.4%	$ 4,318,450	8.9%
2006	11,177,971	11,450,928	272,957	97.6%	4,322,180	6.3%
2007	12,220,934	12,439,798	218,864	98.2%	4,385,676	5.0%
2008	12,780,116	13,103,221	323,105	97.5%	4,600,354	7.0%
2009	12,569,336	13,506,280	936,944	93.1%	4,931,423	19.0%
2010	12,357,199	14,506,052	2,148,853	85.2%	4,896,013	43.9%

F. State – Schedule of Funding Progress [1, 2]

($ in Thousands)

1. Actuarial Valuation Date June 30	2. Non-Retired Actuarial Value of Assets	3. Non-Retired Actuarial Accrued Liability (AAL)	4. Unfunded Actuarial Accrued Liability (UAAL)	5. Non-Retired AAL Funded Ratio	6. Annual Anticipated Payroll	7. UAAL as a % of Payroll
			(3) - (2)	(2) / (3)		(4) / (6)
2005	$ 2,145,805	$ 2,189,337	$ 43,532	98.0%	$ 1,645,248	2.6%
2006	2,169,619	2,210,377	40,757	98.2%	1,592,207	2.6%
2007	2,350,652	2,335,082	(15,570)	100.7%	1,573,566	(1.0%)
2008	2,469,432	2,513,791	44,360	98.2%	1,661,248	2.7%
2009	2,121,550	2,443,039	321,489	86.8%	1,749,781	18.4%
2010	1,803,664	2,678,031	874,367	67.4%	1,730,480	50.5%

G. Political Subdivisions – Schedule of Funding Progress [1, 2]

($ in Thousands)

1. Actuarial Valuation Date June 30	2. Non-Retired Actuarial Value of Assets	3. Non-Retired Actuarial Accrued Liability (AAL)	4. Unfunded Actuarial Accrued Liability (UAAL)	5. Non-Retired AAL Funded Ratio	6. Annual Anticipated Payroll	7. UAAL as a % of Payroll
			(3) - (2)	(2) / (3)		(4) / (6)
2005						
2006						
2007	$ 3,155,717	$ 3,390,151	$ 234,434	93.1%	$ 2,812,110	8.3%
2008	3,388,987	3,667,733	278,745	92.4%	2,939,106	9.5%
2009	3,167,211	3,782,666	615,455	83.7%	3,181,642	19.3%
2010	2,841,372	4,115,859	1,274,487	69.0%	3,165,533	40.3%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

[2] Excludes assets and actuarial accrued liabilities attributable to member ASA balances and members in pay status.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

H. Total PERF – Schedule of Employer Contributions [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Actual Employer Contribution	4. % of ARC (3) / (2)
2005	$ 212,658	$ 206,323	97.0%
2006	248,120	230,357	92.8%
2007	275,171	260,150	94.5%
2008	291,397	303,877	104.3%
2009	316,059	323,151	102.2%
2010	360,183	331,090	91.9%

I. State – Schedule of Employer Contributions [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Actual Employer Contribution	4. % of ARC (3) / (2)
2005	$ 69,647	$ 62,760	90.1%
2006	87,947	72,890	82.9%
2007	96,430	89,801	93.1%
2008	99,135	106,867	107.8%
2009	107,981	111,214	103.0%
2010	118,200	111,555	94.4%

J. Political Subdivisions – Schedule of Employer Contributions [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Actual Employer Contribution	4. % of ARC (3) / (2)
2005	$ 143,011	$ 143,563	100.4%
2006	160,173	157,467	98.3%
2007	178,741	170,349	95.3%
2008	192,262	197,010	102.5%
2009	208,078	211,937	101.9%
2010	241,983	219,535	90.7%

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

K. State – Development of Net Pension Obligation (NPO) [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Interest on NPO at Discount Rate	4. ARC Adjustment (9) / (5)	5. Amortization Factor	6. Net Pension Cost (NPC) (2) + (3) - (4)	7. Actual Employer Contribution	8. Change in NPO (6) - (7)	9. NPO at Beginning of Year	10. NPO at End of Year (8) + (9)
2008	$ 99,135	$ (3,868)	$ (4,408)	12.1037	$ 99,675	$ 106,867	$ (7,192)	$ (53,349)	$ (60,541)
2009	107,981	(4,389)	(5,002)	12.1037	108,594	111,214	(2,620)	(60,541)	(63,161)
2010	118,200	(4,579)	(5,218)	12.1037	118,839	111,555	7,284	(63,161)	(55,877)

L. Political Subdivisions – Development of Net Pension Obligation (NPO) [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Interest on NPO at Discount Rate	4. ARC Adjustment (9) / (5)	5. Amortization Factor	6. Net Pension Cost (NPC) (2) + (3) - (4)	7. Actual Employer Contribution	8. Adjustment for Withdrawn and Merged Units [2] (6) - (7)	9. Change in NPO (6) - (7) + (8)	10. NPO at Beginning of Year	11. NPO at End of Year (9) + (10)
2008	$ 192,262	$ (8,099)	$ (9,229)	12.1037	$ 193,392	$ 197,010	$ 5,377	$ 1,759	$ (111,707)	$ (109,948)
2009	208,078	(7,971)	(9,084)	12.1037	209,191	211,937	3,268	522	(109,948)	(109,426)
2010	241,983	(7,933)	(9,041)	12.1037	243,091	219,535	1,440	24,996	(109,426)	(84,430)

[1] Results were calculated by the prior actuary.

[2] Individual Political Subdivisions can withdraw from the plan or merge with other Political Subdivisions which prevents the NPO from reconciling year over year.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

M. State – Three-Year Trend Information [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Net Pension Cost (NPC)	3. Actual Employer Contribution	4. % of NPC (3) / (2)
2008	$ 99,675	$ 106,867	107.2%
2009	108,594	111,214	102.4%
2010	118,839	111,555	93.9%

N. Political Subdivisions – Three-Year Trend Information [1]

($ in Thousands)

1. Plan Year Ending June 30	2. Net Pension Cost (NPC)	3. Actual Employer Contribution	4. % of NPC (3) / (2)
2008	$ 193,392	$ 197,010	101.9%
2009	209,191	211,937	101.3%
2010	243,091	219,535	90.3%

[1] Results were calculated by the prior actuary.

O. Solvency Test[1]

Portion of Actuarial Liability Provided by Assets
($ in Thousands)

1. As of June 30	2. ASA Balances	3. Retired and Beneficiaries	4. Non-Retired Members (Employer Financed Portion)	5. Total Actuarial Accrued Liabilities	6. Actuarial Value of Assets
2005	$ 2,382,280	$ 3,301,265	$ 5,174,777	$ 10,858,322	$ 10,471,937
	100.0%	100.0%	92.5%	96.4%	
2006	2,515,984	3,648,764	5,286,181	11,450,929	11,177,971
	100.0%	100.0%	94.8%	97.6%	
2007	2,707,176	4,007,389	5,725,233	12,439,798	12,220,934
	100.0%	100.0%	96.2%	98.2%	
2008	2,694,331	4,227,366	6,181,524	13,103,221	12,780,116
	100.0%	100.0%	94.8%	97.5%	
2009	2,669,318	4,611,257	6,225,705	13,506,280	12,569,336
	100.0%	100.0%	85.0%	93.1%	
2010	2,780,570	4,931,592	6,793,890	14,506,052	12,357,199
	100.0%	100.0%	68.4%	85.2%	

[1] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

CENSUS DATA

A. Reconciliation of Participant Data [1]

	Actives	Inactive Non-Vested ASA Balance	Inactive Vested	Disabled	Retired	Beneficiary	Total
Prior Actuary Total as of June 30, 2009	147,792	Not Valued	10,670	4,359	52,669	8,071	Not Valued
Adjustment	179	Not Valued	-	-	(51)	-	128
PwC Total as of June 30, 2009	147,971	85,381	10,670	4,359	52,618	8,071	309,070
New Entrants	9,711	-	-	-	-	-	9,711
Rehires	550	(2)	(428)	(22)	(613)	-	(515)
Non-Vested Terminations	(3,964)	4,305	-	-	-	-	341
Vested Terminations	(1,633)	-	1,638	(5)	-	-	0
Retirements	(2,351)	(9)	(1,252)	(36)	4,127	-	479
Disablements	(171)	(1)	(135)	363	-	-	56
Death with Beneficiary	(52)	(64)	(65)	(49)	(470)	681	(19)
Death without Beneficiary	-	-	(425)	(128)	(1,520)	(420)	(2,493)
Refunds	(3,136)	(1,376)	-	-	-	-	(4,512)
Data Adjustments [2]	2,952	-	4,756	(1)	175	36	7,918
Total as of June 30, 2010	149,877	88,234	14,759	4,481	54,317	8,368	320,036

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

[2] Most data adjustments are member records that were not included in the June 30, 2009 valuation date file provided by the prior actuary, but were included in the June 30, 2010 data received from Indiana PERF.

B. Census Information [1,2]

		June 30, 2009	June 30, 2010
1.	Active		
	a. Number		
	i. State	46,749	48,220
	ii. Political Subdivisions	101,043	101,657
	iii. Total	147,792	149,877
	b. Average Age	47.3	47.5
	c. Average Years of Service	10.9	11.2
	d. Covered Payroll of Actives		
	i. State	1,749,780,803	1,730,479,696
	ii. Political Subdivisions	3,181,642,137	3,165,532,884
	iii. Total	$ 4,931,422,940	$ 4,896,012,580
2.	Inactive - Vested		
	a. Number	10,670	14,759
	b Average Age		53.9
	c. Average Years of Service		15.1
3.	Inactive - Non-Vested		
	a. Number		88,234
4.	Retiree/Beneficiary/Disabled		
	a. Number	65,099	67,166
	b. Average Age		72.6
	c. Annual Benefits Payable	$ 477,552,507	$ 498,199,312

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

[2] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

C. Schedule of Active Member Valuation Data [1,2]

($ in Thousands)

1. As of June 30	2. Active Members	3. Annual Payroll ($ in Thousands)	4. Average Pay (3) / (2)	5. Annual Percent Increase
2005	141,428	$ 4,318,450	30,535	3.5%
2006	140,563	4,322,180	30,749	0.7%
2007	138,863	4,385,676	31,583	2.7%
2008	140,146	4,600,354	32,825	3.9%
2009	147,792	4,931,423	33,367	1.7%
2010	149,877	4,896,013	32,667	(2.1%)

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

[2] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

D. Schedule of Retirees, Beneficiaries, and Disabled Members[1,2]

($ in Thousands)

1.	2.	3.	4.	5.	6.	7.	8.	9.
	Added		Removed		End of Year			
Year Beginning June 30	Number	Annual Allowances ($ in Thousands)	Number	Annual Allowances ($ in Thousands)	Number	Annual Allowances ($ in Thousands)[3]	% Increase in Annual Allowances	Average Annual Allowances
2004	4,499	$ 35,845	1,732	$ 8,358	57,121	$ 354,285	8.8%	$ 6,202
2005	3,403	29,572	2,241	14,440	58,283	377,611	6.6%	6,479
2006	4,633	42,653	2,584	15,229	60,332	412,745	9.3%	6,841
2007	5,376	43,915	3,284	18,022	62,424	436,749	5.8%	6,996
2008	6,047	55,726	3,372	19,103	65,099	477,553	9.3%	7,336
2009	4,827	39,214	2,760	19,022	67,166	498,199	4.3%	7,417

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

[2] Valuation results prior to June 30, 2010 were calculated by the prior actuary.

[3] End of year annual allowances are not equal to the prior end of year annual allowances plus addition and less removals because of data changes and cost-of-living increases.

E. Distribution of Active Members by Age and Service [1]

Attained Age	Distribution of Active Members by Age and Service as of June 30, 2010										
	Under 1 year	1 to 4 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	30 to 34 years	35 to 39 years	Over 40 years	Total
<25	1,656	2,585	87	9							4,337
25-29	1,665	7,544	1,930	84							11,223
30-34	1,037	5,339	3,941	1,477	33	1					11,828
35-39	981	5,047	3,858	3,092	1,004	55					14,037
40-44	970	5,111	4,224	3,232	2,301	1,139	50				17,027
45-49	908	5,049	4,947	4,456	2,772	2,539	1,319	199	1	1	22,191
50-54	743	4,250	4,521	4,832	3,478	3,034	2,084	1,911	157	2	25,012
55-59	581	3,323	3,607	3,877	3,332	3,296	1,881	1,865	938	72	22,772
60-64	290	2,142	2,497	2,486	2,090	2,272	1,279	1,084	668	245	15,053
65-69	105	630	942	838	615	612	347	347	161	98	4,695
70&Up	48	336	393	353	303	113	56	51	26	23	1,702
Total	8,984	41,356	30,947	24,736	15,928	13,061	7,016	5,457	1,951	441	149,877

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

F. Distribution of Inactive Vested Members by Age and Service [1]

Attained Age	Distribution of Inactive Vested Members by Age and Service as of June 30, 2010							
	Under 5 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	Total
<25			1					1
25-29			2					2
30-34			124					124
35-39			565	46	1			612
40-44			974	251	35			1,260
45-49			1,462	621	236	42	1	2,362
50-54			1,798	941	401	193	63	3,396
55-59			1,936	1,083	541	208	54	3,822
60-64			1,720	457	200	64	42	2,483
65-69			279	112	46	23	27	487
70&Up			92	55	29	21	13	210
Total			8,953	3,566	1,489	551	200	14,759

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired [1]

Attained Age	Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired as of June 30, 2010							
	Under 5 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	Total
<40	21	11	1					33
40-44	36	37	14	4				91
45-49	93	84	44	20				241
50-54	649	221	117	86	5			1,078
55-59	2,541	881	200	130	26	5	1	3,784
60-64	5,537	2,209	800	160	38	9	4	8,757
65-69	6,802	4,039	1,604	555	66	18	8	13,092
70-74	2,613	5,247	3,317	1,141	360	35	24	12,737
75-79	542	1,669	4,710	2,363	705	221	34	10,244
80-84	172	522	1,289	3,872	1,808	426	208	8,297
85-89	34	149	359	867	2,849	1,033	338	5,629
90&Up	17	24	50	150	461	1,528	953	3,183
Total	19,057	15,093	12,505	9,348	6,318	3,275	1,570	67,166

[1] Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. member may be a retiree and a beneficiary).

ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The actuarial methods used in this valuation were selected and approved by the Board. In general, the methods provide orderly funding of all benefits being accrued, as well as unfunded past-service benefit liabilities, over a period of thirty years. However, the smoothing methods employed in determining the Actuarial Value of Assets and contribution rates (i.e. the Actual Rate) may accelerate or lengthen the effective funding period, depending on whether gains or losses are experienced. In our opinion, the actuarial methods are reasonable for the purposes of this valuation, though we recommend periodic review of the contribution rate smoothing rules to ensure that funding of the benefits is not unreasonably deferred.

Interest Rate / Investment Return — 7.0% (net of administrative and investment expenses)

Interest on Member ASA Balances — 7.0% per year

Future Salary Increases — 4.0% per year

Inflation — 3.0% per year

Cost of Living Increases — 1.0% per year in retirement

Mortality (Healthy and Disabled) — 2008 IRS Static Mortality projected five (5) years with Scale AA

Disability — Based on 2000-2005 experience for males and 1995-2000 experience for females. For females, 2000-2005 experience was consistent with 1995-2000 experience. Illustrative rates shown below:

Age	Male	Female
20	0.0067%	0.0050%
30	0.0208%	0.0158%
40	0.0646%	0.0496%
50	0.2005%	0.1556%
60	0.6220%	0.4881%
70	0.1000%	0.1000%
80	0.0000%	0.0000%

A. Actuarial Assumptions (continued)

Termination — Select and ultimate tables based on PERF experience 2000-2005. Illustrative rates shown below:

State (Male)

	Service					
Age	0	1	2	3	4	5+
20	32.0%	15.0%	5.0%	3.0%	3.0%	2.0%
30	27.0%	10.0%	5.0%	3.0%	3.0%	2.0%
40	22.0%	7.0%	5.0%	3.0%	3.0%	2.0%
50	22.0%	7.0%	5.0%	3.0%	3.0%	2.0%
60	23.0%	7.0%	5.0%	3.0%	3.0%	2.0%
70+	27.5%	16.0%	5.0%	3.0%	3.0%	2.0%

State (Female)

	Service					
Age	0	1	2	3	4	5+
20	33.0%	14.0%	5.0%	4.0%	3.0%	2.0%
30	23.0%	11.5%	5.0%	4.0%	3.0%	2.0%
40	21.0%	9.0%	5.0%	4.0%	3.0%	2.0%
50	21.0%	9.0%	5.0%	4.0%	3.0%	2.0%
60	23.0%	9.0%	5.0%	4.0%	3.0%	2.0%
70+	27.5%	9.0%	5.0%	4.0%	3.0%	2.0%

Political Subdivisions (Male)

	Service					
Age	0	1	2	3	4	5+
20	27.0%	14.0%	3.0%	3.0%	2.0%	2.0%
30	17.0%	9.0%	3.0%	3.0%	2.0%	2.0%
40	17.0%	7.0%	3.0%	3.0%	2.0%	2.0%
50	17.0%	7.0%	3.0%	3.0%	2.0%	2.0%
60	17.0%	7.0%	3.0%	3.0%	2.0%	2.0%
70+	17.0%	7.0%	3.0%	3.0%	2.0%	2.0%

Political Subdivisions (Female)

	Service					
Age	0	1	2	3	4	5+
20	27.0%	15.0%	5.0%	4.0%	3.0%	2.0%
30	17.0%	10.0%	5.0%	4.0%	3.0%	2.0%
40	17.0%	8.0%	5.0%	4.0%	3.0%	2.0%
50	17.0%	8.0%	5.0%	4.0%	3.0%	2.0%
60	17.0%	8.0%	5.0%	4.0%	3.0%	2.0%
70+	17.0%	8.0%	5.0%	4.0%	3.0%	2.0%

A. **Actuarial Assumptions (continued)**

Retirement

Based on PERF experience 2000-2005. Illustrative rates shown below:

	Service					
Age	10	15	20	30	40	45
50	0.0%	2.6%	2.6%	2.6%	2.6%	2.6%
55	0.0%	6.5%	6.5%	24.0%	24.0%	24.0%
60	0.0%	13.0%	13.0%	13.5%	17.0%	17.0%
65	42.9%	42.9%	42.9%	42.9%	42.9%	42.9%
70	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
75+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Decrement Timing

Decrements are assumed to occur at the beginning of the year.

Spouse/Beneficiary

90% of members are assumed to be married or to have a dependent beneficiary. Males are assumed to be three (3) years older than their spouses.

ASA Withdrawal

50% of active members are assumed to withdraw their ASA balance upon termination or retirement. 100% of inactive members are assumed to withdraw their ASA balance. The assumptions used to annuitize ASA balances are different than the valuation assumptions and create a small cost to the plan.

Data Assumptions

Actives with either no date of birth and/or no gender are assumed to be age 47 and/or male. Inactives with either no date of birth and/or no gender are assumed to be age 46 and/or male. Spouse gender is assumed to be the opposite gender of the member.

Retirees and disabled members that are not married and do not have a retirement option listed are assumed to elect 5-year certain and life annuities. Retirees and disabled members that are married and do not have a retirement option listed are assumed to elect a 100% joint and survivor annuity. Beneficiaries that do not have a retirement option listed are assumed to receive monthly payments for life.

A. Actuarial Assumptions (continued)

Changes in Assumptions

For the June 30, 2010 valuation, the Board approved the following assumption changes:

- The interest rate (net of administrative and investment expenses) was lowered from 7.25% to 7.0%.
- The cost-of-living increase assumption changed from 1.5% compounded annually to 1.0% compounded annually. No increase is assumed to be applied to annuitized ASA balances.
- The mortality assumption was changed from rates based on PERF experience from 1995-2000 to the IRS 2008 Static Mortality Table projected forward five (5) years with Scale AA.

B. Actuarial Methods

The actuarial methods used in this valuation were selected and approved by the Board. In general, the methods provide orderly funding of all benefits being accrued, as well as unfunded past-service benefit liabilities, over a period of thirty years. However, the smoothing methods employed in determining the Actuarial Value of Assets and contribution rates (i.e. the Actual Rate) may accelerate or lengthen the effective funding period, depending on whether gains or losses are experienced. In our opinion, the actuarial methods are reasonable for the purposes of this valuation, though we recommend periodic review of the contribution rate smoothing rules to ensure that funding of the benefits is not unreasonably deferred.

1. Actuarial Cost Method

The actuarial cost method is Entry Age Normal - Level Percent of Payroll.

The normal cost is calculated separately for each active member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The actuarial accrued liability on any valuation date is the accumulated value of such normal costs from entry age to the valuation date.

Gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes are amortized over a 30-year period with level payments each year. A new gain or loss base is established each year based on the additional gain or loss during that year and that base is amortized over a new 30-year period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

2. Asset Valuation Method

Actuarial Value of Assets is equal to a four-year smoothing of gains and losses on the Market Value of Assets subject to a 20% corridor.

3. Employer Contribution Rate Smoothing Methods

The State employer contribution rate is equal to the prior year Actual Rate, plus a portion of the increase (or less a portion of the decrease) between the current year True Rate and the prior year Actual Rate, rounded to the nearest tenth of a percent.

The contribution rate for each Political Subdivision is smoothed and rounded based on the number of active members in the respective Political Subdivision. The Board has approved various resolutions that detail the smoothing methods.

B. Actuarial Methods (continued)

4. Method for Allocation of Actuarial Accrued Liability and Normal Cost

The Actuarial Accrued Liability ("AAL") for members with multiple current and/or historical employers is allocated pro rata to each respective employer based on the service the member accrued at each employer. In the event service at each employer is not included in the data, the AAL is allocated evenly amongst all respective employers.

The Normal Cost for members with multiple current employers is allocated to each respective employer based on the salary the member earned at each employer. In the event salary at each employer is not included in the data, the Normal Cost is allocated evenly amongst all respective current employers.

5. Changes in Actuarial Methods

For the June 30, 2010 valuation, the Board approved the following method change:

- The AVA was changed from 75% of the expected Actuarial Value, plus 25% of the actual Market Value to a four-year smoothing of gains and losses on the MVA, with a 20% corridor, where the AVA cannot be more than 120% or less than 80% of the Market Value of Assets ("MVA") after the four-year smoothing of gains and losses is applied. This change was made to be consistent with the other PERF plans and to ensure convergence of the AVA and MVA.

SUMMARY OF PLAN PROVISIONS

SECTION VI - SUMMARY OF PLAN PROVISIONS

A. Summary of Plan Provisions

The benefit provisions for PERF are set forth in IC 5-10.2 and 5-10.3. A summary of those defined pension benefit provisions is presented below:

Participation		All full time employees of the State of Indiana and all full time employees of Political Subdivisions which have adopted the plan become members of PERF upon date of hire.
Eligibility for Defined Pension Benefits		
a.	Normal Retirement	Earliest of: - Age 65 with 10 or more years of creditable service - Age 60 with 15 or more years of creditable service - Age 55 with sum of age and creditable service equal to 85 or more
b.	Early Retirement	Age 50 with 15 or more years of creditable service
c.	Late Retirement	Subject to continued employment after normal retirement
d.	Disability Retirement	5 or more years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits
e.	Termination	10 or more years of creditable service and no longer active (i.e. vested inactive)
f.	Pre-Retirement Death	15 or more years of creditable service if death occurs in service. If death occurs after separating from service, age 50 with 15 or more years of creditable service

A. Summary of Plan Provisions (continued)

Amount of Benefits

a.	Normal Retirement	The normal retirement benefit is a pension payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings[1] multiplied by years of creditable service earned.
b.	Early Retirement	The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A member may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.
c.	Late Retirement	The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.
d.	Disability Retirement	The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.
e.	Termination	The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at age 65. If the member has 15 or more years of creditable service, then the member may elect to receive a reduced early retirement benefit prior to age 65.
f.	Pre-Retirement Death	The spouse or dependent beneficiary is entitled to receive the monthly life benefit under the assumption that the member retired on the later of age 50 or the date before the date of death and elected the joint and full survivor option.

[1] Average monthly earnings is the monthly average of earnings during 20 quarters (in groups of 4 consecutive contribution quarters) preceding retirement that produce the highest such average. Earnings include basic salary, the member's 3% mandatory contribution paid by the employer, the member's salary reduction agreement under Section 125, 430(b), or 457 of the Internal Revenue Code, and up to $2,000 of additional compensation received from the employer in anticipation of the member's termination or retirement.

A. Summary of Plan Provisions (continued)

Member Contributions	Each member is required to contribute to an Annuity Savings Account at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest based on the investment elections of each member until such time as they are refunded or used to provide the annuity benefit at retirement. The benefits provided by the Annuity Savings Account are in addition to the benefits provided by employer contributions.
Optional Forms of Payment	
a. 5-Year Guaranteed Beneficiary Benefit (Option 10)	Member will receive a monthly benefit for the rest of their life. If the member dies before receiving benefits for 5 years, the beneficiary will receive that monthly benefit for the remainder of those 5 years or a lump sum distribution equal to the present value of those payments. After 5 years, there are no payments available to the beneficiary.
b. Benefit with No Guarantee (Option 20)	Member will receive a monthly benefit for life, but there are no monthly payments to anyone after death. However, the balance of the Annuity Savings Account will be distributed to the beneficiary or estate if it is larger than the payments previously made to the member.
c. Joint with Full Survivor Benefits (Option 30)	Member will be paid a monthly benefit for life. After death, the same monthly benefit will be paid to the beneficiary for their lifetime.
d. Joint with Two-Thirds Survivor Benefits (Option 40)	Member will be paid a monthly benefit for life. After death, two-thirds (2/3) of the benefit will be paid to the beneficiary for their lifetime.
e. Joint with One-Half Survivor Benefits (Option 50)	Member will be paid a monthly benefit for life. After death, one-half (1/2) of the benefit will be paid to the beneficiary for their lifetime.

A. Summary of Plan Provisions (continued)

Optional Forms of Payment (Continued)

f.	Integration with Social Security (Option 61)	A member who retires between ages 50 and 62 may integrate the PERF monthly pension benefit with the member's estimated Social Security benefits. This does not affect the amount of the benefit received from the Social Security Administration. Before age 62, the member's benefits will equal the sum of the member's Social Security estimate, multiplied by actuarial factors, and the member's early retirement benefit. This will result in the member receiving a larger monthly benefit payment before age 62. After age 62, the member's benefit will equal the difference between the member's Social Security estimate, multiplied by actuarial factors, and the member's pre-62 monthly pension benefit. Depending upon the member's estimated Social Security disbursement, benefit payments may be greatly reduced or terminated at age 62.
g.	5-Year Guaranteed Beneficiary Benefit with ASA Cash Refund (Option 71)	In order to select this option, the member must choose to combine at least a portion of their ASA with their lifetime monthly pension benefit. If selected, the member will receive a monthly benefit for the rest of their life. If the member dies before receiving payments for 5 years, the beneficiary will receive the pension portion of their monthly benefit for the remainder of those 5 years or a lump sum equal to the present value of those remaining payments. Also, upon death (whether death occurs before or after receiving 5 years of benefits), the beneficiary may receive any remaining balance of the Annuity Savings Account.

Annuity Savings Account ("ASA") Payment Forms

a.	Leave ASA Invested with PERF	Members may choose to leave their ASA invested with PERF. According to IRS regulations, the member must begin distribution at age 70 1/2. Until the member elects to receive funds, they will remain invested according to member direction.
b.	Combine ASA with Lifetime Pension Benefit	The member may choose to receive, as part of their monthly benefit, the total amount of their ASA. The member will not receive any other distribution from the ASA other than this monthly payment.

A. Summary of Plan Provisions (continued)

Annuity Savings Account ("ASA") Payment Forms (continued)

c.	Withdraw Entire ASA	The member withdraws their entire ASA by means of either a direct rollover, complete withdrawal, or partial rollover to a qualified plan for the Taxable Portion of their ASA and, if it applicable, one of these choices for the 1986 Tax Basis Portion.
d.	Withdraw 1986 Tax Basis Portion of ASA and Combine Taxable Portion with Pension Benefit	The member withdraws the non-taxable (1986 Tax Basis) portion of their ASA in the form of a direct rollover, a complete distribution, or a partial rollover to a qualified plan, and then receives the balance of the account as a part of their monthly payment.

Cost-of-Living Adjustments	The monthly pension benefits for members in pay status are increased periodically to preserve purchasing power that is diminished due to inflation. Such increases are not guaranteed by Statute and have historically been provided on an "ad hoc" basis.
Changes in Provisions	No changes since prior valuation.

Definitions of Technical Terms

A. Definitions of Technical Terms

Actual Rate	The contribution rate expressed as a percentage of covered payroll on an annual basis (not less than 0.0%) that is the result of applying applicable smoothing rules to the prior year Actual Rate and current year True Rate.
Actuarial Accrued Liability (AAL)	That portion, as determined by a particular Actuarial Cost Method, of the Present Value of Future Benefits (PVFB) and expenses which is not provided for by future Normal Costs. Generally this means the portion of the PVFB attributable to past service.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
Actuarial Cost Method	A procedure for determining an actuarially equivalent allocation of the Present Value of Future Benefits to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
Actuarially Equivalent	A method of making the actuarial present value of two series of payments equal as of a given date using the same assumptions.
Actuarial Gain/(Loss)	The difference between actual unfunded Actuarial Accrued Liability and anticipated unfunded Actuarial Accrued Liability — during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.
Actuarial Present Value	The single amount now that is equal to a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
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 pension plan.

A. Definitions of Technical Terms (continued)

Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Amortization	The payment of a present value financial obligation on an installment basis over a future number of years.
Annual Required Contribution of the Employer (ARC)	The employer's periodic required contributions to a defined benefit pension plan, calculated in accordance with the plan provisions, actuarial assumptions, actuarial cost method and other actuarial method prescribed by Governmental Accounting Standards No. 25 and No. 27.
Creditable Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Funding Policy	The program for the amounts and timing of contributions to be made by plan members, employer, and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by a pension plan.
Level Dollar Amortization Method	The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.
Normal Cost (NC)	That portion of the present value of future benefits which is allocated to a valuation year by the Actuarial Cost Method. The normal cost is specific to the cost method used.
Plan Assets	Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

A. Definitions of Technical Terms (continued)

Plan Members	The individuals covered by the terms of a pension plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.
Present Value of Future Benefits (PVFB)	Projected benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members upon retirement) as a result of their service through the valuation date and their expected future service. The actuarial present value of projected future benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment (taking into account mortality, turnover, probability of participating in plan retirement, etc.). Alternatively, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay the projected benefits when due.
True Rate	The precise actuarial contribution rate (not less than 0.0%) determined by summing the Normal Cost and amortization of unfunded Actuarial Accrued Liability and dividing by anticipated payroll.