

**State Retirement and Pension
System of Maryland
Actuarial Valuation
as of June 30, 2005**

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Consultants and Actuaries

November 2005

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November 28, 2005

Board of Trustees
State Retirement and Pension
System of Maryland
120 East Baltimore Street
Baltimore, MD 21202

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the State Retirement and Pension System of Maryland as of June 30, 2005, for determining contribution payments for FY 2007. The major findings of the valuation are contained in this report.

In preparing this report we relied, without audit, on information (some oral and some written) supplied by the State Retirement Agency. This information includes, but is not limited to, statutory provisions, employee census, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs and liabilities shown in this report have been determined on the basis of actuarial assumptions and methods set forth in Appendix C. These assumptions and methods were adopted by the Board of Trustees as a result of a comprehensive experience study dated FY 2003. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statement No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



Board of Trustees
State Retirement and Pension System of Maryland
November 28, 2005
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Milliman's work product was prepared exclusively for the State Retirement and Pension System of Maryland for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the State Retirement and Pension System of Maryland's operations, and uses Agency data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be provided in its entirety including this cover letter, unless prior written consent is obtained from Milliman.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Milliman

Robert S. Dezube, FSA
Principal and Consulting Actuary

RSD/MSR/10

SECTION I

BOARD SUMMARY

BOARD SUMMARY

This report presents the results of the June 30, 2005 actuarial valuation of the State Retirement and Pension System of Maryland (SRPS). The primary purposes of performing the annual actuarial valuation are to:

- 1) **determine the contributions** to be paid by the State in Fiscal Year 2007;
- 2) **measure and disclose**, as of the valuation date, the financial condition of the fund;
- 3) **indicate trends** in the financial progress of the fund;
- 4) **provide specific information** and documentation required by the Government Accounting Standards Board (GASB).

In this section of the report, we will present a summary of the above information in the form of:

- the actuary's comments;
- the prior year's experience of the Fund's assets, liabilities, contributions, and membership;
- a series of graphs highlighting key trends experienced by the Fund; and
- a tabular summary, intended for quick reference purposes, of all the principal results from this year's valuation, compared to the prior year's.

Actuary's Comments

The System's assets earned **9.50%** for the year, which is **1.75%** above the 7.75% assumption. This marks the second period of favorable market return (i.e. greater than the 7.75% assumption) since the year ending June 30, 2000. Even though the market return exceeded the 7.75% assumption, because of the unfavorable returns of the last few years, the actuarial, or smoothed, rate of return measured from this past year was only **5.90%**, or approximately **1.85%** less than our assumption.

For the System to earn at least 7.75% on an actuarial value basis, the market value of assets will have to earn returns in the future that are higher than the actuarial investment return assumption by enough to offset the unrecognized market losses that have been deferred under the "5-year averaging" method used to determine the actuarial value of assets. If future investment results are only sufficient to earn 7.75% on a market basis, then the deferred market investment losses will gradually be reflected in the actuarial value of assets which will put upward pressure on the contribution rate.

BOARD SUMMARY

The System's unfunded actuarial liability was **\$4,614** million as of June 30, 2005. This compares to a **\$2,841** million unfunded liability measured as of the June 30, 2004 valuation. In relative terms, the overall System funding ratio of assets to liabilities fell from **92.2%** in 2004, to **88.2%** this year. This funded status is still substantially better than would have been expected when the State first established the goal to extinguish unfunded liabilities by the year 2020.

The unfunded actuarial liability was expected to grow by **\$198** million. The investment loss increased the unfunded actuarial liability by **\$611** million. Added to this was a liability loss of **\$964** million, which indicates that actual experience during the year ending June 30, 2005 was less favorable than the non-investment actuarial assumptions. Thus the total System experienced a net actuarial loss of **\$1,575** million.

In the 2001 legislative session, the Legislature changed the method used to fund the two largest Systems of the SRPS: the Teachers Combined System and the State portion of the Employees Combined System to a corridor method. Under this funding approach, the State appropriation is fixed at the June 30, 2000 valuation rate as long as the actuarial funded status of these Systems remains in a corridor of 90% funded to 110% funded. Once the ratio falls outside this corridor, the appropriated rate will be adjusted one-fifth of the way toward the underlying actuarially calculated rate. This year the State portion of the Employees Combined System (ECS) remained out of the corridor necessitating an increase in the ECS contribution rate. The Teachers' Combined System (TCS) also fell out of the corridor this year, necessitating an increase in the TCS contribution rate.

The corridor method results in contributions that are less than those determined actuarially. In the case of the Employees' Combined System, the contribution is less than the normal cost.

The results of this valuation report disclose the actuarially calculated rate which will be used for purposes of disclosing the Annual Required Contribution rate under Government Accounting Standards Board Statement No. 25. The analysis in this report will focus on the actuarially determined rate but will strive to footnote the appropriated or budgeted rate where applicable.

The balance of this section summarizes System trends, and provides the principal details on this year's experience.

Prior Year Experience**ASSETS (STATE AND MUNICIPAL)**

Plan assets for this Fund are measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method, described in detail in Appendix C, essentially reflects only 20% of the difference between (a) the asset value if they had earned the assumed rate of 7.75%, and (b) the actual market value. In periods of high returns, this method significantly defers the amount of asset gains above the assumed return of 7.75%. Conversely, in periods of returns below the assumed, recognition of the losses is deferred. The primary advantage of this smoothing technique is contribution stability. The System does not feel the full impact of lower (or higher) costs when asset values fluctuate dramatically.

For the plan year ending June 30, 2005, the Fund earned **9.5%** on a market value basis and **5.9%** on a smoothed basis. While on a market basis, the Fund experienced an investment gain of **\$520** million, the actuarial or smoothed basis grew by less than 7.75% which produced a loss of **\$611** million. The specific changes between the prior year amounts and this year's are presented below.

Item (In Millions)	Market Value	Actuarial Value
June 30, 2004 Value	\$ 30,167	\$ 33,485
June 30, 2004 Municipal Withdrawals / New Entrants	3	2
Employer Contributions	671	671
Member Contributions	209	209
Benefit Payments	(1,799)	(1,799)
Expected Investment Earnings (7.75%)	2,303	2,561
Expected Value June 30, 2005	\$ 31,554	\$ 35,129
INVESTMENT GAIN (LOSS)	520	(611)
Assets from MTA Transfer to State LEOPs	2	2
June 30, 2005 Value	\$ 32,076	\$ 34,520

LIABILITIES (STATE AND MUNICIPAL)

Three different measures of liabilities are calculated for this fund: a total value of future obligations (PVB), an actuarial liability (EAN), and an accrued benefit liability (PVAB). Section III of this report describes the development of each. Only the actuarial liability is analyzed in terms of a gain or loss experience, which then is used to determine the

BOARD SUMMARY

System's funding and accounting (GASB) disclosures. During the plan year ending in 2005, the actuarial liabilities experienced an overall loss of **\$964 million**, which is **2.46%** of the total actuarial liability being measured. The primary cause for liability experience being less favorable than anticipated this past year was annual salary increases being higher than anticipated.

LIABILITIES (In Millions)	Total Value (PVB)	Actuarial (EAN)	Accounting (PVAB)
June 30, 2004	\$ 43,716	\$ 36,326	\$ 30,400
June 30, 2005	\$ 47,066	\$ 39,133	\$ 32,947

UNFUNDED LIABILITIES AND FUNDING RATIOS (STATE AND MUNICIPAL)

The difference between assets and liabilities is the unfunded liability. This is measured in two ways: unfunded actuarial liabilities, which compare the actuarial liabilities to the actuarial asset value, and unfunded accrued benefits, which compare the present value of benefits accrued as of the valuation date to the market value of assets. These amounts are shown for June 30, 2004 and June 30, 2005, as well as the corresponding funding ratios for each (assets divided by liabilities).

Item (In Millions)	Actuarial	PVAB
6/30/2004 Net Surplus (Unfunded)	(\$2,841)	(\$ 233)
Funding Ratio	92.2%	99.2%
6/30/2005 Net Surplus (Unfunded)	(\$4,614)	(\$ 871)
Funding Ratio	88.2%	97.4%

CONTRIBUTIONS (STATE PORTION ONLY)

In Section IV, we show the various contribution rates by system. In this summary, we present the overall State contribution rate, and compare it to the rate developed in the June 30, 2004 actuarial valuation. In summary, due to the net impact of investment and liability losses, the overall State contribution requirement, payable in FY 2007 on the GASB disclosure basis, has increased by **1.16%** of payroll. It is important to note that this is not the contribution rate upon which the State will base its budget in either FY 2006 or FY 2007. This analysis compares the underlying cost calculations which will be used to disclose the State's pension expense for GASB reporting purposes. The actual appropriations are calculated using the Corridor Funding Method for the two largest plans. This approach produced payroll-weighted averages of **8.46%** at June 30, 2004, increasing to **9.18%** as of June 30, 2005.

Rate as Percent of Covered Payroll – GASB Disclosure	
June 30, 2004 State Annual Required Contribution Rate	10.42%
Increase due to Assumption Changes	0.00%
Increase due to Investment Loss	0.49%
Increase due to Liability Loss	0.67%
June 30, 2005 State Annual Required Contribution Rate	11.58%

Rate as Percent of Covered Payroll – Budget (Corridor Method)	
June 30, 2004 State Appropriation Rate	8.46%
Increase due to Shift in Payroll for All Systems	0.04%
Increase in Systems not within the Corridor	0.08%
Increase due to TCS falling out of Corridor	0.23%
Increase due to ECS remaining out of Corridor	0.37%
June 30, 2005 State Appropriation Rate	9.18%

MEMBERSHIP (STATE AND MUNICIPAL)

There are four types of plan participants: current active workers, previous terminations who retain a right to a deferred vested benefit, previous terminations who are not vested but have member contributions in the System (inactives), and participants in pay status. In Appendix B, we present extensive details on membership statistics. Below, we compare totals in each group between June 30, 2004 and 2005.

As shown below, there was an overall increase in participation during the year of **2.5%**.

	June 30, 2005	June 30, 2004	Change
Active Participants	188,050	185,861	1.2%
Terminated Vested Participants	37,248	36,523	2.0%
Inactive Participants	10,416	10,388	0.3%
Participants In Pay Status	100,196	94,880	5.6%
Total Participants	335,910	327,652	2.5%

Trends (State and Municipal)

One of the best ways to measure or evaluate the financial condition of a pension plan is to examine the historical trends that are evolving. Below, we present three charts which present trend information from 1993 through the end of 2005, on the System's assets and liabilities, annual cash flows in and out of the fund, and the State contribution rate. Our comments on each follow.

Chart A: ASSETS / LIABILITIES

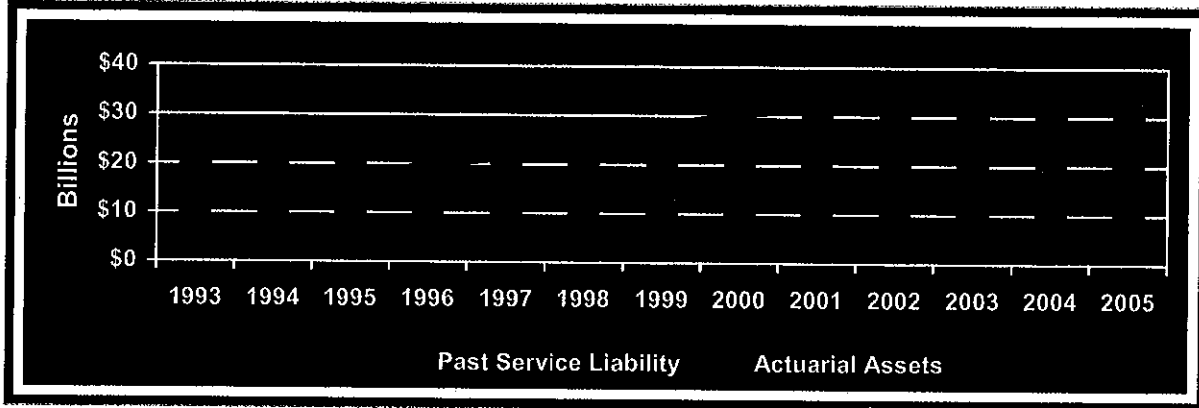


Chart B: CASH FLOWS

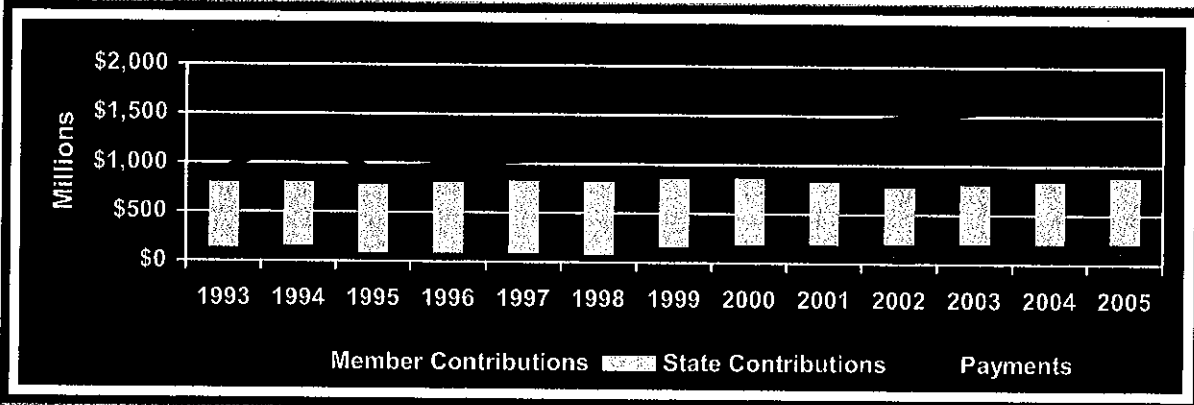
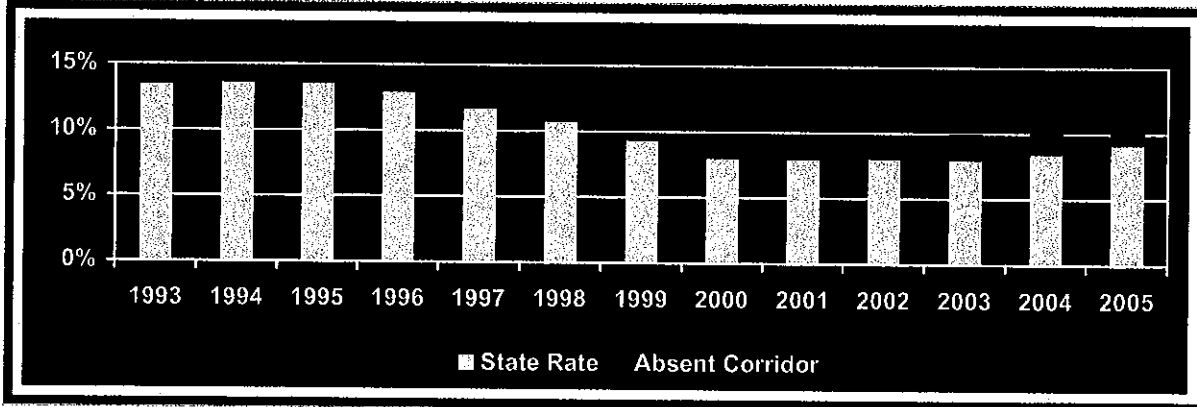


Chart C: STATE CONTRIBUTION RATE



Comments

Chart A places into perspective the aforementioned investment and liability performance losses of this past year. The ratio of actuarial assets to liabilities (i.e., funding ratio) has grown since the early 1980's. The unfavorable investment experience from 2000 through 2003 has eroded the funded ratio from its peak in 2000. Even though the market value returns were favorable in 2004 and 2005, the actuarial value return is still less than the assumed rate of 7.75%. This is because the actuarial value of assets still contains unrecognized losses from years where the market value return was unfavorable.

Chart B presents an emerging trend that will have investment implications. It is a trend being faced by many state-wide retirement systems, with the aging of our baby boomer generations. Payments to retirees are on the increase, while cash into the fund, from employer and employee contributions, is increasing slower than payments to retirees because the System is becoming more mature. The ECS contribution rate started increasing in FY 2006 and the TCS contribution rate will also start to increase in FY 2007 under the corridor method.

Finally, Chart C, looks only at the State contribution rate which is used each year to determine the upcoming fiscal year State appropriation. It shows the impact of the past decade's sustained investment gains, a continuous lowering of the rate until 2000. Effective with the 2001 valuation, the State appropriations are performed under a corridor funding method for the two largest plans. The appropriation remained essentially level for a few years before increasing with the 2004 valuation. In the absence of favorable investment and/or demographic experience, the contribution rates can be expected to increase to the level indicated if the corridor method had not been adopted. Without the corridor method, the State contribution in FY 2007 would be 2.40% of payroll higher than the amount to be budgeted under the corridor method. The actual contribution rate for FY 2007 is 20% less than the actuarial rate.

BOARD SUMMARY

TOTAL SRPS (STATE AND MUNICIPAL)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2005	6/30/2004	% Change
PARTICIPANT COUNTS			
ACTIVES	188,050	185,861	1.2%
TERMINATED VESTEDS	37,248	36,523	2.0%
INACTIVES	10,416	10,388	0.3%
IN PAY STATUS	<u>100,196</u>	<u>94,880</u>	5.6%
TOTAL	335,910	327,652	2.5%
Annual Salaries of Active Members	\$ 8,869,006,512	\$ 8,209,248,324	8.0%
Covered Annual Salaries of Active Members	\$ 8,603,760,761	\$ 8,069,480,852	6.6%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 1,730,334,175	\$ 1,592,533,229	8.7%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 39,133,449,767	\$36,325,704,065	7.7%
Assets for Valuation Purposes	<u>34,519,500,395</u>	<u>33,484,656,570</u>	3.1%
Unfunded Actuarial Liability	\$ 4,613,949,372	\$ 2,841,047,495	62.4%
Funding Ratio	88.2%	92.2%	N/A
Present Value of Accrued Benefits	\$ 32,946,703,202	\$30,399,562,594	8.4%
Market Value of Assets	<u>32,075,918,515</u>	<u>30,166,723,455</u>	6.3%
Unfunded FASB Accrued Liability	\$ 870,784,687	\$ 232,839,139	274.0%
Accrued Benefit Funding Ratio	97.4%	99.2%	N/A
CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)			
	Fiscal Year 2007	Fiscal Year 2006	
<u>GASB Method:</u>			
Normal Cost Contribution	8.01%	8.02%	
Unfunded Actuarial Liability Contribution	<u>3.57</u>	<u>2.40</u>	
Total State Contribution	11.58%	10.42%	
<u>Corridor Method:</u> Certified Rate Using Corridor Method	9.18%	8.46%	

BOARD SUMMARY

TOTAL SRPS (TEACHERS)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2005	6/30/2004	% Change
PARTICIPANT COUNTS			
ACTIVES	97,790	95,962	1.9%
TERMINATED VESTEDS	14,775	14,379	2.8%
INACTIVES	5,368	5,426	(1.1%)
IN PAY STATUS	<u>48,091</u>	<u>45,691</u>	5.3%
TOTAL	166,024	161,458	2.8%
Annual Salaries of Active Members	\$ 5,055,391,445	\$ 4,615,607,093	9.5%
Covered Annual Salaries of Active Members	\$ 4,867,396,045	\$ 4,543,443,669	7.1%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 1,049,319,738	\$ 973,734,838	7.8%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 23,305,198,400	\$ 21,724,178,194	7.3%
Assets for Valuation Purposes	<u>20,801,529,328</u>	<u>20,155,414,671</u>	3.2%
Unfunded Actuarial Liability	\$ 2,503,669,072	\$ 1,568,763,523	59.6%
Funding Ratio	89.3%	92.8%	N/A
Present Value of Accrued Benefits	\$ 19,703,988,613	\$ 18,286,822,230	7.7%
Market Value of Assets	<u>19,357,871,605</u>	<u>18,187,297,200</u>	6.4%
Unfunded FASB Accrued Liability	\$ 346,117,008	\$ 99,525,030	247.8%
Accrued Benefit Funding Ratio	98.2%	99.5%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2007	Fiscal Year 2006	
GASB Method:			
Normal Cost Contribution	7.70%	7.70%	
Unfunded Actuarial Liability Contribution	<u>3.47</u>	<u>2.46</u>	
Total State Contribution	11.17%	10.16%	
Corridor Method:			
Certified Rate Using Corridor Method	9.71%	9.35%	

BOARD SUMMARY

TOTAL SRPS (STATE POLICE)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2005	6/30/2004	% Change
PARTICIPANT COUNTS			
ACTIVES	1,439	1,445	(0.4%)
TERMINATED VESTEDS	29	29	0.0%
INACTIVES	18	15	20.0%
IN PAY STATUS	<u>1,909</u>	<u>1,790</u>	6.6%
TOTAL	3,395	3,279	3.5%
Annual Salaries of Active Members	\$ 77,610,367	\$ 77,531,613	0.1%
Covered Annual Salaries of Active Members	\$ 76,463,416	\$ 76,444,973	0.0%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 68,733,154	\$ 62,331,011	10.3%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 1,284,949,704	\$ 1,200,604,840	7.0%
Assets for Valuation Purposes	<u>1,289,345,033</u>	<u>1,287,981,246</u>	0.1%
Unfunded Actuarial Liability	\$ (4,395,329)	\$ (87,376,406)	95.0%
Funding Ratio	100.3%	107.3%	N/A
Present Value of Accrued Benefits	\$ 1,209,385,668	\$ 1,128,130,884	7.2%
Market Value of Assets	<u>1,154,310,866</u>	<u>1,112,668,245</u>	3.7%
Unfunded FASB Accrued Liability	\$ 55,074,802	\$ 15,462,639	256.2%
Accrued Benefit Funding Ratio	95.4%	98.6%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2007	Fiscal Year 2006	
Normal Cost Contribution	25.05%	25.05%	
Unfunded Actuarial Liability Contribution	<u>(11.22)</u>	<u>(16.83)</u>	
Total State Contribution	13.83%	8.22%	

BOARD SUMMARY

TOTAL SRPS (JUDGES)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2005	6/30/2004	% Change
PARTICIPANT COUNTS			
ACTIVES	282	283	(0.4%)
TERMINATED VESTEDS	9	10	(10.0%)
INACTIVES	6	4	50.0%
IN PAY STATUS	<u>316</u>	<u>309</u>	2.3%
TOTAL	613	606	1.2%
Annual Salaries of Active Members	\$ 33,897,984	\$ 33,149,832	2.3%
Covered Annual Salaries of Active Members	\$ 33,074,430	\$ 32,937,016	0.4%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 18,471,726	\$ 17,539,241	5.3%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 328,032,741	\$312,285,089	5.0%
Assets for Valuation Purposes	<u>260,124,866</u>	<u>250,272,253</u>	3.9%
Unfunded Actuarial Liability	\$ 67,907,875	\$ 62,012,836	9.5%
Funding Ratio	79.3%	80.1%	N/A
Present Value of Accrued Benefits	\$ 314,096,676	\$297,860,265	5.5%
Market Value of Assets	<u>240,135,182</u>	<u>223,735,442</u>	7.3%
Unfunded FASB Accrued Liability	\$ 73,961,494	\$ 74,124,823	(0.2%)
Accrued Benefit Funding Ratio	76.5%	75.1%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2007	Fiscal Year 2006	
Normal Cost Contribution	28.15%	28.15%	
Unfunded Actuarial Liability Contribution	<u>14.28</u>	<u>12.97</u>	
Total State Contribution	42.43%	41.12%	

BOARD SUMMARY

TOTAL SRPS (LAW ENFORCEMENT OFFICERS (LEOPS) – STATE AND MUNICIPAL) SUMMARY OF PRINCIPAL PLAN RESULTS

Valuation As Of -->	6/30/2005	6/30/2004	% Change
PARTICIPANT COUNTS			
ACTIVES	1,826	1,675	9.0%
TERMINATED VESTEDS	32	25	28.0%
INACTIVES	72	56	28.6%
IN PAY STATUS	<u>708</u>	<u>581</u>	21.9%
TOTAL	2,638	2,337	12.9%
Annual Salaries of Active Members	\$ 88,925,957	\$ 78,628,672	13.1%
Covered Annual Salaries of Active Members	\$ 87,219,783	\$ 77,369,072	12.7%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 19,493,836	\$ 15,155,236	28.6%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 537,735,690	\$ 454,814,985	18.2%
Assets for Valuation Purposes	<u>310,087,428</u>	<u>271,586,578</u>	14.2%
Unfunded Actuarial Liability	\$ 227,648,262	\$ 183,228,407	24.2%
Funding Ratio	57.7%	59.7%	N/A
Present Value of Accrued Benefits	\$ 488,403,785	\$ 408,003,847	19.7%
Market Value of Assets	<u>283,944,060</u>	<u>242,747,153</u>	17.0%
Unfunded FASB Accrued Liability	\$ 204,459,725	\$ 165,256,694	23.7%
Accrued Benefit Funding Ratio	58.1%	59.5%	N/A
CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)			
	Fiscal Year 2007	Fiscal Year 2006	
Normal Cost Contribution	21.25%	21.25%	
Unfunded Actuarial Liability Contribution	<u>19.35</u>	<u>17.22</u>	
Total State Contribution	40.60%	38.47%	

BOARD SUMMARY

TOTAL SRPS (LOCAL FIRE AND POLICE SYSTEM)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2005	6/30/2004	% Change
PARTICIPANT COUNTS			
ACTIVES	57	52	9.6%
TERMINATED VESTEDS	4	15	(73.3%)
INACTIVES	2	15	(86.7%)
IN PAY STATUS	<u>14</u>	<u>37</u>	(62.2%)
TOTAL	77	119	(35.3%)
Annual Salaries of Active Members	\$ 2,085,416	\$ 1,782,520	17.0%
Covered Annual Salaries of Active Members	\$ 2,005,207	\$ 1,743,416	15.0%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 205,709	\$ 694,616	(70.4%)
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 5,777,410	\$ 12,242,620	(52.8%)
Assets for Valuation Purposes	<u>2,741,149</u>	<u>4,746,907</u>	(42.3%)
Unfunded Actuarial Liability	3,036,261	7,495,713	(59.5%)
Funding Ratio	47.4%	38.8%	N/A
Present Value of Accrued Benefits	\$ 5,639,768	\$ 12,181,449	(53.7%)
Market Value of Assets	<u>2,638,664</u>	<u>4,453,548</u>	(40.8%)
Unfunded FASB Accrued Liability	\$ 3,001,104	\$ 7,727,901	(61.2%)
Accrued Benefit Funding Ratio	46.8%	36.6%	N/A
CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)			
	Fiscal Year 2007	Fiscal Year 2006	
Normal Cost Contribution	N/A	N/A	
Unfunded Actuarial Liability Contribution	<u>N/A</u>	<u>N/A</u>	
Total State Contribution	N/A	N/A	

SECTION II

ASSETS

Pension plan assets play a key role in the financial operation of the plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact benefit levels, negotiated contributions, and the ultimate security of participants' benefits.

In this section we present detailed information on plan assets including:

- **Disclosure** of plan assets at June 30, 2005 and June 30, 2004;
- Statement of the **changes** in market values during the year;
- Development of the Actuarial Value of Assets; and
- An assessment of **investment performance**.

Disclosure:

Market values represent "snapshot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate. As a result, actuaries have traditionally smoothed market fluctuations when developing long range contribution rates.

Actuarial values, or "carrying values," are market values which have been smoothed and are the actuary's best estimate of long term asset values. They are used for evaluating the Fund's ongoing ability to meet its obligations and for developing the Fund's annual required contribution under GASB rules.

Current methods employed by this Fund set the actuarial value equal to the expected adjusted market value plus 20% of the difference between the actual market value and the expected adjusted market value.

Disclosure of Plan Market Value of Assets (State and Municipal)

STATEMENT OF ASSETS AT MARKET VALUE		
	June 30,	
	2005	2004
INVESTMENTS		
Equities	\$ 20,866,973,454	\$ 19,317,419,034
Fixed Income	9,474,457,284	8,672,984,033
Real Estate	<u>1,638,571,856</u>	<u>2,040,093,858</u>
Total Investments	\$ 31,980,002,594	\$ 30,030,496,925
OTHER ASSETS		
Other Assets	\$ 93,714,002	\$ 136,226,530
Receivable Assets from MTA Transfer to State LEOPs	2,201,919	N/A
Net Assets Available for Benefits	<u>\$ 32,075,918,515</u>	<u>\$ 30,166,723,455</u>

Changes in Market Value:

The components of asset change are:

- Contributions
- Benefit payments
- Expenses
- Investment Income (realized and unrealized)

The specific changes during the year ending June 30, 2005 are represented below:

CHANGES IN MARKET VALUES (STATE AND MUNICIPAL)	
Value of Assets – June 30, 2004	\$ 30,166,723,455
Value of Assets Adjusted for Municipal Withdrawals / New Entrants – June 30, 2004	\$ 30,169,581,438
RECEIPTS	
Member Contributions	\$ 208,997,052
Employer Contributions	670,553,308
Receivable Assets from MTA Transfer to State LEOPs	2,201,919
Investment Returns	<u>2,823,418,481</u>
Total Receipts	\$ 3,705,170,760
DISBURSEMENTS	
Benefit Payments	<u>\$ 1,798,833,683</u>
Total Disbursements	<u>\$ 1,798,833,683</u>
TOTAL	
Value of Assets – June 30, 2005	\$32,075,918,515

Actuarial Value of Assets (State and Municipal):

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce, or eliminate, erratic results which could develop from short term ups and downs in the Market Value of Assets. For this Fund, the Actuarial Value has been calculated by adding 20% of any deviation from Market Value and Expected Adjusted Market Value to the Expected Adjusted Market Value. The following table illustrates the calculation of the Actuarial Value of Assets for the June 30, 2005 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2005		
1.	Actuarial Value of Assets at June 30, 2004*	\$ 33,487,345,765
2.	Amount in (1) with interest to June 30, 2005	36,082,615,062
3.	Employer & member contributions for the Plan Year ended June 30, 2005	879,550,360
4.	Interest on Employer and member contributions assuming payments made uniformly throughout the year to June 30, 2005	33,446,639
5.	Disbursements from Trust except investment expenses, June 30, 2004 through June 30, 2005	1,798,833,683
6.	Interest on disbursements to June 30, 2005 at 7.75% per year	68,584,432
7.	Expected adjusted Market Value of Assets at June 30, 2005 = (2) + (3) + (4) - (5) - (6)	35,128,193,946
8.	Actual Market Value of Assets at June 30, 2005**	32,073,716,596
9.	Excess of (8) over (7)	(3,054,477,350)
10.	Actuarial Value of Assets at June 30, 2005 = (7) + 20% of (9)	34,517,298,476
11.	Assets from MTA Transfer to State LEOPs	2,201,919
12.	Actuarial Value of Assets with MTA Assets at June 30, 2005 = (10) + (11)	34,519,500,395

* MTA assets not included.

** Adjusted for municipal withdrawal / new-entrants

Investment Performance:

The Market Value of Assets (MVA) returned approximately 9.50%¹ during 2005. This is higher than the assumed 7.75% and reflects the improved performance of the "market" in general.

The Actuarial Value of Assets (AVA) returned 5.90% for the year. This is primarily the result of the smoothing method utilized for the calculation of the Actuarial Value of Assets. In periods of very good performance, the rate of return on the AVA can lag significantly behind the rate of return on the MVA, while in a period of negative returns (as was the situation from 2000 to 2003), the AVA does not decline as rapidly as the MVA. Because the MVA is less than the AVA, the market value must earn in excess of the assumption of 7.75% for the AVA to earn at least 7.75%.

¹ Assumes net cash flow occurs mid-year.

SECTION III

LIABILITIES

In this section we present detailed information on plan liabilities including:

- **Disclosure** of plan liabilities at June 30, 2005 and June 30, 2004;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

Disclosure:

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures, and the purpose for which they are using them.

- **Total Future Obligations:** Used for analyzing the financial outlook of the Fund, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Fund, assuming participants continue to work, accrue benefits and receive salary increases.
- **Actuarial Liabilities:** Used for funding calculations and GASB disclosures, this liability is calculated by taking the Total Obligations above and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. The method used by the System is referred to as the **Aggregate Entry Age Normal** funding method. This represents the amount of assets that "should have" been accumulated in the past based on the current actuarial assumptions.
- **Accrued Benefit Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the fund, assuming no future accruals of benefits or salary increases. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the plan can meet its current benefit commitments.

LIABILITIES

The table below discloses each of these liabilities for the current and prior valuation. With respect to each disclosure, a subtraction of the appropriate value of Fund assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

LIABILITIES/NET SURPLUS (UNFUNDED) (STATE AND MUNICIPAL)	6/30/2005	6/30/2004
Total Future Obligations		
Active Participant Benefits	\$ 26,090,325,386	\$ 24,673,653,510
Retiree and Inactive Benefits	20,975,329,441	19,041,901,524
Total Future Obligations	\$ 47,065,654,827	\$ 43,715,555,034
Market Value of Assets	\$ 32,075,918,515	\$30,166,723,455
Future Member Contributions	1,701,965,128	1,598,977,194
Future State Contributions	13,287,771,184	11,949,854,385
Total Resources	\$ 47,065,654,827	\$ 43,715,555,034
Actuarial Liability		
Total Future Obligations	\$ 47,065,654,827	\$ 43,715,555,034
Present Value of Future Normal Costs		
Less Employer Portion	(6,098,707,816)	(5,641,975,448)
Less Employee Portion	(1,701,965,128)	(1,598,977,194)
Less Present Value of Future UAL Amounts	(131,532,116)	(148,898,327)
Actuarial Liability	\$ 39,133,449,767	\$ 36,325,704,065
Less Actuarial Value of Assets	(34,519,500,395)	(33,484,656,570)
Net (Surplus) Unfunded	\$ 4,613,949,372	\$ 2,841,047,495
Accrued Benefit Liability		
Total Future Obligations	\$ 47,065,654,827	\$ 43,715,555,034
Less Present Value of Future Benefit Accruals	(14,118,951,625)	(13,315,992,440)
Accrued Benefit Liability	\$32,946,703,202	\$30,399,562,594
Less Market Value of Assets	(32,075,918,515)	(30,166,723,455)
Net (Surplus) Unfunded	\$ 870,784,687	\$ 232,839,139

Changes in Liabilities:

Each of the liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- new hires since the last valuation
- benefits accrued since the last valuation
- plan amendments increasing benefits
- passage of time which adds interest to the prior liability
- benefits paid to retirees since the last valuation
- participants retiring, terminating, or dying at rates different than expected
- a change in actuarial or investment assumptions
- a change in the actuarial funding method

Unfunded liabilities will change because of all the above, and also due to changes in Fund assets resulting from:

- employer contributions different than expected
- investment earnings different than expected
- a change in the method used to measure plan assets

In each valuation we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the fund. Below we present the key changes in liabilities since the last valuation.

(STATE AND MUNICIPAL)	\$ in Millions		
	TOTAL FUTURE OBLIGATION	ACTUARIAL LIABILITY	ACCRUED BENEFIT LIABILITY
Liabilities 6/30/2004	\$ 43,716	\$ 36,326	\$ 30,400
Liabilities 6/30/2005	\$ 47,066	\$ 39,133	\$ 32,947
Liability Increase (Decrease)	\$ 3,350	\$ 2,807	\$ 2,547
Change due to:			
MTA Transfer to State LEOPs	\$ 41	\$ 24	\$ 20
Plan Amendment	\$ 0	\$ 0	\$ 0
Assumption Change	\$ 0	\$ 0	\$ 0
Actuarial (Gain)/Loss	N/A	\$ 964	N/A
Benefits Accumulated and Other Sources	\$ 3,309	\$ 1,819	\$ 2,527

LIABILITIES

ACTUARIAL LIABILITY BY SYSTEM AS OF JUNE 30, 2005 (STATE AND MUNICIPAL)

	Total Systems	Teachers' Retirement & Pension	Employees' Retirement & Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Actuarial Liabilities for:							
a. Active Members	\$ 18,158,120,326	\$ 10,723,310,717	\$ 6,761,265,132	\$ 305,216,711	\$ 128,968,766	\$ 236,463,329	\$ 2,895,671
b. Retired, Disabled and Beneficiary Members	19,997,772,896	12,111,100,700	6,422,408,759	975,597,998	192,219,672	293,593,924	2,851,843
c. Vested Deferred and Inactive Status Members	<u>977,556,545</u>	<u>470,786,983</u>	<u>488,081,931</u>	<u>4,134,995</u>	<u>6,844,303</u>	<u>7,678,437</u>	<u>29,896</u>
2. Total Actuarial Liability (1(a) + 1(b) + 1(c))	\$ 39,133,449,767	\$ 23,305,198,400	\$ 13,671,755,822	\$ 1,284,949,704	\$ 328,032,741	537,735,690	\$ 5,777,410
3. Actuarial Value of Assets	<u>34,519,500,395</u>	<u>20,801,529,328</u>	<u>11,855,672,591</u>	<u>1,289,345,033</u>	<u>260,124,866</u>	<u>310,087,428</u>	<u>2,741,149</u>
4. Unfunded Actuarial Liability (2 - 3)	\$ <u>4,613,949,372</u>	\$ <u>2,503,669,072</u>	\$ <u>1,816,083,231</u>	\$ <u>(4,395,329)</u>	\$ <u>67,907,875</u>	\$ <u>227,648,262</u>	\$ <u>3,036,261</u>

SECTION IV

CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will utilize a funding scheme that will result in a pattern of contributions that are both stable and predictable.

Actuarially Determined Rate (for GASB disclosure)

For this Fund, the funding scheme employed is the **Aggregate Entry Age Actuarial Cost Method**. Under this method there are two components to the total contribution, a **normal cost**, and an **amortization payment**. The normal cost rate is determined for a typical new entrant of each respective system. This rate is then applied to each system's payroll to determine the Fund's total normal cost. Each year's normal cost represents the cost to fund that portion of the total future obligations which has been allocated to the current year, based upon the actuarial cost method in use.

The amortization payment represents an annual installment to fund the **unfunded actuarial liability (UAL)** for the Fund. The UAL represents the amount of additional funds that would have been accumulated by the valuation date, had all prior normal costs been made, and all actuarial assumptions been realized.

In Appendix C we describe more fully this technical topic.

The table below presents and compares the actuarially determined contributions for the Fund for this valuation and the prior one, and includes a calculation of the average annual normal cost per participant for each year.

ACTUARIALLY DETERMINED CONTRIBUTION (STATE PORTION ONLY) - (for GASB Disclosure)	7/1/2005	7/1/2004
Entry Age Normal Cost	8.01%	8.02%
Amortization Payment	<u>3.57%</u>	<u>2.40%</u>
Total State Contribution	11.58%	10.42%

The figures in the above table ignore the effect of the corridor method on ECS and TCS.

On the following pages we display the contribution rates developed for each System.

CONTRIBUTIONS

**TABLE IV-1
ACTUARIALLY DETERMINED STATE CONTRIBUTION RATES
FISCAL YEAR 2007
(STATE PORTION ONLY)**

	Total State	Teachers' Retirement and Pension	State Employees' Retirement and Pension	State Police	Judges	LEOPS
New Entrant Normal Contributions as Percent of Payroll	8.01%	7.70%	7.50%	25.05%	28.15%	21.25%
Unfunded Actuarial Liability Contribution as Percent of Payroll	<u>3.57</u>	<u>3.47</u>	<u>3.61</u>	<u>(11.22)</u>	<u>14.28</u>	<u>19.35</u>
Total Contributions as Percent of Payroll	<u>11.58%*</u>	<u>11.17%*</u>	<u>11.11%*</u>	<u>13.83%</u>	<u>42.43%</u>	<u>40.60%</u>

* Ignores effect of the "Corridor Method."

CONTRIBUTIONS

TABLE IV-2
TOTAL ACTUARIALLY DETERMINED STATE CONTRIBUTION RATES BY SYSTEM
JUNE 30, 1992 - JUNE 30, 2005
(STATE PORTION ONLY)

Valuation Date June 30	Total Systems	Teachers' Combined	Employees' Combined	State Police	Judges	LEOPS	Local Fire and Police
- 2005	11.58%*	11.17%*	11.11%*	13.83%	42.43%	40.60%	N/A
- 2004	10.42*	10.16*	9.88*	8.22	41.12	38.47	N/A
- 2003	9.97*	10.03*	9.19*	(0.00)	36.72	37.73	N/A
- 2002	9.44*	10.48*	6.62*	7.58	43.74	35.13	N/A
- 2001	8.70*	9.87*	5.74*	5.78	43.92	36.10	N/A
- 2000	7.98	9.35	4.73	5.83	42.66	32.41	14.85
- 1999	9.31	10.95	5.71	8.44	46.75	23.38	15.00
- 1998	10.70	12.54	7.15	1.26	48.18	22.96	14.99
- 1997	11.67	13.99	7.13	10.91	52.12	25.60	16.42
- 1996	12.90	15.48	8.21	13.08	52.49	26.27	16.29
- 1995	13.50	16.09	8.54	17.65	52.56	35.15	16.19
- 1994	13.61	16.22	8.61	19.13	52.51	35.68	16.31
- 1993	13.43	15.92	8.70	19.36	52.84	34.07	16.17
- 1992	13.40	15.76	8.70	25.74	54.25	32.56	15.85

* Ignores effect of the "Corridor Method."

Budgeted Rates (based on Corridor Method)

For the State Police, Judges and LEOPs Systems, the State's total contribution rate is equal to the normal cost plus the unfunded actuarial contribution rate. The unfunded actuarial contribution rate consists of the July 1, 2000 unfunded actuarial liability being amortized over 20 years (15 years remaining) plus 25 year amortization of the unfunded actuarial liability that emerges each subsequent year. The 25 year amortization is a level percent of pay.

For the Teachers Combined System and the Employees' Combined System, the State's contribution is equal to the 2000 valuation contribution percentage (first applicable for fiscal 2002) as long as each System's actuarial funded status remains within a corridor of 90% to 110%. The normal cost rate and actuarial liability will continue to be measured using the aggregate entry age funding method. If the funded status falls outside the corridor, a credit (if above 110%) or charge (if below 90%) will be established equal to one-fifth of the difference between the prior year budgeted rate and the actuarially determined rate. Once the funded status returns to within the corridor the contribution rate will become fixed until the funded status falls outside of the corridor.

This year the Employees' Combined System remained less than 90% funded and the Teachers' Combined System became less than 90% funded. A charge of one-fifth of the difference between the prior year budgeted rate (5.76%) for the Employees' Combined System and the actuarially determined rate (11.11%) was calculated, moving the contribution rate to 6.83%. A charge of one-fifth of the difference between the prior year budgeted rate (9.35%) for the Teachers' Combined System and the actuarially determined rate (11.17%) was calculated, moving the contribution rate to 9.71%.

The table below presents and compares the budgeted determined contributions for the State for this valuation and the prior one.

	7/1/2005	7/1/2004
Budgeted State Rate (based on Corridor Method)	9.18%	8.46%

On the following page we show the budgeted rate by System for this valuation and the prior one.

CONTRIBUTIONS

TABLE IV-3 SUMMARY OF STATE CONTRIBUTIONS BASED ON CORRIDOR METHOD (STATE PORTION ONLY)

	Total State	Teachers' Retirement and Pension	State Employees' Retirement and Pension	State Police	Judges	LEOPS
7/1/2004 Valuation Results *						
Unfunded Actuarial Liability - State Portion Only	\$2,816,815,846	\$1,568,763,523	\$1,126,242,608	(\$87,376,406)	\$62,012,836	\$147,173,285
Valuation-Based Contribution	\$652,439,063	\$448,821,634	\$157,266,702	\$6,628,023	\$14,176,459	\$25,536,732
Total Contributions as Percentage of Payroll****	8.46%	9.35%	5.76%	8.22%	41.12%	38.47%
Corridor Percentage		92.8%	89.2%			
7/1/2005 Valuation Results **						
Unfunded Actuarial Liability - State Portion Only	\$4,453,471,071	\$2,503,669,072	\$1,697,272,068	(\$4,395,329)	\$67,907,875	\$189,017,385
Valuation-Based Contribution	\$762,052,893	\$510,513,650	\$194,858,850	\$11,162,854	\$14,958,231	\$30,559,308
Total Contributions as Percentage of Payroll*****	9.18%	9.71%	6.83%	13.83%	42.43%	40.60%
Corridor Percentage		89.3%	84.9%			

* This table shows the impact on Fiscal Year 2006.

** This table shows the impact on Fiscal Year 2007

*** The contribution rate would be 10.16% for Teachers, 9.88% for Employees, and 10.42% for the Total State if the corridor method were not in effect.

**** The contribution rate would be 11.17% for Teachers, 11.11% for Employees, and 11.58% for the Total State if the corridor method were not in effect.

SECTION V

**ACCOUNTING STATEMENT
INFORMATION**

ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board previously required the System to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi "snap shot" view of how the plan's assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the plan were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2005 are exhibited in Table V-1, Table V-2, and Table V-3. As directed by FASB-35, the liabilities shown in Section A of Table V-1 and Table V-2 do not include any projection for future service and salary. Finally, Table V-4 reconciles the FASB-35 liabilities determined as of the prior valuation, June 30, 2004, to the liabilities as of June 30, 2005.

ACCOUNTING STATEMENT INFORMATION

**TABLE V-1
ACCOUNTING STATEMENT INFORMATION
THE TOTAL SYSTEMS OF THE STATE OF MARYLAND
(STATE AND MUNICIPAL)**

	2005	2004
A. FASB #35 Basis		
1. Present Value of Benefits Accrued to Date:		
a. Members Currently Receiving Payments	\$ 19,997,772,896	\$ 18,347,530,077
b. Former Vested Members	977,556,545	694,371,447
c. Active Members	<u>11,971,373,761</u>	<u>11,357,661,070</u>
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	<u>\$ 32,946,703,202</u>	<u>\$ 30,399,562,594</u>
3. Assets at Market Value	<u>\$ 32,075,918,515</u>	<u>\$ 30,166,723,455</u>
4. Unfunded Value to Value of Benefits (2 - 3)	\$ 870,784,687	\$ 232,839,139
5. Ratio of Assets to Value of Benefits (3 / 2)	97.36%	99.23%
B. GASB #25 Basis		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 20,975,329,441	\$ 19,041,901,524
2. Actuarial accrued liabilities for current Employees	<u>18,158,120,326</u>	<u>17,283,802,541</u>
3. Total actuarial accrued liability (1 + 2)	\$ 39,133,449,767	\$ 36,325,704,065
4. Net actuarial assets available for benefits	34,519,500,395	33,484,656,570
5. Unfunded actuarial accrued liability (3 - 4)	<u>\$ 4,613,949,372</u>	<u>\$ 2,841,047,495</u>

ACCOUNTING STATEMENT INFORMATION

TABLE V-2
ACCOUNTING STATEMENT INFORMATION – FASB 35
AS OF JUNE 30, 2005
(STATE AND MUNICIPAL)

	Total Systems	Teachers' Retirement & Pension	Employees' Retirement & Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Present Value of Benefits Accrued to Date:							
a. Members Currently Receiving Payments	\$ 19,997,772,896	\$ 12,111,100,700	\$ 6,422,408,759	\$ 975,597,998	\$ 192,219,672	\$ 293,593,924	\$ 2,851,843
b. Former Vested Members	977,556,545	470,786,983	488,081,931	4,134,995	6,844,303	7,678,437	29,896
c. Active Members	<u>11,971,373,761</u>	<u>7,122,100,930</u>	<u>4,314,698,002</u>	<u>229,652,675</u>	<u>115,032,701</u>	<u>187,131,424</u>	<u>2,758,029</u>
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	\$ 32,946,703,202	\$ 19,703,988,613	\$ 11,225,188,692	\$ 1,209,385,668	\$ 314,096,676	\$ 488,403,785	\$ 5,639,768
3. Assets at Market Value*	<u>32,075,918,515</u>	<u>\$ 19,357,871,605</u>	<u>11,037,018,138</u>	<u>1,154,310,866</u>	<u>240,135,182</u>	<u>283,944,060</u>	<u>2,638,664</u>
4. Unfunded Value of Accrued Benefits (2 - 3)	\$ <u>870,784,687</u>	\$ <u>346,117,008</u>	\$ <u>188,170,554</u>	\$ <u>55,074,802</u>	\$ <u>73,961,494</u>	\$ <u>204,459,725</u>	\$ <u>3,001,104</u>
5. Ratio of Assets to Value of Accrued Benefits (3 / 2)	97.36%	98.24%	98.32%	95.45%	76.45%	58.14%	46.79%

*Assets at market value include receivable assets from MTA transfer to State LEOPS

ACCOUNTING STATEMENT INFORMATION

**TABLE V-3
ACCOUNTING STATEMENT INFORMATION – GASB 25
AS OF JUNE 30, 2005
(STATE AND MUNICIPAL)**

	Total Systems	Teachers' Retirement & Pension	Employees' Retirement & Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Actuarial Accrued Liability:							
a. Active Member Contributions	\$ 2,148,065,879	\$ 1,241,263,159	\$ 798,422,911	\$ 69,371,838	\$ 21,828,574	\$ 17,173,172	\$ 6,225
b. Retirees, Term Vesteds & Inactives	20,975,329,441	12,581,887,683	6,910,490,690	979,732,993	199,063,975	301,272,361	2,881,739
c. Active Members	<u>16,010,054,447</u>	<u>9,482,047,558</u>	<u>5,962,842,221</u>	<u>235,844,873</u>	<u>107,140,192</u>	<u>219,290,157</u>	<u>2,889,446</u>
2. Total Actuarial Accrued Liability (1(a) + 1(b) + 1(c))	\$39,133,449,767	\$23,305,198,400	\$13,671,755,822	\$1,284,949,704	\$ 328,032,741	\$ 537,735,690	\$ 5,777,410
3. Actuarial Value of Assets	34,519,500,395	20,801,529,328	11,855,672,591	1,289,345,033	260,124,866	310,087,428	2,741,149
4. Unfunded Actuarial Accrued Liability (2 - 3)	<u>\$ 4,613,949,372</u>	<u>\$ 2,503,669,072</u>	<u>\$ 1,816,083,231</u>	<u>\$ (4,395,329)</u>	<u>\$ 67,907,875</u>	<u>\$ 227,648,262</u>	<u>\$ 3,036,261</u>
5. Funded Ratio	88.21%	89.26%	86.72%	100.34%	79.30%	57.67%	47.45%
6. Annual Covered Payroll	\$ 8,603,760,761	\$ 4,867,396,045	\$ 3,537,601,880	\$ 76,463,416	\$ 33,074,430	\$ 87,219,783	\$ 2,005,207
7. UAAL as % of Covered Payroll	53.63%	51.44%	51.34%	(5.75%)	205.32%	261.01%	151.42%

ACCOUNTING STATEMENT INFORMATION

**TABLE V-4
STATEMENT OF CHANGES IN TOTAL ACTUARIAL
PRESENT VALUE OF ALL ACCRUED BENEFITS
(STATE AND MUNICIPAL)**

(In Millions)	Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Accrued Benefits at June 30, 2004	\$ 30,400
Increase (Decrease) During years Attributable to:	
Passage of Time	2,288
Benefits Paid – FY 2005	(1,799)
Transfer of MTA to State LEOPS	20
Benefits Accrued, Other (Gains)/Losses	2,038
Plan Amendment	-0-
Actuarial Assumption Change	<u>-0-</u>
Net Increase (Decrease)	2,547
Actuarial Present Value of Accrued Benefits at June 30, 2005	<u>\$ 32,947</u>

APPENDIX A

DETAILED ACTUARIAL INFORMATION

APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (STATE PORTION)		
	Actuarial Valuation Performed	
	June 30, 2005 (for FY 2007)	June 30, 2004 (for FY 2006)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries	\$18,847,136,773	\$17,321,527,043
b. Terminated vested members	896,591,824	640,722,198
c. Active members	<u>24,057,184,565</u>	<u>22,823,505,441</u>
d. Total present value	<u>43,800,913,162</u>	<u>40,785,754,682</u>
2. Present value of future earnings for present active members	\$ 69,067,773,184	\$ 63,956,007,269
3. Employer normal cost rate	8.01%	8.02%
4. Present value of employer future normal costs	\$ 5,532,328,632	\$ 5,129,271,783
5. Present value of members' future contributions (Incl. Extra 2%)	\$ 1,577,984,660	\$ 1,487,111,045
6. Present value of future special UAL contributions	\$ 59,929,500	\$ 74,429,704
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 36,630,670,370	\$ 34,094,942,150
8. Actuarial value of assets	<u>32,177,199,299</u>	<u>31,278,126,304</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 4,453,471,071	\$ 2,816,815,846
10. Less Window Payments	<u>0</u>	<u>0</u>
11. UAL for Amortization (9) – (10)	<u>\$ 4,453,471,071</u>	<u>\$ 2,816,815,846</u>
12. Present value of future payroll for amortization purposes	\$ 124,747,088,824	\$ 117,367,326,917
13. Unfunded Liability Rate	3.57%	2.40%
14. TOTAL EMPLOYER CONTRIBUTION RATE (GASB) (3) + (13)	11.58%	10.42%
15. TOTAL EMPLOYER CONTRIBUTION RATE (Corridor)	9.18%	8.46%

APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (TEACHERS' COMBINED SYSTEM)		
	Actuarial Valuation Performed	
	June 30, 2005 (for FY 2007)	June 30, 2004 (for FY 2006)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries	\$ 12,111,100,700	\$ 11,235,844,910
b. Terminated vested members	470,786,983	310,926,872
c. Active members	<u>15,205,682,204</u>	<u>14,261,927,636</u>
d. Total present value	<u>\$ 27,787,569,887</u>	<u>\$ 25,808,699,418</u>
2. Present value of future earnings for present active members	\$ 45,541,139,481	\$ 41,340,813,714
3. Employer normal cost rate	7.70%	7.70%
4. Present value of employer future normal costs	\$ 3,506,667,740	\$ 3,183,242,656
5. Present value of members' future contributions (incl. Extra 2%)	\$ 975,703,747	\$ 901,278,568
6. Present value of future special UAL contributions	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 23,305,198,400	\$ 21,724,178,194
8. Actuarial value of assets	<u>20,801,529,328</u>	<u>20,155,414,671</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 2,503,669,072	\$ 1,568,763,523
10. Less Window Payments	<u>0</u>	<u>0</u>
11. UAL for Amortization (9) – (10)	<u>\$ 2,503,669,072</u>	<u>\$ 1,568,763,523</u>
12. Present value of future payroll for amortization purposes	\$ 72,151,846,455	\$ 63,770,874,919
13. Unfunded Liability Rate	3.47%	2.46%
14. TOTAL EMPLOYER CONTRIBUTION RATE (GASB (3) + (13))	11.17%	10.16%
15. TOTAL EMPLOYER CONTRIBUTION RATE (Corridor)	9.71%	9.35%

APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (EMPLOYEES' COMBINED SYSTEM) (STATE PORTION)		
	Actuarial Valuation Performed	
	June 30, 2005 (for FY 2007)	June 30, 2004 (for FY 2006)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries	\$ 5,295,568,160	\$ 4,811,670,402
b. Terminated vested members	407,959,245	316,359,642
c. Active members	<u>7,754,377,495</u>	<u>7,490,357,352</u>
d. Total present value	<u>\$ 13,457,904,900</u>	<u>\$ 12,618,387,396</u>
2. Present value of future earnings for present active members	\$ 21,932,560,800	\$ 21,162,535,107
3. Employer normal cost rate	7.50%	7.50%
4. Present value of employer future normal costs	\$ 1,644,942,060	\$ 1,587,190,133
5. Present value of members' future contributions (incl. Extra 2%)	\$ 511,220,425	\$ 499,648,620
6. Present value of future special UAL contributions	\$ 59,929,500	\$ 74,429,704
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 11,241,812,915	\$ 10,457,118,939
8. Actuarial value of assets	<u>9,544,540,847</u>	<u>9,330,876,331</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 1,697,272,068	\$ 1,126,242,608
10. Less Window Payments	<u>0</u>	<u>0</u>
11. UAL for Amortization (9) – (10)	<u>\$ 1,697,272,068</u>	<u>\$ 1,126,242,608</u>
12. Present value of future payroll for amortization purposes	\$ 47,015,846,759	\$ 47,321,117,983
13. Unfunded Liability Rate	3.61%	2.38%
14. TOTAL EMPLOYER CONTRIBUTION RATE (GASB) (3) + (13)	11.11%	9.88%
15. TOTAL EMPLOYER CONTRIBUTION RATE (Corridor)	6.83%	5.76%

APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (STATE POLICE)		
	Actuarial Valuation Performed	
	June 30, 2005 (for FY 2007)	June 30, 2004 (for FY 2006)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries	\$ 975,597,998	\$ 877,848,000
b. Terminated vested members	4,134,995	3,505,564
c. Active members	<u>541,780,879</u>	<u>547,960,209</u>
d. Total present value	<u>\$ 1,521,513,872</u>	<u>\$ 1,429,313,773</u>
2. Present value of future earnings for present active members	\$ 715,776,563	\$ 692,008,910
3. Employer normal cost rate	25.05%	25.05%
4. Present value of employer future normal costs	\$ 179,302,029	\$ 173,348,232
5. Present value of members' future contributions (incl. Extra 2%)	\$ 57,262,139	\$ 55,360,701
6. Present value of future special UAL contributions	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 1,284,949,704	\$ 1,200,604,840
8. Actuarial value of assets	<u>1,289,345,033</u>	<u>1,287,981,246</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ (4,395,329)	\$ (87,376,406)
10. Less Window Payments	<u>N/A</u>	<u>N/A</u>
11. UAL for Amortization (9) – (10)	<u>\$ (4,395,329)</u>	<u>\$ (87,376,406)</u>
12. Present value of future payroll for amortization purposes	\$ 39,174,055	\$ 519,170,564
13. Unfunded Liability Rate	-11.22%	-16.83%
14. TOTAL EMPLOYER CONTRIBUTION RATE (3) + (13)	13.83%	8.22%

APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (JUDGES)		
	Actuarial Valuation Performed	
	June 30, 2005 (for FY 2007)	June 30, 2004 (for FY 2006)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries	\$ 192,219,672	\$ 182,011,363
b. Terminated vested members	6,844,303	6,952,286
c. Active members	<u>201,813,815</u>	<u>197,285,008</u>
d. Total present value	<u>\$ 400,877,790</u>	<u>\$ 386,248,657</u>
2. Present value of future earnings for present active members	\$ 230,268,657	\$ 233,748,000
3. Employer normal cost rate	28.15%	28.15%
4. Present value of employer future normal costs	\$ 64,820,627	\$ 65,800,062
5. Present value of members' future contributions (incl. Extra 2%)	\$ 8,024,422	\$ 8,163,506
6. Present value of future special UAL contributions	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 328,032,741	\$ 312,285,089
8. Actuarial value of assets	<u>260,124,866</u>	<u>250,272,253</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 67,907,875	\$ 62,012,836
10. Less Window Payments	<u>N/A</u>	<u>N/A</u>
11. UAL for Amortization (9) – (10)	<u>\$ 67,907,875</u>	<u>\$ 62,012,836</u>
12. Present value of future payroll for amortization purposes	\$ 475,545,343	\$ 478,125,181
13. Unfunded Liability Rate	14.28%	12.97%
14. TOTAL EMPLOYER CONTRIBUTION RATE (3) + (13)	42.43%	41.12%

APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (LEOPS) (STATE PORTION)		
	Actuarial Valuation Performed	
	June 30, 2005 (for FY 2007)	June 30, 2004 (for FY 2006)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries	\$ 272,650,243	\$ 214,152,368
b. Terminated vested members	6,866,298	2,977,834
c. Active members	353,530,172	325,975,236
d. Total present value	<u>\$ 633,046,713</u>	<u>\$ 543,105,438</u>
2. Present value of future earnings for present active members	\$ 642,805,534	\$ 563,250,353
3. Employer normal cost rate	21.25%	21.25%
4. Present value of employer future normal costs	\$ 136,596,176	\$ 119,690,700
5. Present value of members' future contributions (incl. Extra 2%)	\$ 25,773,927	\$ 22,659,650
6. Present value of future special UAL contributions	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 470,676,610	\$ 400,755,088
8. Actuarial value of assets	<u>281,659,225</u>	<u>253,581,803</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 189,017,385	\$ 147,173,285
10. Less Window Payments	<u>N/A</u>	<u>N/A</u>
11. UAL for Amortization (9) – (10)	<u>\$ 189,017,385</u>	<u>\$ 147,173,285</u>
12. Present value of future payroll for amortization purposes	\$ 976,834,031	\$ 854,664,837
13. Unfunded Liability Rate	19.35%	17.22%
14. TOTAL EMPLOYER CONTRIBUTION RATE (3) + (13)	40.60%	38.47%

APPENDIX B

MEMBERSHIP INFORMATION

APPENDIX B – MEMBERSHIP INFORMATION

STATE RETIREMENT AND PENSION SYSTEM SUMMARY OF MEMBERSHIP DATA AS OF JUNE 30, 2005 (STATE AND MUNICIPAL)

		Active Members		Retirees & Beneficiaries			Vested Former Members (includes inactives)	Total Counts
		Count	Salary	Count	Benefits	Avg. Age	Count	
Teachers' Retirement	Total	6,255	\$ 464,693,323					
	Vested	6,254	\$ 464,628,739					
	Non-vested	1	\$ 64,584	30,921	\$ 805,997,693	72.8	1,351	38,527
Teachers' Pension	Total	91,535	\$ 4,590,698,122					
	Vested	59,944	\$ 3,374,613,199					
	Non-vested	31,591	\$ 1,216,084,923	17,170	\$ 243,322,045	65.7	18,792	127,497
Employees' Retirement	Total	9,869	\$ 423,715,070					
	Vested	7,539	\$ 351,182,277					
	Non-vested	2,330	\$ 72,532,793	24,633	\$ 370,102,380	73.3	1,291	35,793
Employees' Pension	Total	76,787	\$ 3,187,380,273					
	Vested	52,663	\$ 2,350,687,896					
	Non-vested	24,124	\$ 836,692,377	24,525	\$ 204,007,632	66.2	26,058	127,370
State Police	Total	1,439	\$ 77,610,367					
	Vested	1,095	\$ 64,507,872					
	Non-vested	344	\$ 13,102,495	1,909	\$ 68,733,154	58.8	47	3,395
Judges	Total	282	\$ 33,897,984					
	Vested	282	\$ 33,897,984					
	Non-vested	0	\$ 0	316	\$ 18,471,726	77.6	15	613
LEOPS	Total	1,826	\$ 88,925,957					
	Vested	1,282	\$ 67,787,102					
	Non-vested	544	\$ 21,138,855	708	\$ 19,493,836	56.7	104	2,638
Local F & P	Total	57	\$ 2,085,416					
	Vested	32	\$ 1,292,196					
	Non-vested	25	\$ 793,220	14	\$ 205,709	57.9	6	77
Total Systems -	Total	188,050	\$ 8,869,006,512					
	Vested	129,091	\$ 6,708,597,265					
	Non-Vested	58,959	\$ 2,160,409,247	100,196	\$1,730,334,175	69.7	47,664	335,910

APPENDIX B – MEMBERSHIP INFORMATION

STATE RETIREMENT AND PENSION SYSTEM SUMMARY OF MEMBERSHIP DATA AS OF JUNE 30, 2005 (MUNICIPAL CORPORATIONS)

		Active Members		Retirees & Beneficiaries			Vested Former Members (includes inactive)	Total Counts
		Count	Salary	Count	Benefits	Avg. Age	Count	
Employees' Retirement	Total	568	\$ 28,111,461					
	Vested	568	\$ 28,111,461					
	Non-vested	0	\$ 0	4,877	\$ 57,698,296	75.7	124	5,569
Employees' Pension	Total	23,403	\$839,729,434					
	Vested	14,120	\$573,862,990					
	Non-vested	9,283	\$265,866,444	6,496	\$ 45,583,725	66.6	5,848	35,747
LEOPS	Total	377	\$ 16,551,696					
	Vested	235	\$ 11,690,263					
	Non-vested	142	\$ 4,861,433	46	\$ 1,287,955	53.2	22	445
Local F & P	Total	57	\$ 2,085,416					
	Vested	32	\$ 1,292,196					
	Non-vested	25	\$ 793,220	14	\$ 205,709	57.9	6	77
Total Systems	Total	24,405	\$886,478,007					
	Vested	14,955	\$614,956,910					
	Non-Vested	9,450	\$271,521,097	11,433	\$ 104,775,685	70.4	6,000	41,838

APPENDIX B – MEMBERSHIP INFORMATION

STATE RETIREMENT AND PENSION SYSTEM SUMMARY OF MEMBERSHIP DATA AS OF JUNE 30, 2005 (STATE PORTION ONLY)

		Active Members		Retirees & Beneficiaries			Vested Former Members (includes inactive)	
		Count	Salary	Count	Benefits	Avg. Age	Count	Total Counts
Teachers' Retirement	Total	6,255	\$ 464,693,323					
	Vested	6,254	\$ 464,628,739					
	Non-vested	1	\$ 64,584	30,921	\$ 805,997,693	72.8	1,351	38,527
Teachers' Pension	Total	91,535	\$4,590,698,122					
	Vested	59,944	\$3,374,613,199					
	Non-vested	31,591	\$1,216,084,923	17,170	\$ 243,322,045	65.7	18,792	127,497
Employees' Retirement	Total	9,301	\$ 395,603,609					
	Vested	6,971	\$ 323,070,816					
	Non-vested	2,330	\$ 72,532,793	19,756	\$ 313,404,084	73.7	1,167	30,224
Employees' Pension	Total	53,384	\$2,347,650,839					
	Vested	38,543	\$1,776,824,906					
	Non-vested	14,841	\$ 570,825,933	18,029	\$ 158,423,907	66.3	20,210	91,623
State Police	Total	1,439	\$ 77,610,367					
	Vested	1,095	\$ 64,507,872					
	Non-vested	344	\$ 13,102,495	1,909	\$ 68,733,154	58.8	47	3,395
Judges	Total	282	\$ 33,897,984					
	Vested	282	\$ 33,897,984					
	Non-vested	0	\$ 0	316	\$ 18,471,726	77.6	15	613
LEOPS	Total	1,449	\$ 72,374,261					
	Vested	1,047	\$ 56,096,839					
	Non-vested	402	\$ 16,277,422	662	\$ 18,205,881	56.5	82	2,193
Total Systems	Total	163,645	\$7,982,528,505					
	Vested	114,136	\$6,093,640,355					
	Non-Vested	49,509	\$1,888,888,150	88,763	\$1,625,558,490	69.8	41,664	294,072

APPENDIX B – MEMBERSHIP INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND MEMBERSHIP STATISTICS June 30, 2005				
System	Count	Average Age	Average Service	Average Salary
Teachers' Retirement	6,255	56.8	29.946	\$ 74,291
Teachers' Pension	91,535	43.7	10.557	50,152
Employees' Retirement – State	2,587	55.6	29.991	55,226
Employees' Retirement – Municipal	568	56.4	29.628	49,492
Employees' Retirement – Legislators	184	55.6	10.176	40,641
Employees' Retirement – Correctional Officers	6,530	39.6	9.682	37,558
Employees' Retirement – Total	9,869	45.1	16.163	42,934
Employees' Pension – State	53,384	46.8	12.716	43,976
Employees' Pension – Municipal	23,403	46.9	9.801	35,881
Employees' Pension – Total	76,787	46.8	11.828	41,509
State Police	1,439	35.3	10.910	53,934
Judges	282	56.6	9.876	120,206
LEOPS – State	1,449	40.4	10.990	49,948
LEOPS – Municipal	377	36.1	9.509	43,904
LEOPS – Total	1,826	39.5	10.684	48,700
Local P&F	57	37.0	10.351	36,586
TOTAL SYSTEMS	188,050	45.4	12.018	47,163
	Teachers		State and Municipal Employees	
	Count	Earnings	Count	Earnings
Unlimited COLA	4,171	\$ 312,396,348	1,984	\$107,056,269
5% COLA Cap	1,366	99,898,009	958	52,366,372
Bifurcate	718	52,398,966	213	11,559,412
	<u>6,255</u>	<u>\$ 464,693,323</u>	<u>3,155</u>	<u>\$170,982,053</u>

APPENDIX B – MEMBERSHIP INFORMATION

Active Membership - Age Distributions

Total Systems 2005			
Age	Number of People	Total Salary	Average Salary
Under 20	105	\$2,310,488	\$22,005
20 To 24	4,452	\$143,067,469	\$32,136
25 To 29	15,231	\$576,116,379	\$37,825
30 To 34	20,380	\$848,743,252	\$41,646
35 To 39	20,750	\$940,465,101	\$45,324
40 To 44	22,872	\$1,033,451,468	\$45,184
45 To 49	26,976	\$1,253,341,096	\$46,461
50 To 54	31,045	\$1,605,329,504	\$51,710
55 To 59	27,625	\$1,509,391,038	\$54,639
60 To 64	13,382	\$708,864,931	\$52,972
65 & UP	5,232	\$247,925,786	\$47,386
Totals	188,050	\$8,869,006,512	\$47,163

<u>Teachers' Retirement</u>		
Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	1	\$55,521
45 To 49	336	\$22,167,229
50 To 54	1,991	\$146,458,381
55 To 59	2,311	\$175,383,152
60 To 64	1,096	\$83,013,835
65 & UP	520	\$37,615,205
Totals	6,255	\$464,693,323

<u>Teachers' Pension</u>		
Age	All Years	
	Count	Salary
Under 20	21	\$386,670
20 To 24	2,656	\$92,229,618
25 To 29	10,451	\$415,392,680
30 To 34	12,398	\$552,836,724
35 To 39	10,766	\$537,663,140
40 To 44	9,804	\$484,593,021
45 To 49	11,547	\$574,651,830
50 To 54	13,916	\$768,894,506
55 To 59	12,633	\$747,883,537
60 To 64	5,637	\$328,543,467
65 & UP	1,706	\$87,622,929
Totals	91,535	\$4,590,698,122

APPENDIX B – MEMBERSHIP INFORMATION

Employees' Retirement State Regular

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	14	\$653,366
45 To 49	331	\$15,952,933
50 To 54	818	\$44,645,918
55 To 59	845	\$48,312,536
60 To 64	414	\$23,420,315
65 & UP	165	\$9,885,524
Totals	2,587	\$142,870,592

Employees' Retirement Municipal

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	2	\$119,291
45 To 49	105	\$5,341,723
50 To 54	135	\$7,455,175
55 To 59	147	\$7,756,485
60 To 64	118	\$5,440,357
65 & UP	61	\$1,998,430
Totals	568	\$28,111,461

Employees' Retirement Legislative

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	5	\$202,500
30 To 34	6	\$243,000
35 To 39	6	\$243,000
40 To 44	17	\$688,500
45 To 49	25	\$1,012,500
50 To 54	16	\$648,000
55 To 59	37	\$1,511,500
60 To 64	27	\$1,106,500
65 & UP	45	\$1,822,500
Totals	184	\$7,478,000

Employees' Retirement Correctional Officers

Age	All Years	
	Count	Salary
Under 20	17	\$478,136
20 To 24	320	\$9,305,582
25 To 29	594	\$18,602,376
30 To 34	1,169	\$39,455,072
35 To 39	1,242	\$46,567,218
40 To 44	1,205	\$48,365,584
45 To 49	953	\$39,478,468
50 To 54	577	\$23,999,952
55 To 59	338	\$14,309,139
60 To 64	101	\$4,102,134
65 & UP	14	\$591,356
Totals	6,530	\$245,255,017

Employees' Pension State Regular

Age	All Years	
	Count	Salary
Under 20	17	\$380,084
20 To 24	719	\$20,253,056
25 To 29	2,708	\$93,303,413
30 To 34	4,461	\$172,193,894
35 To 39	5,546	\$230,608,326
40 To 44	7,515	\$324,568,227
45 To 49	9,191	\$415,553,547
50 To 54	9,635	\$451,849,249
55 To 59	8,029	\$380,003,854
60 To 64	4,038	\$189,313,568
65 & UP	1,525	\$69,623,621
Totals	53,384	\$2,347,650,839

Employees' Pension Municipal

Age	All Years	
	Count	Salary
Under 20	43	\$911,803
20 To 24	572	\$14,733,167
25 To 29	1,060	\$31,624,565
30 To 34	1,734	\$55,924,979
35 To 39	2,405	\$84,234,608
40 To 44	3,666	\$136,549,670
45 To 49	4,090	\$153,701,860
50 To 54	3,712	\$144,140,592
55 To 59	3,080	\$116,945,863
60 To 64	1,887	\$67,130,131
65 & UP	1,154	\$33,832,196
Totals	23,403	\$839,729,434

APPENDIX B – MEMBERSHIP INFORMATION

State Police

Age	All Years	
	Count	Salary
Under 20	7	\$153,795
20 To 24	113	\$3,948,781
25 To 29	202	\$8,914,493
30 To 34	305	\$15,049,044
35 To 39	389	\$22,350,484
40 To 44	274	\$17,634,624
45 To 49	107	\$6,870,583
50 To 54	33	\$2,110,276
55 To 59	8	\$512,564
60 To 64	1	\$65,723
65 & UP	0	\$0
Totals	1,439	\$77,610,367

Judges

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	10	\$1,175,376
45 To 49	33	\$3,962,587
50 To 54	54	\$6,448,985
55 To 59	96	\$11,470,435
60 To 64	50	\$6,048,857
65 & UP	39	\$4,791,744
Totals	282	\$33,897,984

LEOPS

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	71	\$2,567,046
25 To 29	200	\$7,724,876
30 To 34	290	\$12,482,694
35 To 39	385	\$18,381,850
40 To 44	358	\$18,813,000
45 To 49	256	\$14,575,650
50 To 54	152	\$8,424,493
55 To 59	98	\$5,134,023
60 To 64	13	\$680,044
65 & UP	3	\$142,281
Totals	1,826	\$88,925,957

Local Fire and Police

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	1	\$30,219
25 To 29	11	\$351,476
30 To 34	17	\$557,845
35 To 39	11	\$416,475
40 To 44	6	\$235,288
45 To 49	2	\$72,186
50 To 54	6	\$253,977
55 To 59	3	\$167,950
60 To 64	0	\$0
65 & UP	0	\$0
Totals	57	\$2,085,416

APPENDIX B – MEMBERSHIP INFORMATION

Refiree, Beneficiary and Disability Membership - Age Distributions

Total Systems 2005			
Age	Number of People	Total Benefits	Average Benefit
Under 25	3	\$56,925	\$18,975
25 To 29	11	\$234,505	\$21,319
30 To 34	71	\$1,582,670	\$22,291
35 To 39	246	\$5,117,686	\$20,804
40 To 44	697	\$13,194,978	\$18,931
45 To 49	1,607	\$30,025,652	\$18,684
50 To 54	3,631	\$74,677,697	\$20,567
55 To 59	10,341	\$233,071,490	\$22,539
60 To 64	15,840	\$305,948,233	\$19,315
65 To 69	18,494	\$296,541,856	\$16,034
70 To 74	16,707	\$267,004,723	\$15,982
75 To 79	13,920	\$220,614,480	\$15,849
80 & Up	18,628	\$282,263,280	\$15,153
Totals	100,196	\$1,730,334,175	\$17,269

Teachers' Retirement

Age	All Years	
	Count	Benefit
Under 25	1	\$10,546
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	1	\$8,960
40 To 44	1	\$7,430
45 To 49	20	\$337,271
50 To 54	417	\$12,510,112
55 To 59	2,834	\$95,659,645
60 To 64	4,210	\$131,408,822
65 To 69	4,596	\$130,450,046
70 To 74	5,228	\$137,107,786
75 To 79	5,349	\$125,886,938
80 & Up	8,264	\$172,610,137
Totals	30,921	\$805,997,693

Teachers' Pension

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	1	\$17,159
30 To 34	8	\$175,725
35 To 39	28	\$493,479
40 To 44	60	\$855,534
45 To 49	147	\$2,294,274
50 To 54	478	\$9,764,365
55 To 59	2,514	\$47,725,646
60 To 64	4,332	\$68,533,673
65 To 69	4,635	\$58,544,866
70 To 74	3,050	\$35,767,889
75 To 79	1,451	\$14,963,534
80 & Up	466	\$4,185,901
Totals	17,170	\$243,322,045

APPENDIX B – MEMBERSHIP INFORMATION

Employees' Retirement State Regular

Age	Count	All Years
		Benefit
Under 25	1	\$45,440
25 To 29	3	\$42,662
30 To 34	18	\$264,836
35 To 39	71	\$1,198,468
40 To 44	198	\$3,048,150
45 To 49	546	\$8,319,052
50 To 54	760	\$12,956,618
55 To 59	1532	\$31,829,715
60 To 64	1910	\$39,886,890
65 To 69	2207	\$41,383,668
70 To 74	2687	\$46,089,307
75 To 79	3268	\$49,177,650
80 & Up	6336	\$75,592,605
Totals	19,537	\$309,635,061

Employees' Retirement Municipal

Age	Count	All Years
		Benefit
Under 25	1	\$939
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	0	\$0
45 To 49	9	\$153,078
50 To 54	87	\$1,990,932
55 To 59	216	\$5,234,787
60 To 64	373	\$7,588,005
65 To 69	666	\$10,321,815
70 To 74	751	\$9,782,057
75 To 79	900	\$9,632,952
80 & Up	1874	\$12,993,731
Totals	4,877	\$57,698,296

Employees' Retirement Legislative

Age	Count	All Years
		Benefit
Under 25	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	0	\$0
45 To 49	0	\$0
50 To 54	1	\$3,888
55 To 59	3	\$33,159
60 To 64	27	\$334,150
65 To 69	37	\$535,538
70 To 74	44	\$603,603
75 To 79	47	\$542,739
80 & Up	60	\$715,946
Totals	219	\$2,769,023

Employees' Pension State Regular

Age	Count	All Years
		Benefit
Under 25	0	\$0
25 To 29	2	\$27,882
30 To 34	12	\$186,191
35 To 39	60	\$1,005,206
40 To 44	205	\$3,065,797
45 To 49	413	\$5,917,301
50 To 54	1,072	\$15,414,519
55 To 59	2,087	\$26,020,718
60 To 64	3,473	\$34,727,149
65 To 69	4,383	\$35,254,429
70 To 74	3,371	\$22,120,965
75 To 79	1,963	\$10,562,570
80 & Up	988	\$4,121,180
Totals	18,029	\$158,423,907

Employees' Pension Municipal

Age	Count	All Years
		Benefit
Under 25	0	\$0
25 To 29	0	\$0
30 To 34	4	\$74,031
35 To 39	32	\$578,094
40 To 44	104	\$1,708,606
45 To 49	204	\$3,105,498
50 To 54	329	\$4,862,753
55 To 59	565	\$6,979,358
60 To 64	1,063	\$8,527,560
65 To 69	1,652	\$9,586,525
70 To 74	1,331	\$6,283,112
75 To 79	788	\$2,795,240
80 & Up	424	\$1,082,948
Totals	6,496	\$45,583,725

APPENDIX B – MEMBERSHIP INFORMATION

State Police

Age	Count	All Years	
		Count	Benefit
Under 25	0		\$0
25 To 29	4		\$112,876
30 To 34	23		\$706,158
35 To 39	44		\$1,557,653
40 To 44	113		\$4,073,698
45 To 49	199		\$7,835,446
50 To 54	292		\$11,558,260
55 To 59	387		\$13,833,984
60 To 64	309		\$10,489,270
65 To 69	225		\$6,754,284
70 To 74	148		\$4,485,734
75 To 79	77		\$2,656,082
80 & Up	88		\$4,669,709
Totals	1,909		\$68,733,154

*123 DROP participants were included.

Judges

Age	Count	All Years	
		Count	Benefit
Under 25	0		\$0
25 To 29	0		\$0
30 To 34	0		\$0
35 To 39	0		\$0
40 To 44	0		\$0
45 To 49	0		\$0
50 To 54	2		\$57,251
55 To 59	2		\$64,656
60 To 64	24		\$1,618,108
65 To 69	36		\$2,336,740
70 To 74	60		\$3,906,664
75 To 79	68		\$4,232,106
80 & Up	124		\$6,256,201
Totals	316		\$18,471,726

LEOPS

Age	Count	All Years	
		Count	Benefit
Under 25	0		\$0
25 To 29	1		\$33,926
30 To 34	6		\$175,729
35 To 39	10		\$275,826
40 To 44	16		\$435,763
45 To 49	69		\$2,063,732
50 To 54	191		\$5,533,236
55 To 59	194		\$5,583,426
60 To 64	114		\$2,961,056
65 To 69	57		\$1,373,945
70 To 74	37		\$857,606
75 To 79	9		\$164,669
80 & Up	4		\$34,922
Totals	708		\$19,493,836

*121 DROP participants were included.

Local Fire and Police

Age	Count	All Years	
		Count	Benefit
Under 25	0		\$0
25 To 29	0		\$0
30 To 34	0		\$0
35 To 39	0		\$0
40 To 44	0		\$0
45 To 49	0		\$0
50 To 54	2		\$25,763
55 To 59	7		\$106,396
60 To 64	5		\$73,550
65 To 69	0		\$0
70 To 74	0		\$0
75 To 79	0		\$0
80 & Up	0		\$0
Totals	14		\$205,709

APPENDIX C

**ACTUARIAL ASSUMPTIONS
AND METHODS**

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

	1. Valuation Interest Rate	2. Annual Rate of Increase in Cost of Living	3. Aggregate Payroll Growth	4. Assumed Salary Increase Granted on July 1, 2005
Teachers' Retirement	7.75%	3%	4%	4.00% ⁴
Teachers' Pension	7.75%	3%	4%	4.00% ⁴
Employees' Retirement Regular & Correctional	7.75%	3%	4%	1.50% ⁵
Legislative	7.75%	4% ¹	4%	0.00%
Employees' Pension	7.75%	3% ²	4%	1.50% ⁵
State Police Retirement	7.75%	3%	4%	1.50%
Judges Pension	7.75%	4%	4%	2.49%
LEOPS	7.75%	3% ³	4%	1.50% ⁵
Local Fire & Police Retirement	7.75%	3%	4%	4.00%
Pension	7.75%	3% ³	4%	4.00%

¹ A 5% compound rate is applicable for some pre-71 Legislative members.

² A 3% simple rate is applicable for municipal members of these Systems, who do not elect to be covered under the improved plan.

³ A 3% simple rate is applicable for former EPS members.

⁴ Teachers employed by State Universities and Colleges received 1.50%.

⁵ Municipal portion received 4.00%.

5. Marriage Assumption – 90% of active members are assumed to be married, with female spouses being 4 years younger.

6. Unused Sick Leave – to account for the effect of unused sick leave on members' final credited service, the service of active members who retire is increased 5 months.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

7a. Rates of Salary Increase (% for first 10 years of service)

	0	1	2	3	4	5	6	7	8	9
Teachers' Retirement & Pension	10.76	8.37	8.37	8.37	8.37	8.37	8.16	7.90	7.43	7.22
Employees' Retirement										
Regular	9.56	9.56	8.94	8.16	7.64	7.12	6.86	6.39	5.98	5.82
Correctional	9.46	8.94	7.12	6.86	5.25	4.78	4.36	4.36	4.36	4.36
Legislative	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Employees' Pension	9.56	9.56	8.94	8.16	7.64	7.12	6.86	6.39	5.98	5.82
State Police Retirement	15.96	15.96	13.36	11.28	9.72	8.16	7.12	6.08	5.56	5.30
Judges' Pension	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
LEOPS	15.96	15.96	13.36	11.28	9.72	8.16	7.12	6.08	5.56	5.30
Local Fire & Police	4.00	7.12	7.12	6.08	5.82	5.56	5.46	5.40	5.35	4.52

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

7b. Rates of Salary Increase (% at selected ages thereafter)

	30	35	40	45	50	55	60	65
Teachers' Retirement & Pension	7.22	6.60	5.35	4.78	4.52	4.31	4.31	4.31
Employees' Retirement								
Regular	5.82	5.82	5.46	5.25	5.14	4.94	4.94	4.94
Correctional	4.36	4.36	4.31	4.26	4.21	4.00	4.00	4.00
Legislative	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Employees' Pension	5.82	5.82	5.46	5.25	5.14	4.94	4.94	4.94
State Police Retirement	5.27	4.98	4.74	4.25	4.25	4.25	4.25	4.25
Judges' Pension	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
LEOPS	5.27	4.98	4.74	4.25	4.25	4.25	4.25	4.25
Local Fire & Police	4.42	4.31	4.21	4.10	4.00	4.00	4.00	4.00

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

8a. Annual Rates of Withdrawal for first 10 Years of Service (number of withdrawals per 1,000 members)

	0	1	2	3	4	5	6	7	8	9
Teachers' Retirement										
Male	149	149	116	99	81	78	56	54	45	39
Female	128	128	106	93	74	70	63	51	49	49
Teachers' Pension										
Male	149	149	116	99	81	78	56	54	45	39
Female	128	128	106	93	74	70	63	51	49	49
Employees' Retirement										
Regular										
Male	161	161	111	99	92	76	76	60	60	53
Female	150	150	106	100	78	78	64	60	51	45
Correctional										
Male	134	134	96	93	63	63	52	39	35	30
Female	151	151	82	82	70	70	53	53	45	45
Legislative										
	*	*	*	*	*	*	*	*	*	*
Employees' Pension										
Male	161	161	111	99	92	76	76	60	60	53
Female	150	150	106	100	78	78	64	60	51	45
State Police Retirement	86	86	57	29	14	14	8	8	7	7
Judges' Pension	0	0	0	0	0	0	0	0	0	0
LEOPS	86	86	57	29	14	14	8	8	7	7
Local Fire & Police	86	86	57	29	14	14	8	8	7	7

* 200 withdrawals per 1,000 members are assumed after 8 years of service and each fourth year thereafter.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

8b. Annual Rates of Withdrawal at Selected Ages (number of withdrawals per 1,000 members)

	30	35	40	45	50	55
Teachers' Retirement						
Male	39	27	16	11	14	24
Female	49	36	16	13	15	26
Teachers' Pension						
Male	39	27	16	11	14	24
Female	49	36	16	13	15	26
Employees' Retirement						
Regular						
Male	52	46	34	27	28	33
Female	44	34	25	22	21	28
Correctional						
Male	29	27	24	12	12	12
Female	45	33	32	27	27	27
Legislative	*	*	*	*	*	*
Employees' Pension						
Male	52	46	34	27	28	33
Female	44	34	25	22	21	28
State Police Retirement	7	7	7	7	7	7
Judges' Pension	0	0	0	0	0	0
LEOPS	7	7	7	7	7	7
Local Fire & Police	7	7	7	7	7	7

* 200 withdrawals per 1,000 members are assumed after 8 years of service and each fourth year thereafter.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

8c. Probability of Leaving Contributions in the Plan Upon Withdrawal (per 1,000 members)

20 25 30 35 40 45

Teachers' Retirement						
Male	750	915	903	884	1000	1000
Female	667	913	930	935	1000	1000
Teachers' Pension						
Male	750	915	903	884	1000	1000
Female	667	913	930	935	1000	1000
Employees' Retirement						
Regular						
Male	875	768	706	682	1000	1000
Female	944	869	872	846	1000	1000
Correctional						
Male	1000	1000	1000	1000	1000	1000
Female	1000	1000	1000	1000	1000	1000
Legislative						
Male	1000	1000	1000	1000	1000	1000
Female	1000	1000	1000	1000	1000	1000
Employees' Pension						
Male	875	768	706	682	1000	1000
Female	944	869	872	846	1000	1000
State Police Retirement						
	1000	1000	1000	1000	1000	1000
Judges' Pension						
	500	500	500	500	500	500
LEOPS						
	1000	1000	1000	1000	1000	1000
Local Fire & Police						
	1000	1000	1000	1000	1000	1000

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

9a. Annual Rates of Mortality at Selected Ages - Active Members (number of deaths per 10,000 members)

	25	30	35	40	45	50	55	60	65	69
Teachers' Retirement										
Active Members										
Male	9	9	10	13	21	34	55	89	148	230
Female	3	5	7	10	15	24	38	59	92	136
Teachers' Pension										
Active Members										
Male	9	9	10	13	21	34	55	89	148	230
Female	3	5	7	10	15	24	38	59	92	136
Employees' Retirement										
Active Members										
Male Regular	9	10	12	17	28	46	73	120	206	317
Female Regular	9	9	10	13	19	31	50	81	133	206
Correctional	9	12	17	26	38	55	80	--	--	--
Legislative	7	10	16	24	39	61	97	140	--	--
Employees' Pension										
Active Members										
Male Active Members	9	10	12	17	28	46	73	120	206	317
Female Active Members	9	9	10	13	19	31	50	81	133	206
State Police Retirement										
Active Members										
Ordinary Death	6	9	13	20	30	46	71	103	--	--
Accidental Death	2	3	3	3	4	6	2	1	--	--
Judges' Pension										
Active Members										
Male	6	8	13	20	33	54	85	133	213	315
Female	4	5	8	12	19	31	50	79	124	182
LEOPS										
Active Members										
Ordinary Death	6	9	13	20	30	46	71	103	--	--
Accidental Death	2	3	3	3	4	6	2	1	--	--
Local Fire & Police Systems										
Active Members										
Ordinary	6	9	13	20	30	46	71	103	--	--
Accidental	2	3	3	3	4	6	2	1	--	--

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

9b. Annual Rates of Mortality at Selected Ages - Retired Members (number of deaths per 10,000 members)

45 50 55 60 65 70 75 80

Teachers' Retirement & Pension

Inactive Members

Male	13	18	31	57	108	189	322	547
Female	10	14	23	43	83	142	239	390

Inactive Disabled Members

Male	432	496	784	992	1168	1424	1696	2304
Female	162	186	294	372	438	534	636	864

Employees' Retirement & Pension

Inactive Members

Male	19	31	53	96	174	285	447	744
Female	11	17	27	51	97	167	281	459

Inactive Disabled Members

Male	226	290	354	420	502	626	821	1094
Female	202	231	266	298	333	370	443	671

State Police Retirement*

Inactive Members

Male	17	24	40	74	140	244	416	708
Female	13	19	31	58	112	193	323	528

Inactive Disabled Members

Male	81	93	147	186	219	267	318	432
Female	95	109	171	217	255	312	371	504

Judges' Pension

Inactive Members

Male	13	18	31	57	108	189	322	547
Female	10	14	23	43	83	142	239	390

Inactive Disabled Members

Male	432	496	784	992	1168	1424	1696	2304
Female	162	186	294	372	438	534	636	864

* Upon death of a retired participant, the Social Security related death benefit paid by the System is assumed to be 30% of the benefit payable to the retiree at the time of death. The 30% is estimated based on estimated levels of Social Security death benefits, percent married, probability that the beneficiary is not eligible to receive any survivor benefits from Social Security, and probability that the spouse has not predeceased the retiree.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

9b. Annual Rates of Mortality at Selected Ages -
Retired Members
(number of deaths per 10,000 members)
(continued)

45 50 55 60 65 70 75 80

LEOPS

Inactive Members

Male	17	24	40	74	140	244	416	708
Female	13	19	31	58	112	193	323	528

Inactive Disabled Members

Male	81	93	147	186	219	267	318	432
Female	95	109	171	217	255	312	371	504

Local Fire & Police Systems

Inactive Members

Male	17	24	40	74	140	244	416	708
Female	13	19	31	58	112	193	323	528

Inactive Disabled Members

Male	81	93	147	186	219	267	318	432
Female	95	109	171	217	255	312	371	504

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

10. Annual Rates of Disablement at Selected Ages (number becoming disabled per 10,000 members)

	25	30	35	40	45	50	55
Teachers' Retirement*							
Male	1	1	1	4	9	13	18
Female	2	2	4	8	14	21	36
Teachers' Pension*							
Male	3	3	3	10	20	31	41
Female	3	3	6	13	22	32	56
Employees' Retirement							
Ordinary Disability							
Regular							
Male	8	8	14	27	34	41	54
Female	5	5	9	16	24	34	47
Correctional							
Male	30	36	45	57	71	101	131
Female	46	46	46	51	59	77	117
Legislative	0	0	0	0	0	0	0
Accidental Disability							
Regular							
Male	2	2	3	4	3	3	3
Female	1	1	2	2	2	2	2
Correctional							
Male	5	6	8	10	13	18	23
Female	8	8	8	9	10	14	21
Legislative	0	0	0	0	0	0	0
Employees' Pension							
Ordinary Disability							
Male	12	12	21	40	51	61	82
Female	9	9	15	27	41	58	81
Accidental Disability							
Male	3	3	4	6	5	4	4
Female	2	2	3	4	4	4	4

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

10. Annual Rates of Disablement at Selected Ages (number becoming disabled per 10,000 members) (continued)

	25	30	35	40	45	50	55
State Police Retirement							
Ordinary Disability							
Male	35	44	56	74	99	142	182
Female	108	116	117	136	165	217	332
Accidental Disability							
Male	23	25	30	35	39	54	71
Female	72	64	63	64	65	83	128
Judges' Pension							
Male	3	3	3	10	21	31	41
Female	3	3	6	13	22	32	55
LEOPS							
Ordinary Disability							
Male	34	43	54	71	96	137	176
Female	55	59	60	70	85	111	170
Accidental Disability							
Male	22	24	29	34	37	52	68
Female	37	33	32	33	33	43	66
Local Fire & Police Systems							
Ordinary Disability							
Male	29	37	47	62	83	119	154
Female	22	23	23	27	33	43	66
Accidental Disability							
Male	20	21	26	30	33	46	59
Female	14	13	13	13	13	17	26

* It is assumed that 1% of disability retirements is due to accidents in the performance of duty.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

11. Annual Rates of Retirement at Selected Ages (number retiring per 1,000 members)

	45	50	55	60	65	70
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Teachers' Retirement

Early

First Year Eligible

Male	30	35	70	--	--	--
------	----	----	----	----	----	----

Female	10	30	100	--	--	--
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Subsequent Years

Male	10	20	30	--	--	--
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Female	10	20	50	--	--	--
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Normal

First Year Eligible

Male	300	300	300	300	300	300
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Female	350	350	350	350	350	350
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Subsequent Years

Male	170	170	170	200	300	250
------	-----	-----	-----	-----	-----	-----

Female	150	150	200	220	350	250
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Teachers' Pension

Early

First Year Eligible

Male	--	--	30	100	--	--
------	----	----	----	-----	----	----

Female	--	--	50	150	--	--
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Subsequent Years

Male	--	--	--	40	--	--
------	----	----	----	----	----	----

Female	--	--	--	80	--	--
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Normal

First Year Eligible

Male	150	150	250	300	300	300
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Female	150	150	250	400	200	200
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Subsequent Years

Male	120	120	120	200	220	220
------	-----	-----	-----	-----	-----	-----

Female	100	100	150	200	250	220
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APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

11. Annual Rates of Retirement at Selected Ages (number retiring per 1,000 members) (continued)

	45	50	55	60	65	70
Employees' Retirement						
Early						
First Year Eligible						
Male	55	80	80	--	--	--
Female	80	100	100	--	--	--
Subsequent Years						
Male	30	30	40	--	--	--
Female	40	50	50	--	--	--
Normal						
First Year Eligible						
Male	270	270	270	270	270	270
Female	300	300	300	300	300	300
Subsequent Years						
Male	50	50	100	150	300	200
Female	100	100	120	250	450	250
Correctional						
Early	--	--	--	--	--	--
Normal						
First Eligible	400	400	400	500	1000	1000
Subsequent	120	150	150	200	1000	1000
Legislative						
Early	--	--	--	--	--	--
Normal	--	--	--	1000	1000	1000

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

11. Annual Rates of Retirement at Selected Ages (number retiring per 1,000 members) (continued)

	45	50	55	60	65	70
Employees' Pension						
Early						
First Year Eligible						
Male	--	--	60	60	--	--
Female	--	--	40	100	--	--
Subsequent Years						
Male	--	--	--	40	--	--
Female	--	--	--	60	--	--
Normal						
First Year Eligible						
Male	150	150	250	250	250	250
Female	150	150	250	300	300	300
Subsequent Years						
Male	50	50	70	120	250	200
Female	50	50	70	100	250	220
State Police Retirement*						
First Year Eligible	200	200	200	1000	1000	1000
Subsequent Years	200	200	400	1000	1000	1000
Judges' Pension						
First Year Eligible						
Male	100	100	100	100	100	100
Female	300	300	300	300	300	300
Subsequent Years						
Male	100	100	100	100	100	1000
Female	200	200	200	200	200	1000
LEOPS*						
First Year Eligible	350	150	150	1000	1000	1000
Subsequent Years	150	150	200	1000	1000	1000
Local Fire & Police Retirement						
First Year Eligible	350	150	150	150	1000	1000
Subsequent Years	150	150	200	300	1000	1000

*Retirement rates include retirement into DROP status. 50% of participants are expected to elect DROP participation.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. ACTUARIAL ASSUMPTIONS

12. Social Security Covered Compensation

Teachers' Retirement	Not applicable
Teachers' Pension	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2005 Social Security Maximum Wage Base.
Employees' Retirement	Not applicable
Employees' Pension	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2005 Social Security Maximum Wage Base.
State Police Retirement	Not applicable
Judges' Pension	Not applicable
LEOPS	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2005 Social Security Maximum Wage Base.
Local F&P Retirement	Not applicable
Local F&P Pension	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2005 Social Security Maximum Wage Base.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

B. ACTUARIAL PROCEDURES

1. Asset Valuation Method

Teachers' Retirement & Pension	<p>All six Systems use a method based on the principle that the difference between actual and expected investment returns should be subject to partial recognition to smooth out fluctuations in the total return achieved by the fund from year to year. Under this method, the actuarial value of the assets is one-fifth of the market value plus four-fifths of the expected value, where the expected value is last year's actuarial value and subsequent cashflows into and out of the fund accumulated with interest at last year's valuation rate (7.75%). This is equivalent to smoothing the difference between the experienced return and the assumed return. If the fund earns the actuarially assumed rate in any year no investment returns will be deferred.</p>
Employees' Retirement & Pension	
State Police	
Judges	
LEOPS	
Local F&P Retirement & Pension	

For the Employees' Retirement & Pension System and for LEOPS, assets must be allocated between State and Municipal Corporation members. Beginning July 1, 1984, this allocation is based upon actual cash flows and shared investment results.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

B. ACTUARIAL PROCEDURES

2. Actuarial Cost Method

Teachers' Retirement & Pension
Employees' Retirement & Pension
State Police
Judges
LEOPS
Local F&P Retirement & Pension

All six Systems use the aggregate entry age normal method with projection to determine costs. Under this actuarial cost method, a total contribution rate is determined which consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

For the Teachers' Pension, Employees' Pension, State Police, Judges, LEOPS and Local Fire & Police Systems an Individual Entry Age Normal cost rate is determined for a typical new entrant of each respective system. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. This new entrant calculation is updated each time the System's actuarial assumptions or benefits are changed. Absent such changes, the new entrant normal cost percentage remains level from one valuation to the next.

For members of the Teachers' and Employees' Retirement Systems, the new entrant normal cost rate is set at the same rate developed for the Teachers' and Employees' Pension Systems, respectively.

The actual contribution rate for State Police, Judges, LEOPS, and Local F&P is equal to the rate developed under the actuarial cost method. The actual contribution for Teachers and Employees is based on the "Corridor Method" as described on page I-2.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

B. ACTUARIAL PROCEDURES

2. Actuarial Cost Method (Continued)

Teachers' Retirement & Pension	In addition to contributions required to meet the System's normal cost, contributions will be required to fund the System's unfunded actuarial liability. Actuarial liability is defined as the present value of future benefits less the present value of future normal costs. The unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of the System's assets.
Employees' Retirement & Pension	
State Police	
Judges	
LEOPS	
Local F&P Retirement & Pension	If the System's unfunded actuarial liability is increased by plan changes or actuarial losses or decreased by actuarial gains, these amounts will be included as part of the unfunded actuarial liability and funded over a 25-year amortization period.

APPENDIX D

SUMMARY OF PLAN PROVISIONS

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APPENDIX D - SUMMARY OF PLAN PROVISIONS

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established August 1, 1927

1. Membership

Membership was a condition of employment for teachers. Employees of various libraries and educational facilities were eligible to join. Certain eligible higher education teachers may elect to join an optional retirement program. Effective July 1, 1971 teachers and retired teachers of the City of Baltimore are included.

Members on December 31, 1979 continue to be members on January 1, 1980 and after, unless they elected to join the Pension System at which time they were eligible for the return of a portion of their accumulated contributions with interest. No new members were accepted after December 31, 1979.

2. Member Contributions

5% contribution/5% COLA option – 5% of earnable compensation with the Cost-of-Living Adjustments described in item 9 limited to 5% annually.

7% contribution/unlimited COLA option – effective July 1, 1984 the rate of member contributions is 7% of earnable compensation. The Cost-of-Living Adjustments described in item 9 are unlimited.

Bifurcated benefit – the rate of member contributions is determined under the Teachers' Pension System.

Contributions earn 4% interest per year.

3. Service Retirement Allowance (See item 6 for Allowances after July 1, 1984)

Eligibility - 30 years of eligibility service or attainment of age 60.

Allowance - 1/55 of average compensation for the three highest years as an employee for each year of eligibility service. Eligibility service is given based on a full normal working time in one year (equal to ten months).

4. Early Retirement Allowance

Eligibility - 25 years of eligibility service.

Allowance - service retirement allowance, reduced by 1/2% for each month that date of retirement precedes the earlier of age 60 or the date the member would have completed 30 years of eligibility service had he remained in employment.

APPENDIX D - SUMMARY OF PLAN PROVISIONS

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - The benefit is 1/55 of average compensation for the three highest years as an employee for each year of eligibility service, with a minimum of 25% of average compensation, and a maximum of 1/55 of average compensation for each year of eligibility service the member would have had if he continued in employment until age 60.

Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee with a maximum of average compensation.

6. Retirement Allowances after July 1, 1984

A member who was in service on July 1, 1984 (or an inactive member who returns to service on or after July 1, 1984) will have his benefit determined under one of the optional formulas described below, as elected by the member on or before January 1, 1985 (or within 90 days of return to service, for inactive members on July 1, 1984).

Bifurcated benefit - for eligibility service before election date, the amount determined by the Service Retirement Allowance formula described in item 3; for eligibility service on and after election date, the amount determined by the Service Retirement Allowance formula of the Teachers' Pension System. Eligibility for Early Retirement is based on Retirement System criteria (25 years of service). The early retirement reduction factors are based on the Pension System provisions. Since the Retirement System plan allows participants to retire before age 55 if they have 25 years of service, the early retirement reduction factor is limited to the reduction the participant would receive at age 55 under the Pension System. Therefore the Pension System portion of the benefit can be reduced no more than 42%. This is the benefit which is payable absent an alternative election by the member. Effective on the election date, the rate of member contributions is determined under the terms of the Teachers' Pension System.

APPENDIX D - SUMMARY OF PLAN PROVISIONS

5% contribution/5% COLA option - the amount determined by the Service Retirement Allowance formula described in item 3. The Cost-of-Living Adjustments described in item 9 are limited to 5% annually.

7% contribution/unlimited COLA option - the amount determined under the Service Retirement Allowance formula described in item 3. Effective July 1, 1984, the rate of member contributions is 7% of earnable compensation. The Cost-of-Living Adjustments described in item 9 are unlimited.

7. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of the one time payment, a surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2 if member was eligible to retire or was age 55 and had 15 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

8. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions, or transfer to the Pension System, in lieu of receiving the vested retirement allowance in the Retirement System. If member does not withdraw contributions, and dies before attaining age 60, the accumulated contributions are returned.

9. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-Living Adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

APPENDIX D - SUMMARY OF PLAN PROVISIONS

10. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

11. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

TEACHERS' PENSION SYSTEM OF THE STATE OF MARYLAND Established January 1, 1980

1. Membership

Membership is a condition of employment for all teachers hired on or after January 1, 1980. Certain eligible higher education teachers may elect to join an optional program provided by the State. Included in the definition of teacher is any teacher, helping teacher, principal, supervisor, superintendent, or clerk employed in public day school within the State of Maryland, or controlled by the State; any faculty employee of an educational institution supported or controlled by the State; any librarian or clerical employee of a library established or operated under the Education Article; any professional or clerical employee of a community college established or operated under the Education Article.

2. Member Contributions

Effective July 1, 1998, members are required to make contributions of 2% of earnable compensation. Contributions earn 5% interest per year.

3. Service Retirement Allowance

Eligibility - 30 years of eligibility service or attainment of one of the following:

- Age 62 and 5 years of eligibility service.
- Age 63 and 4 years of eligibility service.
- Age 64 and 3 years of eligibility service.
- Age 65 and 2 years of eligibility service.

Allowance - The larger of (i) or (ii), plus (iii), as described below:

- (i) 1.2% of average compensation for the three highest consecutive years as an employee for each year of eligibility service on or before June 30, 1998;
- (ii) 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service on or before June 30, 1998;
- (iii) 1.4% of average compensation for the three highest consecutive years as an employee for each year of eligibility service after June 30, 1998.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

The Social Security integration level is the average annual earnings for which Social Security benefits are provided to an employee attaining age 65 in the year of termination of employment, who earned the maximum Social Security covered earnings in each year. Eligibility service is given based on a full normal working time in one year equal to ten months.

The pre-1998 formula (still applicable for those current and former Retirement System members who on or after April 1, 1998 elected to transfer to the Pension System) is 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service.

4. Early Retirement Allowance

Eligibility - attainment of age 55 and 15 years of eligibility service.

Allowance - service retirement allowance computed as of early retirement date, reduced by 1/2% for each month that early retirement date precedes age 62.

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - The benefit is the service retirement allowance computed on the basis that service continued until age 62 without any change in rate of earnable compensation.

Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest consecutive years as an employee with a maximum of average compensation.

Any member who applies for disability retirement within 2 years of transfer from the Retirement System shall receive benefits as provided under the Retirement System, reduced by any contributions refunded.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of one-time payment, a surviving spouse named as sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2, determined as if the member were eligible to retire and retired 30 days before death, if member was age 62, was age 55 and had 15 years of eligibility service, or had at least 25 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 62. A member who has completed 15 years of eligibility service may begin to receive benefit payments at any time after attainment of age 55, reduced by 1/2% for each month that benefit commencement date precedes age 62.

If member does not commence to receive benefit payments, and dies before attaining age 62, the member's accumulated contributions are returned.

If member does not have 5 years of eligibility service at termination of employment, the member's accumulated contributions are returned.

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Effective July 1, 1998, the annual adjustment is limited to 3%, and is applied to all benefits which have been in payment for one year. All increases are effective July 1.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established October 1, 1941

1. Membership

Membership was a condition of employment for all classified and unclassified regular employees of the State of Maryland excluding those eligible for the Teachers' Retirement System, State Police Retirement System, Correctional Officers Retirement System, and certain judges. Certain municipal corporations have joined the System.

Members on December 31, 1979 continue to be members on January 1, 1980 and after, unless they elected to join the Pension System, at which time they were eligible for the return of a portion of their accumulated contributions with interest.

2. Member Contributions (See item 6 for contributions effective July 1, 1984)

5% contribution/5% COLA option – 5% of earnable compensation with the Cost-of-Living Adjustments described in item 9 limited to 5% annually.

7% contribution/unlimited COLA option – effective July 1, 1984 the rate of member contributions is 7% of earnable compensation. The Cost-of-Living Adjustments described in item 9 are unlimited.

Bifurcated benefit – the rate of member contributions is determined under the Teachers' Pension System.

Contributions earn 4% interest per year.

3. Service Retirement Allowance (See item 6 for Allowances after July 1, 1984)

Eligibility - 30 years of eligibility service or attainment of age 60.

Allowance - 1/55 of average compensation for the three highest years as an employee for each year of eligibility service.

4. Early Retirement Allowance

Eligibility - 25 years of eligibility service.

Allowance - service retirement allowance, reduced by 1/2% for each month that date of retirement precedes the earlier of age 60 or the date the member would

APPENDIX D – SUMMARY OF PLAN PROVISIONS

have completed 30 years of eligibility service had the member remained in employment.

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

Allowance - The benefit is 1/55 of average compensation for the three highest years as an employee for each year of eligibility service, with a minimum of 25% of average compensation, and a maximum of 1/55 of average compensation for each year of eligibility service the member would have had if the member continued in employment until age 60.

Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee with a maximum of average compensation.

6. Retirement Allowances after July 1, 1984

A member who was in service on July 1, 1984 (or an inactive member who returns to service on or after July 1, 1984) will have the benefit determined under one of the optional formulas described below, as elected by the member.

Bifurcated benefit - for eligibility service before election date, the amount determined by the Service Retirement Allowance formula described in item 3; for eligibility service on and after election date, the amount determined by the Service Retirement Allowance formula of the Employees' Pension System. Eligibility for Early Retirement is based on Retirement System criteria (25 years of service). The early retirement reduction factors are based on the Pension System provisions. Since the Retirement System plan allows participants to retire before age 55 if they have 25 years of service, the early retirement reduction factor is limited to the reduction the participant would receive at age 55 under the Pension System. Therefore the Pension System portion of the benefit can be reduced no more than 42%. This is the benefit which is payable absent an alternative election by the member. Effective at the election date, the rate of

APPENDIX D – SUMMARY OF PLAN PROVISIONS

member contributions is determined under the terms of the Employees' Pension System.

5% contribution/5% COLA option - The amount determined by the Service Retirement Allowance formula described in item 3. The Cost-of-Living Adjustments described in item 9 are limited to 5% annually.

7% contribution/unlimited COLA option - the amount determined under the Service Retirement Allowance formula described in item 3. Effective July 1, 1984, the rate of member contributions is 7% of earnable compensation.

7. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of the one time payments a surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2 if member was eligible to retire or was age 55 with 15 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

8. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions or transfer to the Pension System, in lieu of receiving the vested retirement allowance in the Retirement System. If member does not withdraw contributions, and dies before attaining age 60, the accumulated contributions are returned.

9. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

10. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

11. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

12. Miscellaneous Provisions

For Members of the General Assembly

The retirement allowance is equal to 3.00% of active legislators' compensation for each year of eligibility service (maximum 22 years 3 months) upon attainment of age 60 and eight years of eligibility service. Reduced benefits are payable upon attainment of age 50 and completion of 8 years of eligibility service. The benefit is reduced by 0.5% for each month between ages 50 and 60 that the early retirement date precedes age 60. A member with eight years of eligibility service who has not attained age 60 may leave contributions in and receive a retirement allowance at age 60 or a reduced benefit after age 50. If termination occurs before the completion of eight years of eligibility service, the member may make contributions equal to the member's and the State's required amount until the former member would have completed eight years of eligibility service, and receive 24% of last earnable compensation at age 60 or a reduced benefit after age 50. Members contribute 5% of their earnable compensation during their first 22 years 3 months of service. Contributions earn 4% interest per year. A member who is certified as disabled after completing at least 8 years of eligibility service may resign and immediately receive a retirement allowance

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equal to 3.00% of highest earnable compensation for each year of eligibility service (maximum 22 years 3 months). The member's surviving spouse receives 1/2 of the member's entitlement if the member i) is retired, ii) is eligible for a deferred benefit, or iii) is active and has eight years of eligibility service. The surviving spouse of a member who had accrued less than eight years of eligibility service and dies in office shall receive a lump sum death benefit of accumulated contribution plus an amount equal to the deceased's annual earnable compensation at the time of death.

All retirement allowances are adjusted each year based on the increase in salaries of current members of the General Assembly.

For Correctional Officers

Correctional officers serving in the first six job classifications, or as security attendants at Clifton T. Perkins Hospital Center participate under this System. An immediate service retirement allowance is payable to a correctional officer if on or before retirement, the officer has completed 20 years of eligibility service and served at least the last 5 years as a security attendant at Clifton T. Perkins Hospital Center, or as a correctional officer in one of the first six job classifications, or a combination thereof immediately preceding retirement. As with the Employees' Retirement System, a member receives 1/55 of average compensation for the three highest years as an employee for each year of eligibility service. The vested retirement allowance of a correctional officer who was in the first six job classifications for at least 5 years preceding retirement commences at age 55; for the security attendant it commences at age 60. Death and disability benefits are the same as those offered for the Employees' Retirement System. Employees are required to make contributions of 5% of earnable compensation. Interest on employee contributions is 4%.

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EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND Established January 1, 1980

1. Membership

Membership is a condition of employment for all classified and unclassified regular employees of the State of Maryland hired on or after January 1, 1980, excluding those eligible for the Teachers' Retirement System, Teachers' Pension System, State Police Retirement System, certain judges, correctional officers, members of the General Assembly. Members of the Employees' Retirement System may elect to join any time on or after January 1, 1980. Certain municipal corporations have joined the System.

2. Member Contributions

Effective July 1, 1998, members are required to make contributions of 2% of earnable compensation. Contributions earn 5% interest per year.

Note: Non-Contributory Pension System members make contributions of 5% when salary exceeds SSTWB.

3. Service Retirement Allowance

Eligibility - 30 years of eligibility service or attainment of one of the following:

- Age 62 and 5 years of eligibility service
- Age 63 and 4 years of eligibility service
- Age 64 and 3 years of eligibility service
- Age 65 and 2 years of eligibility service

Allowance - The larger of (i) or (ii), plus (iii), as described below:

- (i) 1.2% of average compensation for the three highest consecutive years as an employee for each year of eligibility service on or before June 30, 1998;

APPENDIX D – SUMMARY OF PLAN PROVISIONS

- (ii) 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service on or before June 30, 1998;
- (iii) 1.4% of average compensation for the three highest consecutive years as an employee for each year of eligibility service after June 30, 1998.

The Social Security integration level is the average annual earnings for which Social Security benefits are provided to an employee attaining age 65 in the year of termination of employment, who earned the maximum Social Security covered earnings in each year.

The pre-1998 formula (still applicable for those either current and former Retirement System members who on or after April 1, 1998 elected to transfer to the Pension System, and for members employed by certain Municipal Corporations) is 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service.

4. Early Retirement Allowance

Eligibility - attainment of age 55 and 15 years of eligibility service.

Allowance - service retirement allowance computed as of early retirement date, reduced by 1/2% for each month that early retirement date precedes age 62.

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - The benefit is the service retirement allowance computed on the basis that service continued until age 62 without any change in rate of earnable compensation.

Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

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Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest consecutive years as an employee with a maximum of average compensation.

Any member who applies for disability retirement within 2 years of transfer from the Retirement System shall receive benefits as provided under the Retirement System, reduced by any contributions refunded.

6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of one-time payment, a surviving spouse named as sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2, determined as if the member were eligible to retire and retired 30 days before death, if member was age 62, was age 55 and had 15 years of eligibility service, or had at least 25 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 62. A member who has completed 15 years of eligibility service may begin to receive benefit payments at any time after attainment of age 55, reduced by 1/2% for each month that benefit commencement date precedes age 62.

If member does not commence to receive benefit payments, and dies before attaining age 62, the accumulated contributions are returned.

If member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Effective July 1, 1998, the annual adjustment is limited to 3%, and is applied to all benefits which have been in payment for one year. However, members employed by a non-electing Municipal Corporation will receive annual adjustments limited to 3% of the initial benefit amount. Their retirement

APPENDIX D – SUMMARY OF PLAN PROVISIONS

allowance payable is the sum of their initial retirement allowance and all adjustments. All increases are effective July 1.

9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

11. Miscellaneous Provision

For Constitutional Officers

Constitutional officers who participate in the System are immediately vested upon taking office and will receive a benefit of not less than ten percent (10%) of their highest salary if they serve at least one full term. Cabinet members who participate in the System are immediately vested.

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STATE POLICE RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established July 1, 1949

1. Membership

Membership is a condition of employment (with limited exception) for all uniformed officers of the Maryland State Police. The Superintendent of the Maryland State Police may elect membership in this System or the Employees' Pension System.

2. Member Contributions

Members are required to contribute 8% of earnable compensation. Contributions earn 4% interest per year.

3. Service Retirement Allowance

Eligibility - 22 years of eligibility service or attainment of age 50 (age 60 for the physician of the Department). Retirement at age 60 is mandatory for all but the Superintendent.

Allowance - 2.55% of average compensation for the three highest years as an employee for each of the first 28 years of eligibility service. The maximum allowance is 71.4% of average compensation.

4. Early Retirement Allowance

Not applicable to this System.

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and the certification of the medical board designated by the Board of Trustees that member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - 2.55% of average compensation for the three highest years as an employee for each of the first 28 years of eligibility service. Minimum payable is 35% of average compensation.

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Special

Eligibility - total and permanent disability as certified by the medical board arising out of or in the course of the actual performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions plus 66 2/3% of average compensation with a maximum of average compensation.

6. Death Benefits

For Retired Members

Eligibility - retired on service retirement allowance or ordinary disability retirement allowance, or retired on special disability retirement allowance. Also, beneficiaries are not eligible to receive survivor benefits from Social Security.

Benefits - lump sum and survivor benefits according to Title II of the Social Security Act, excluding any cost of living adjustments. For purposes of computing this benefit, the average monthly wage is the lesser of 1/12 of the member's average compensation and the maximum average monthly wage in effect as of date of death under the Social Security Act.

For Members in Service

i) Ordinary Death Benefit

Eligibility – One to two years of eligibility service and not eligible for special death benefit.

Benefit – One-time payment of member's annual earnable compensation at time of death plus accumulated contributions.

Regardless of length of service, members' accumulated contributions are paid.

ii) Special Death Benefit

Eligibility - two or more years of eligibility service or death in the performance of duty.

Benefit - accumulated contributions plus an allowance of two-thirds of the member's average compensation to the surviving spouse; if no surviving spouse or spouse dies before youngest child reaches age 18, an allowance

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of one-half of average compensation continues until the youngest child reaches age 18; if no surviving spouse or children, an allowance of one-half of the member's average compensation to his or her dependent mother or father. If none of the above conditions are met, the ordinary death benefit is paid.

7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - service retirement allowance payable at age 50. Member may elect to withdraw the accumulated contributions in lieu of receiving a vested retirement allowance. If member does not withdraw contributions and dies before attaining age 50, the accumulated contributions are returned.

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

9. Optional Forms of Payment

Normal form is 50% joint and survivor annuity with spouse. If no spouse at time of retirement, member may select an optional allowance.

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

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10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

11. Deferred Retirement Option Program (DROP)

Members with 22 years of service may elect to enter the DROP program for a maximum of the lesser of four years or the number of years until they would have accrued 28 years of service. During this period, they will cease making member contributions and cease accruing additional benefits. Their accrued service retirement allowance, with annual COLA adjustments, will be credited to an account along with interest at the rate of 6% per annum, compounded monthly. At any time up to four years later the member may cease working and have the service retirement allowance paid to him along with the balance of the DROP account. During the DROP period, the member remains eligible to file for special disability.

12. Special Death Benefits – Current Survivors

The monthly allowance payable to a current survivor of a deceased State Police member who was killed in the line of duty is increased from 50% to 66.67% of the deceased member's average final compensation (applied retroactively July 1, 1972 – December 31, 2001).

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JUDGES RETIREMENT SYSTEM OF THE STATE OF MARYLAND* Established June 30, 1969

1. Membership

Membership is automatic for an employee qualifying as a judge and workers' compensation commissioners.

2. Member Contributions

Members are required to make contributions of 6% of salary until they have served for 16 years. Contributions earn 4% interest per year.

3. Service Retirement Allowance (Immediate Service Pension)

Eligibility - attainment of age 60 or retired by order of the Court of Appeals. Retirement is mandatory at age 70.

Pension - if former judge served at least 16 years, 2/3 of current fiscal year salary earned by a judge holding the same level judicial position as that held by the former judge on termination of service. If the judge did not serve 16 years, the benefit is multiplied by the ratio of years of service to 16.

4. Early Retirement Allowance

Not applicable to this System.

5. Disability Retirement Allowance (Disability Pension)

Eligibility - retirement for disability before attainment of age 60.

Pension - same as immediate service pension, payable immediately. However, if a judge has at least three years of eligibility service, the pension will not be less than 1/3 of salary.

* *This summary includes provisions of the contributory plan only, as all members currently belong to that plan.*

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6. Death Benefits

Spouse Pension

Eligibility - death of a judge or former judge at any age, leaving a surviving spouse.

Pension - 1/2 of the pension that would have been payable to the judge or former judge at the date of death if the judge were then eligible to receive a pension, payable immediately to the spouse. If no spouse, pension paid to children under age 18.

Lump Sum

Eligibility - termination of service by death of a judge leaving no spouse, or children under age 18.

Benefit - return of contributions accumulated with interest at a rate of 4% per annum plus an allowance of the member's annual compensation.

7. Vested Retirement Allowance (Deferred Service Pension)

Eligibility - termination of service prior to eligibility for an immediate pension.

Pension - same as immediate service pension based on service at termination, payable at age 60.

In lieu of a deferred retirement pension, a former judge may elect to withdraw his contribution accumulated with interest at 4% per annum, within six months following his termination of service.

8. Cost-of-Living Adjustments

None except as provided through the pension formula.

9. Optional Forms of Payment

Not applicable to this System; normal form is joint and 50% annuity with spouse. However, a judge or former judge, who at the time of retirement, does not have a spouse or eligible minor child may elect one of the following optional forms of payment:

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

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Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable Under Workmen's Compensation

Not applicable to this System.

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LAW ENFORCEMENT OFFICERS PENSION SYSTEM OF THE STATE OF MARYLAND Established July 1, 1990

A. Retirement System Tier Provisions

1. Membership (for members transferred from Employees Retirement System)

Retirement System provisions are applicable only to those law enforcement officers who are employed by the following employers as authorized in Section 26-201 of the Annotated Code of Maryland: Department of Natural Resources police and law enforcement officers, Field Enforcement Bureau law enforcement officers, Maryland Transportation Authority Police Force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police Force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police Force, BWI Airport Fire & Rescue Department, Department of General Services Police Force, Department of Health and Mental Hygiene, Motor Vehicle Administration, Department of Labor, Licensing and Regulation, Martin State Airport firefighters, Division of Rehabilitation Services in the Department of Education police officers, Salisbury Fire Department firefighters and paramedics, Department of State Police aviators, Maryland Transit Administration Police Force, or a participating governmental unit who elects to have their law enforcement officers included in the Plan. Eligible employees, as of the date they elect to participate in this System, are members of the Employees' Retirement System of the State of Maryland. This includes Retirement System members who had elected the 5% contribution/5% COLA option and the 7% contribution/full COLA option.

2. Member Contributions

Members are required to contribute 7% of earnable compensation, except that any member who had previously elected the 5% contribution/5% COLA option shall continue to contribute 5% of earnable compensation. Contributions earn 4% interest per year.

3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 50.

Allowance – 2.3% of average compensation for the three highest years as an employee for each of the first 30 years of eligibility service, plus 1.0% of average compensation for each additional year.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

4. Early Retirement Allowance

Not applicable to this System.

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

Allowance – 2.3% of average compensation for the three highest years as an employee for each of the first 30 years of eligibility service, plus 1.0% of average compensation for each additional year, with a minimum of 25% of average compensation.

Accidental

Eligibility - total and permanent disability as certified by the medical board arising out of or in the course of the actual performance of duty.

Allowance - the benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee, with a maximum of average compensation.

6. Death Benefits

Upon death each member is entitled to a return of his or her accumulated employee contributions. In addition the following benefits are payable.

Ordinary

Eligibility - one year of eligibility service.

Benefit – one-time payment of member's annual earnable compensation at time of death.

Special

Eligibility - two or more years of eligibility service or death in the performance of duty.

Allowance with surviving spouse or children – two-thirds of the ordinary disability benefit to the surviving spouse, if any; or if there is no surviving spouse, to any children of the deceased under the age of 18 years, divided in a manner as the

APPENDIX D – SUMMARY OF PLAN PROVISIONS

Board of Trustees determines. If death is in the performance of duty, the allowance is two-thirds of average compensation for the three highest years as an employee.

Allowance with no surviving spouse or children – ordinary death benefit.

7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 50.

The member may elect to withdraw accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance in the Retirement System. However, by doing so, the member forfeits all benefits accruing to the member on account of the previous membership.

If the member does not withdraw member contributions, and dies before attaining age 50, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year. For members contributing 5% of earnable compensation, the cost-of-living adjustment is limited to 5% annually.

9. Optional Forms of Payment

The normal form is a 50% joint and survivor annuity with spouse, if any; or if there is no surviving spouse or upon the death of the surviving spouse, to any children of the deceased under the age of 18 years, until every child dies or becomes 18 years, divided in a manner as the Board of Trustees determines.

Other forms of payment may be elected if there is no spouse at time of retirement.

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

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Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable under Workmen's Compensation

Disability retirement allowances, excluding the annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment with the Department of Natural Resources police and law enforcement officers, Maryland Investigative Services Unit, Maryland Transportation Authority Police force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police force, Martin State Airport Firefighters, or a participating governmental unit who elects to have their law enforcement officers included in the Plan, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

11. Deferred Retirement Option Program (DROP)

Members with 25 years of service may elect to enter the DROP program for a maximum of the lesser of five years or the number of years until they would have accrued 30 years of service. During this period, they will cease making member contributions and cease accruing additional benefits. Their accrued service retirement allowance, with annual COLA adjustments, will be credited to an account along with interest at the rate of 6% per annum, compounded monthly. At any time up to five years later the member may cease working and have the service retirement allowance paid to him along with the balance of the DROP account. During the DROP period, the member remains eligible to file for special disability.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

B. Pension System Provisions

1. Membership

Membership is a condition of employment for all law enforcement officers who are employees of the Department of Natural Resources police and law enforcement officers, Field Enforcement Bureau law enforcement officers, Maryland Transportation Authority Police Force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police Force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police Force, BWI Airport Fire & Rescue Department, Department of General Services Police Force, Department of Health and Mental Hygiene, Motor Vehicle Administration, Department of Labor, Licensing and Regulation, Martin State Airport firefighters, Division of Rehabilitation Services in the Department of Education police officers, Salisbury Fire Department firefighters and paramedics, Department of State Police aviators, Maryland Transit Administration Police Force, or a participating governmental unit who elects to have their law enforcement officers included in the Plan, and were hired after July 1, 1990. Pension System provisions are also applicable to those Natural Resources Law Enforcement Officers' Pension System members who, as of the date they elect to participate in this System, are members of the Employees' Pension System of the State of Maryland or members of the Employees' Retirement System who had previously elected the bifurcated benefit option.

2. Member Contributions

Members are required to make contributions of 4% of earnable compensation. Contributions earn 5% interest per year.

3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 50.

Allowance - 2.0% of average compensation for the three highest consecutive years as an employee for each of the first 30 years of eligibility service.

4. Early Retirement Allowance

Not applicable to this System.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

B. Pension System Provisions

1. Membership

Membership is a condition of employment for all law enforcement officers who are employees of the Department of Natural Resources police and law enforcement officers, Field Enforcement Bureau law enforcement officers, Maryland Transportation Authority Police Force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police Force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police Force, BWI Airport Fire & Rescue Department, Department of General Services Police Force, Department of Health and Mental Hygiene, Motor Vehicle Administration, Department of Labor, Licensing and Regulation, Martin State Airport firefighters, Division of Rehabilitation Services in the Department of Education police officers, Salisbury Fire Department firefighters and paramedics, Department of State Police aviators, Maryland Transit Administration Police Force, or a participating governmental unit who elects to have their law enforcement officers included in the Plan, and were hired after July 1, 1990. Pension System provisions are also applicable to those Natural Resources Law Enforcement Officers' Pension System members who, as of the date they elect to participate in this System, are members of the Employees' Pension System of the State of Maryland or members of the Employees' Retirement System who had previously elected the bifurcated benefit option.

2. Member Contributions

Members are required to make contributions of 4% of earnable compensation. Contributions earn 5% interest per year.

3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 50.

Allowance - 2.0% of average compensation for the three highest consecutive years as an employee for each of the first 30 years of eligibility service.

4. Early Retirement Allowance

Not applicable to this System.

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5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

Allowance - The benefit is the service retirement allowance computed on the basis that service continued until age 50 without any change in the rate of earnable compensation.

Accidental

Eligibility - total and permanent disability as certified by the medical board arising out of or in the course of the actual performance of duty.

Allowance - the benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee, with a maximum of average compensation.

6. Death Benefits

Upon death each member is entitled to a return of his or her accumulated employee contributions. In addition the following benefits are payable.

Ordinary

Eligibility - one year of eligibility service.

Benefit – one-time payment of member's annual earnable compensation at time of death.

Special

Eligibility - two or more years of eligibility service or death in the performance of duty.

Allowance with surviving spouse or children – two-thirds of the ordinary disability benefit to the surviving spouse, if any; or if there is no surviving spouse, to any children of the deceased under the age of 18 years, divided in a manner as the Board of Trustees determines. If death is in the performance of duty, the allowance is two-thirds of average compensation for the three highest years as an employee.

Allowance with no surviving spouse or children – ordinary death benefit.

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7. Vested Retirement Allowance

Eligibility - Five years of eligibility service.

Allowance - accrued retirement allowance payable at age 50.

The member may elect to withdraw the member's accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance in the Pension System. However, by doing so, the member forfeits all benefits accruing to the member on account of the previous membership.

If the member does not withdraw contributions, and dies before attaining age 50, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned upon request.

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. The annual adjustment is limited to 3% of the current benefit amount, and is applied to all benefits which have been in payment for one year.

9. Optional Forms of Payment

The normal form is a 50% joint and survivor annuity with spouse, if any; or if there is no surviving spouse or upon the death of the surviving spouse, to any children of the deceased under the age of 18 years, until every child dies or becomes 18 years, divided in a manner as the Board of Trustees determines.

Other forms of payment may be elected if there is no spouse at time of retirement.

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

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Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable under Workmen's Compensation

Disability retirement allowances, excluding the annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

11. Deferred Retirement Option Plan (DROP)

Members with 25 years of service may elect to enter the DROP program for a maximum of the lesser of five years and the number of years until they would have accrued 30 years of service. During this period, they will cease making member contributions and cease accruing additional benefits. Their accrued service retirement allowance, with annual COLA adjustments, will be credited to an account along with interest at the rate of 6% per annum, compounded monthly. At any time up to five years later the member may cease working and have the service retirement allowance paid to him along with the balance of the DROP account. During the DROP period, the member remains eligible to file for special disability.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

LOCAL FIRE & POLICE - RETIREMENT Established July 1, 1990

A. Retirement System Tier Provisions

1. Membership

Retirement System provisions are applicable only to those Local Fire & Police participants who, as of the Municipal Corporation's date of participation in this plan, are members of the Employees' Retirement System of the State of Maryland, and elect to participate in this plan. This includes Retirement System members who had elected the bifurcated benefit option, the 5% contribution/5% COLA option and the 7% contribution/full COLA option. This system is closed to new employees as of January 2005.

2. Member Contributions

Members are required to contribute 7% of earnable compensation. Any member who had previously elected either the bifurcated benefit option or the 5% contribution/5% COLA option does not have to make up the difference between 7% of past compensation and actual contributions to receive full benefits from this plan. Contributions earn 4% interest per year.

3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 60.

Allowance - 1/50 of average compensation for the three highest years as an employee for each of the first 30 years of eligibility service, plus 1/100 of average compensation for each additional year.

4. Early Retirement Allowance

Not applicable to this System.

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

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Allowance - the benefit is 1/50 of average compensation for the three highest years as an employee for each year of eligibility service plus 1/100 of average compensation for each additional year, with a minimum of 25% of average compensation.

Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from an accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee, with a maximum of average compensation.

6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit - member's annual earnable compensation at time of death plus accumulated contributions. A surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2 if member was eligible to retire or was at least age 55 and had at least 15 years of eligibility service.

7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 60.

The member may elect to withdraw the member's accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance. However, by doing so, the member forfeits all benefits incurring on account of the previous membership.

If the member does not withdraw the contributions, and dies before attaining age 60, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable under Workmen's Compensation

Disability retirement allowances, excluding the annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

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APPENDIX D – SUMMARY OF PLAN PROVISIONS

LOCAL FIRE & POLICE - PENSION Established July 1, 1990

B. Pension System Provisions

1. Membership

Membership and the associated Pension System Provisions are applicable, as a condition of employment, for all Local Fire & Police employed after the Municipal Corporation begins to participate in this System. Pension System Provisions are also applicable to those Local Fire & Police participants who, as of the Municipal Corporation's date of participation in this plan are members of the Employees' Pension System of the State of Maryland, and elect to participant in this plan. This system is closed to new employees as of January 2005.

2. Member Contributions

Members are required to make contributions of 5% of earnable compensation in excess of the Social Security taxable wage base. Contributions earn 5% interest per year.

3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 62.

Allowance - 1.0% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service. The Social Security integration level is the average annual earnings for which Social Security benefits are provided to an employee attaining age 65 in the year of a termination of employment, who earned the maximum Social Security covered earnings in each year.

If the member is employed by a Municipality that does not contribute to Social Security, then the service retirement allowance is 1.5% of average compensation for each year of eligibility service.

4. Early Retirement Allowance

Not applicable to this System.

APPENDIX D – SUMMARY OF PLAN PROVISIONS

5. Disability Retirement Allowance

Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - the benefit is the service retirement allowance computed on the basis that service continued until age 62 without any change in the rate of earnable compensation.

Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from an accident occurring in the performance of duty.

Allowance - the benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest consecutive years as an employee, with a maximum of average compensation.

6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit - member's annual earnable compensation at time of death plus accumulated contributions. A surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2, determined as if the member were eligible to retire and retired 30 days before death if member was at least age 62, was at least age 55 and had at least 15 years of eligibility service, or had at least 25 years of eligibility service.

7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 62.

The member may elect to withdraw the member's accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement

APPENDIX D – SUMMARY OF PLAN PROVISIONS

allowance in the Pension System. However, by doing so, the member forfeits all benefits incurring on account of the previous membership.

If the member does not withdraw the contributions, and dies before attaining age 62, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. The annual adjustment is limited to 3% of the initial benefit amount, and is applied to all benefits which have been in payment for one year. The retirement allowance payable is the sum of the initial retirement allowance and all adjustments. Increases are effective July 1.

9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.