

**PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM
OF MISSOURI**
ACTUARIAL VALUATION AS OF JUNE 30, 2007

October 18, 2007 DRAFT

Board of Trustees
Public Education Employee Retirement System of Missouri
3210 W. Truman Blvd.
Jefferson City, MO 65109

Dear Members of the Board:

We are pleased to present the report of the actuarial valuation of the Public Education Employee Retirement System of Missouri ("PEERS") as of June 30, 2007.

This valuation provides data on the funding status of PEERS. The results of the valuation show that the current contribution level will no longer fund the current benefits of PEERS within the framework of your funding policy.

This valuation is based on the provisions of PEERS in effect as of June 30, 2007, data on the PEERS membership and information on the asset value of the trust fund. All member data and asset information were provided by PEERS staff. While certain checks for reasonableness were performed, the data was used unaudited.

The actuarial assumptions and actuarial cost method used in this valuation are those used in the prior actuarial valuation of PEERS.

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

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Norman S. Losk, F.S.A.
Senior Consultant

NSL: cml



Larry Langer, A.S.A.
Senior Consultant



Alex Rivera, F.S.A.
Senior Consultant

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SUMMARY OF THE VALUATION

PURPOSES OF THE ACTUARIAL VALUATION

At your request we have performed the actuarial valuation of the Public Education Employee Retirement System of Missouri (“PEERS”) as of June 30, 2007.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of PEERS as of the valuation date,
- To determine the contribution rate which would provide for the normal cost of the system plus an amount which will amortize the unfunded actuarial accrued liability over 30 years, and if different, the contribution for the fiscal year ending June 30, 2009, under the statute, and
- To provide accounting and other data required by PEERS.

REPORT HIGHLIGHTS

The key results of the valuation are summarized in the following table:

	June 30, 2006		June 30, 2007
	(\$ in Millions)		
A. Summary of Results			
(1) Present Value of Future Benefits for:			
(a) Active Members	\$ 2,648.8	\$	2,863.4
(b) Retired members	1,020.5		1,093.7
(c) Inactive Members and Other Liabilities	<u>80.1</u>		<u>85.9</u>
(d) Total	\$ 3,749.4	\$	4,043.0
(2) Present Value of Future Normal Costs	\$ 992.6	\$	1,060.1
(3) Actuarial Accrued Liability: (1) – (2)	\$ 2,756.8	\$	2,982.9
(4) Actuarial Value of Assets	\$ 2,218.6	\$	2,481.6
(5) Unfunded Actuarial Accrued Liability: (3) – (4)	\$ 538.2	\$	501.3
(6) Total Contribution Rate, Member + Employer	11.50%		12.00%
(7) Normal Cost Rate	10.99%		11.04%
(8) Approximate Rate Available for Unfunded Actuarial Accrued Liability: (6) – (7)	0.51%		0.96%
(9) 30-Year Contribution Rate	13.22%		12.98%
(10) Recommended Contribution Fiscal Year End 2008 and 2009 Based on Statutes	12.00%		12.50%

B. Highlights of Report

(1) Actuarial Accrued Liability Funding Ratio:		
(a) Actuarial Value of Assets	\$2,218.6	\$2,481.6
(b) Actuarial Accrued Liability	2,756.8	2,982.9
(c) Funding Ratio: (a) / (b)	80.5%	83.2%
(2) Active Members:		
(a) Number:		
Male	11,818	12,013
Female	<u>36,370</u>	<u>37,268</u>
Total	48,188	49,281
(b) Total Compensation for Fiscal Year (for Active Members at end of year):		
Male	362.2	384.6
Female	<u>828.7</u>	<u>890.6</u>
Total	1,190.9	1,275.2
(c) Average Age:		
Male	47.3	47.4
Female	<u>46.1</u>	<u>46.3</u>
Total	46.4	46.6
(d) Average Service:		
Male	7.0	7.1
Female	<u>7.2</u>	<u>7.3</u>
Total	7.1	7.2
(e) Average Compensation for Fiscal Year (not in millions):		
Male	\$30,652	\$32,012
Female	<u>22,787</u>	<u>23,898</u>
Total	\$24,716	\$25,876
(f) Average Amount of Assets per Active Member (based on actuarial value, not in millions)	\$23,201	\$26,420
(3) Retired Members and Beneficiaries		
(a) Number Service Retired:		
Life Annuities	11,310	11,652
Options	<u>4,012</u>	<u>4,357</u>
Total	15,322	16,009
(b) Number Disability Retired	478	489
(c) Number Survivors, Beneficiaries	<u>960</u>	<u>1,041</u>
(d) Total Persons Receiving Benefits	16,760	17,539
(e) Average Monthly Pension Being Paid at Valuation Date for New Service Retired, Including Options (not in millions)	676	718
(f) Average Amount of Assets per Retired Member (based on actuarial value, not in millions)	\$60,888	\$62,355
(g) Average Amount of Assets per New Service Retired (based on actuarial value, not in millions)	\$106,977	\$114,484

MEMBERSHIP CHARACTERISTICS

Active and Inactive Membership

A total of 66,695 active and inactive members of PEERS are included in this 2007 actuarial valuation.

Active members	49,281
Inactive members	<u>17,414</u>
Total active and inactive members	66,695

Between the 2006 and 2007 actuarial valuations, the number of active employees increased by 1,093 or 2.27%. The average annual salaries of employees increased by 4.7% to \$25,876.

Summary of Changes in Membership

	Male	Female	Total
Active and Inactive Members 7/1/2006	16,186	49,926	66,112
New Membership 7/1/2006 to 6/30/2007	<u>2,158</u>	<u>5,882</u>	<u>8,040</u>
Total Membership Before Decreases	18,344	55,808	74,152
Decreases:			
Service Retirements	335	876	1,211
Disability Retirements	13	15	28
Withdrawals	1,341	3,468	4,809
Deaths	48	58	106
Other Terminations	368	847	1,215
Previous Memberships Voided	35	52	87
Reciprocity	<u>0</u>	<u>1</u>	<u>1</u>
Subtotal	2,140	5,317	7,457
Net membership 6/30/2007 (includes Inactive Members)	16,204	50,491	66,695

Benefit Recipients

On June 30, 2007, PEERS was paying benefits to a total of 17,539 retired members, beneficiaries and survivors. The total number of benefit recipients increased 4.6% from 16,760 on June 30, 2006. The benefit recipients were comprised of 16,009 service retirees, 489 disability retirees, and 1,041 beneficiaries and survivors.

There are two classes of retired members – members retired because of service and members retired because of disability.

The changes among the retired group of members during the 2006-2007 year were as follows:

	<u>Service Retirements</u>	<u>Disability Retirements</u>	<u>Beneficiaries</u>	<u>Total</u>
Retired Members, July 1, 2006	15,322	478	960	16,760
Added During Year	1,220	28	120	1,368
Died During Year	(545)	(18)	(33)	(596)
Resumed Retirement During Year	30	1	0	31
Resumed Employment During Year	(18)	0	(6)	(24)
Retired Members, June 30, 2007	16,009	489	1,041	17,539

As of June 30, 2007, the average monthly benefit payable to new service retirees was \$718 compared to \$676 as of June 30, 2006. These average benefit amounts and the amounts shown in the tables that follow include all post-retirement benefit increases.

ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions used in this valuation are the same as those disclosed in the actuarial valuation report as of June 30, 2006. Refinements to the valuation process resulted in a decrease on actuarial accrued liability of roughly one percent. This set of assumptions and methods is described in Appendix E.

EXPERIENCE DURING FY 2007

Overall the system experienced a net actuarial gain of about \$33.0 million.

The total net actuarial gain for the year ending June 30, 2007, is shown below and is broken out further in Table 18:

	<u>(\$ in millions)</u>
1. Actuarial (Gain) or Loss on Assets (at actuarial value)	(\$63.6)
2. Actuarial (Gain) or Loss on Liabilities Due to 4.30% actual COLA vs. 3.25% expected	7.2
3. Actuarial (Gain) or Loss on Unfunded Liabilities Due to Purchased Service	5.3
4. Actuarial (Gain) or Loss on Liabilities Due to Legislative Changes	1.1
5. Actuarial (Gain) or Loss on Liabilities Due to Salary, Demographic and Other Experience	17.0
6. Total Actuarial (Gain) or Loss (Sum 1-6)	<u>(\$33.0)</u>

The PEERS investment return was about \$373 million, compared with an expected return on the actuarial value of \$178 million resulting in a total gain of approximately \$195 million. The use of the five year smoothing method to determine the actuarial value of assets would only have recognized 20% of this gain. Thus, the actuarial gain on investments was \$63.6 million as shown above.

COLA increases were more than expected producing a loss of \$7.2 million. The reinstatement of forfeited service generated a liability loss of approximately \$2.27 million that was offset by member contributions of \$0.54 million. The net increase in the unfunded actuarial liability, including interest on member contributions to the valuation date, was \$1.70 million. The purchase of service other than reinstated service generated a liability loss of approximately \$7.12 million that was offset by member contributions of \$3.40 million. The net increase in the unfunded actuarial liability, including interest on member contributions to the valuation date, was \$3.58 million.

PEERS BENEFITS

A summary of the current benefit provisions appears in Appendix F. There were changes to the benefit provisions of PEERS during the 2007 session of the Legislature which impact the results of this valuation. Effective August 28, 2007, the 25-and-out provision was extended through July 1, 2013. The 25-and-out provision provides the opportunity for members who are under age 55 with between 25 and 30 years of credited service and do not meet the Rule of 80 to retire with a reduced benefit. Effective August 28, 2007, the maximum increase in the annual compensation used for the final average salary shall not exceed ten percent.

ASSET INFORMATION

The market value of the assets of the fund, which are available for benefits, has been increased from \$2.287 billion as of June 30, 2006 to \$2.681 billion as of June 30, 2007. The actuarial value of assets increased from \$2.219 billion as of June 30, 2006, to \$2.482 billion as of June 30, 2007.

Based on the actuarial value, the assets of the fund returned about 10.9%.

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

FUNDING STATUS

The funding status of PEERS is measured by the Funding Ratio. The Funding Ratio is the ratio of the assets available for benefits to a benefit liability measure for the System. While there are several such measures that could be appropriately used, the measure that ties most closely to your funding plan is the Actuarial Accrued Liability (“AAL”).

The PEERS actuarial accrued liability funding ratio increased from 80.5% at June 30, 2006, to 83.2% as of June 30, 2007. A significant portion of the increase is due to a favorable investment return.

GASB DISCLOSURE

PEERS produces its accounting statements under the terms of GASB Statement Number 25. In Table 16, you will find Required Supplemental Information mandated by that statement.

FUNDING PROCESS

In the 2003 session of the Legislature the funding provisions of PEERS were amended. The following changes were adopted:

1. The limitation on the total contribution rate (10% of pay) was eliminated.
2. Contribution rates will now be established by actuarial valuation.
3. The annual increase in the total contribution rate may not exceed 0.5% of pay.

As a result, the total contribution rate for the 2009 fiscal year may not increase by more than 0.5% of pay over the rate for the current fiscal year.

In the 2007 session of the Legislature the unfunded actuarial accrued liabilities associated with benefit changes shall be amortized over a twenty-year period. This provision had no impact on the contribution requirements of the plan, which were already limited by the annual increase limitation of 1% of pay established in the 2003 session of the legislature.

APPENDICES

APPENDIX A
MEMBERSHIP DATA

Table 1**Number, Average Age-Service-Salary, and Total Payroll
of Active Members Included in Actuarial Valuations****Male**

Item	Actuarial Valuation as of June 30				
	2003	2004	2005	2006	2007
Number	11,564	11,346	11,492	11,818	12,013
Average Age	45.8	46.9	47.5	47.3	47.4
Average Years of Service	6.5	6.8	6.9	7.0	7.1
Average Annual Salary	\$25,384	\$26,265	\$27,708	\$30,652	\$32,012
Total Payroll (000's)	\$293,537	\$298,006	\$318,421	\$362,245	\$384,561

Female

Item	Actuarial Valuation as of June 30				
	2003	2004	2005	2006	2007
Number	35,299	34,534	35,106	36,370	37,268
Average Age	45.1	46.0	46.3	46.1	46.3
Average Years of Service	6.6	7.0	7.2	7.2	7.3
Average Annual Salary	\$19,197	\$19,889	\$20,987	\$22,787	\$23,898
Total Payroll (000's)	\$677,640	\$686,860	\$736,783	\$828,749	\$890,638

Total

Item	Actuarial Valuation as of June 30				
	2003	2004	2005	2006	2007
Number	46,863	45,880	46,598	48,188	49,281
Average Age	45.3	46.2	46.6	46.4	46.6
Average Years of Service	6.6	7.0	7.1	7.1	7.2
Average Annual Salary	\$20,724	\$21,466	\$22,645	\$24,716	\$25,876
Total Payroll (000's)	\$971,177	\$984,866	\$1,055,204	\$1,190,994	\$1,275,199

Table 2
Employee Distribution by Age and Years of Service
June 30, 2007

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	
Under 20	80	0	0	0	0	0	0	80
20-24	1,647	17	0	0	0	0	0	1,664
25-29	2,491	422	11	0	0	0	0	2,924
30-34	2,855	844	109	3	0	0	0	3,811
35-39	2,978	1,291	364	88	2	0	0	4,723
40-44	3,375	2,108	786	258	115	17	0	6,659
45-49	3,250	2,713	1,439	505	254	179	12	8,352
50-54	2,542	2,261	1,606	898	383	210	67	7,967
55-59	1,878	1,565	1,138	879	577	213	105	6,355
60-64	1,321	960	689	491	408	246	110	4,225
65 & Over	810	697	374	195	167	136	142	2,521
Unknown	0	0	0	0	0	0	0	0
Total	23,227	12,878	6,516	3,317	1,906	1,001	436	49,281

Table 3

**Salary Distribution
Employees in Active Service
on June 30, 2007**

Annual Salary	Number	Percent
Under \$10,000	5,080	10.3%
\$10,000 - 12,499	2,750	5.6%
\$12,500 - 14,999	3,706	7.5%
\$15,000 - 17,499	4,636	9.4%
\$17,500 - 19,999	4,560	9.3%
\$20,000 - 22,499	4,508	9.1%
\$22,500 - 24,999	3,699	7.5%
\$25,000 - 27,499	3,391	6.9%
\$27,500 - 29,999	3,067	6.2%
\$30,000 - 32,499	2,437	4.9%
\$32,500 - 34,999	2,227	4.5%
\$35,000 - 37,499	1,918	3.9%
\$37,500 - 39,999	1,488	3.0%
\$40,000 - 42,499	1,225	2.5%
\$42,500 - 44,999	1,053	2.1%
\$45,000 & Over	<u>3,536</u>	<u>7.2%</u>
Total	49,281	100.0%

Table 4

**Salary Increase Rates by Service Group
Employees in Both 2006 & 2007 Actuarial Valuations**

Service in 2006	Number	Percent Increase In Average Salary	
		Actual	Expected
1-4	14,661	9.84%	6.98%
5-9	11,696	6.73%	5.49%
10-14	5,419	6.09%	5.00%
15-19	3,146	5.79%	5.00%
20 & Over	<u>2,789</u>	<u>5.18%</u>	<u>5.00%</u>
Total	37,711	7.66%	5.92%

Table 5

**Pensions in Force on June 30, 2007
by Type and Monthly Amount**

<u>Monthly</u>	<u>Service</u>	<u>Disability</u>	<u>Beneficiary</u>	<u>Total</u>
Less than \$100	1,636	36	161	1,833
\$100 - 199	3,272	130	256	3,658
\$200 - 299	2,482	101	210	2,793
\$300 - 399	1,763	72	129	1,964
\$400 - 499	1,357	42	92	1,491
\$500 - 999	3,586	102	142	3,830
\$1,000 – 1,499	1,152	6	34	1,192
\$1,500 & Over	<u>761</u>	<u>0</u>	<u>17</u>	<u>778</u>
Total	16,009	489	1,041	17,539

Table 6

**Pensions in Force on June 30, 2007
by Type and Age**

Age	Service	Disability	Beneficiary	Total
Under 55	131	137	92	360
55-59	778	95	60	933
60-64	2,492	118	87	2,697
65-69	3,494	64	141	3,699
70-74	3,081	47	187	3,315
75-79	2,614	18	179	2,811
80-84	1,839	7	169	2,015
85-89	1,074	1	103	1,178
90 & Over	<u>506</u>	<u>2</u>	<u>23</u>	<u>531</u>
Total	16,009	489	1,041	17,539

Table 7

**Cost of Living Increases to Retired Members
June 30, 2007**

Retirement In	First Increase Effective Date	Percentage Increase	Total Increases Through January 2007	January 2008 Increase	Total Increases Through January 2008	Number of Retired Members at 6/30/07
1984 & Earlier	Jan. 1988	Various	80.00%	0.00%	80.00%	1,107
1985	Jan. 1989	4.00%	74.45%	2.70%	79.16%	274
1986	Jan. 1990	4.00%	68.01%	2.70%	72.55%	309
1987	Jan. 1991	4.00%	61.55%	2.70%	65.91%	302
1988	Jan. 1992	4.00%	55.31%	2.70%	59.50%	408
1989	Jan. 1993	3.10%	49.35%	2.70%	53.38%	412
1990	Jan. 1994	3.00%	44.88%	2.70%	48.79%	502
1991	Jan. 1995	2.50%	40.66%	2.70%	44.46%	480
1992	Jan. 1996	3.00%	37.22%	2.70%	40.92%	541
1993	Jan. 1997	2.80%	33.22%	2.70%	36.82%	523
1994	Jan. 1998	2.30%	29.58%	2.70%	33.08%	604
1995	Jan. 1999	1.70%	26.67%	2.70%	30.09%	650
1996	Jan. 2000	2.00%	24.54%	2.70%	27.90%	690
1997	Jan. 2001	3.70%	22.11%	2.70%	25.41%	759
1998	Jan. 2002	3.30%	17.75%	2.70%	20.93%	758
1999	Jan. 2003	1.10%	14.00%	2.70%	17.08%	847
2000	Jan. 2004	2.10%	12.76%	2.70%	15.80%	906
2001	Jan. 2005	3.30%	10.43%	2.70%	13.41%	879
2002	Jan. 2006	2.50%	6.91%	2.70%	9.80%	931
2003	Jan. 2007	4.30%	4.30%	2.70%	7.12%	1,010
2004	Jan. 2008	2.70%		2.70%	2.70%	1,067
2005						1,084
2006						1,109
2007						346
Total						16,498

Table 8

Analysis of Retired Membership by Type of Benefit
(Dollar Amounts in Millions)
June 30, 2007

Type of Benefit	Number	Annual Benefit	Total Liability
Service Retirees			
Options 1 & 10 (Life Only)	11,652	63.7	645.9
Options 2 & 21 (100% J&S with Pop-Up)	2,294	15.4	195.9
Option 3 & 31 (75% J&S with Pop-Up)	288	2.8	35.9
Option 4 & 41 (50% J&S with Pop-Up)	603	6.0	69.9
Option 5 (10 Years Certain & Life)	388	2.3	26.1
Option 6 (5 Years Certain & Life)	123	0.9	9.6
Option 20 (100% J & S)	231	1.0	9.0
Option 30 (75% J & S)	1	0.0	0.0
Option 40 (50% J & S)	32	0.2	1.3
Accelerated Payment	<u>397</u>	<u>3.6</u>	<u>34.3</u>
 Total	 16,009	 \$95.8	 \$1,027.9
 Disability Retirees	 489	 \$2.0	 \$19.6
 Beneficiaries of Retiree Deaths	 1,041	 \$4.3	 \$42.9

Note: Excludes retirees returned to work.

APPENDIX B
ASSET INFORMATION

Table 9**Market Value of Assets
Balance Sheet**

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
Assets:		
Cash	\$ 5,546,786	\$ 11,155,973
Contribution Receivable	13,563,050	14,737,110
Accrued Interest and Dividends	7,395,963	24,718,316
Investments	2,321,936,301	2,661,112,814
Investment Sales – Receivable	258,554,784	389,156,882
Due to PSRS	(691,452)	-
Other Assets	14,554	17,975
Capital Assets	-	-
Prepaid Expenses	(2,325)	-
Total	<u>\$ 2,606,317,661</u>	<u>\$ 3,100,899,070</u>
Liabilities:		
Accounts Payable	1,820,994	1,920,381
Investment Purchases – Payable	316,720,765	415,766,143
Other Liabilities	796,064	2,036,250
Total	<u>\$ 319,337,823</u>	<u>\$ 419,722,774</u>
Net Assets	\$ 2,286,979,838	\$ 2,681,176,296

Table 10**Statement of Revenue and Expenses
Market Value Reconciliation For Fiscal Year Ended June 30, 2007**

Operating Revenues	Amount
<i>Contributions:</i>	
Employers	\$ 69,235,160
Members	<u>73,070,572</u>
Total Contributions	142,305,732
<i>Net Investment Income:</i>	
Interest	37,852,096
Dividends	25,216,308
Net Income from Security Lending Activities	<u>1,167,681</u>
Total Investment Income	64,236,085
Net Capital Appreciation (Depreciation)	315,297,126
Less: Investment Expenses	<u>(6,335,482)</u>
Total Investment Return	373,197,729
<i>Other Income</i>	<u>0</u>
Total Operating Revenues	<u><u>515,503,461</u></u>
Operating Expenses	
Benefit Payments	103,181,588
Refunds to Members	13,698,759
Administrative Expenses	4,426,688
Other Expense	<u>(32)</u>
Total Operating Expenses	<u><u>121,307,003</u></u>
Excess of Revenues over Expenses	394,196,458
Fund Balance, June 30, 2006	2,286,979,838
Fund Balance, June 30, 2007	\$ 2,681,176,296

Table 11

Growth of Cash Flow
(In Thousands)

Year Ending June 30	Contributions for the Year	Payments During the Year			External Cash Flow for the Year	Covered Payroll	Payments as Percent of Covered Payroll
		Benefit Payments and Refund of Contributions	Expenses	Total			
1986	\$ 20,140	\$ (8,974)	\$ (411)	\$ (9,385)	\$ 10,755	\$ 245,407	3.8 %
1987	21,986	(9,641)	(500)	(10,141)	11,845	268,173	3.8
1988	23,927	(10,886)	(538)	(11,424)	12,503	304,029	3.8
1989	26,110	(12,567)	(585)	(13,152)	12,958	331,352	4.0
1990	28,176	(14,643)	(712)	(15,355)	12,821	359,577	4.3
1991	30,505	(16,634)	(721)	(17,355)	13,150	389,080	4.5
1992	31,470	(18,858)	(813)	(19,671)	11,799	398,147	4.9
1993	32,640	(21,025)	(821)	(21,846)	10,794	415,672	5.3
1994	35,298	(23,772)	(901)	(24,673)	10,625	452,339	5.5
1995	38,706	(27,067)	(905)	(27,972)	10,734	495,449	5.6
1996	42,122	(30,338)	(1,233)	(31,571)	10,551	538,022	5.9
1997	49,009	(34,425)	(1,950)	(36,375)	12,634	556,534	6.5
1998	54,844	(38,460)	(2,652)	(41,112)	13,732	616,303	6.7
1999	60,385	(41,813)	(1,604)	(43,417)	16,967	685,272	6.3
2000	68,684	(51,432)	(1,920)	(53,352)	15,332	735,362	7.3
2001	75,434	(58,239)	(2,246)	(60,485)	14,949	814,158	7.4
2002	91,990	(67,737)	(2,574)	(70,311)	21,679	895,420	7.8
2003	97,927	(75,432)	(2,946)	(78,378)	19,549	971,177	8.1
2004	100,602	(85,290)	(3,210)	(88,500)	12,102	984,866	9.0
2005	108,809	(95,798)	(3,564)	(99,362)	9,447	1,055,204	9.4
2006	129,763	(104,704)	(4,358)	(109,062)	20,701	1,190,989	9.2
2007	142,306	(116,880)	(4,427)	(121,307)	20,999	1,275,199	9.5

Table 12

Development of the Actuarial Value of Assets

1. Valuation Assets June 30, 2006		\$ 2,218,637,802
2. Activity for FY 2007		
a. Contributions	\$ 142,305,732	
b. Benefits and Expenses	<u>(121,307,003)</u>	
c. Net Cash Flow	20,998,729	
3. Expected Returns	178,314,814	
4. Assets Before Allocation of G/L (1+2+3)		2,417,951,345
5. Actual Returns for 2007	373,197,729	
6. Excess Returns for 2007 (5-3)	194,882,915	
7. Recognized Excess Returns		
2007	38,976,583	
2006	7,179,034	
2005	4,714,942	
2004	12,740,539	
2003	-	
Total		<u>63,611,098</u>
8. Actuarial Value of Assets June 30, 2007		\$ 2,481,562,443

Note: Excess returns are total return on assets at market in excess of expected investment return at 8% on actuarial value.

APPENDIX C
ACTUARIAL DETERMINATIONS

Table 13**Ten Year Historical Summary
(All Dollar Figures in Thousands)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Active Members	38,672	41,599	43,533	45,517	46,728	46,863	45,880	46,598	48,188	49,281
Retired Members	11,218	12,461	13,061	13,673	14,270	14,837	15,445	16,142	16,760	17,539
Actuarial Assets	\$1,150,311	\$1,335,308	\$1,522,660	\$1,686,242	\$1,810,619	\$1,677,770	\$1,837,308	\$2,011,566	\$2,218,638	\$2,481,562
UAAL	(\$113,965)	(\$166,796)	(\$127,360)	(\$50,166)	\$45,363	\$371,946	\$383,902	\$402,928	\$538,195	\$501,250
Benefit And Refunds	\$38,460	\$41,813	\$51,432	\$58,239	\$67,737	\$75,432	\$85,290	\$95,798	\$104,704	\$116,880
Accumulated Members' Contributions	\$225,373	\$250,327	\$274,167	\$301,936	\$354,296	\$394,925	\$444,318	\$466,259	\$524,014	\$580,853
APV of Retirees' Benefits	\$350,860	\$396,846	\$467,653	\$565,126	\$651,295	\$731,059	\$804,864	\$904,292	\$1,020,486	\$1,093,650

Table 14

**Determination of Normal Cost
June 30, 2007
For the 2007 - 2008 Plan Year**

	<u>Dollar</u>	<u>Rate¹</u>
Active Members		
Retirement Benefits	\$ 107,068,836	8.99%
Termination Benefits	20,503,956	1.72%
Death Benefits	2,160,063	0.18%
Disability Benefits	1,742,607	0.15%
Total Normal Cost	\$ 131,475,462	11.04%
Estimated Employee Contributions	<u>71,482,413</u>	
Employer Normal Cost	\$ 59,993,049	
(Total Normal Cost less Employee Contributions)		

¹ Normal cost rate was determined using an expected payroll of \$1,191,373,547.

Table 15

**Determination of the Unfunded Actuarial Accrued Liability
June 30, 2007**

Active Members:

Service Retirement	\$1,770,371,046
Death Benefits	29,886,119
Disability Benefits	16,664,898
Termination Benefits	(13,653,186)
Inactives	85,893,736
Total for Active and Inactive Members	1,889,162,613

Pay Status Members:

Service Retirees	1,031,155,736
Disability Retirees	19,613,540
Survivors	42,880,939
Total for Pay Status Members	1,093,650,215

Total Actuarial Accrued Liability 2,982,812,828

Actuarial Value of Assets 2,481,562,443

Total Unfunded Actuarial Accrued Liability 501,250,385

Table 16
GASB 25 Exhibits
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/1998	\$1,150,311	\$1,036,347	(\$113,964)	111.0%	\$616,303	-18.5%
06/30/1999	1,335,308	1,168,511	(166,797)	114.3%	685,272	-24.3%
06/30/2000	1,522,660	1,395,300	(127,360)	109.1%	735,400	-17.3%
06/30/2001	1,686,242	1,636,076	(50,166)	103.1%	814,158	-6.2%
06/30/2002	1,810,619	1,855,982	45,363	97.6%	895,420	5.1%
06/30/2003	1,677,770	2,049,716	371,946	81.9%	971,177	38.3%
06/30/2004	1,837,308	2,221,210	383,902	82.7%	984,866	39.0%
06/30/2005	2,011,566	2,414,494	402,928	83.3%	1,055,204	38.2%
06/30/2006	2,218,638	2,756,833	538,195	80.5%	1,190,994	45.2%
06/30/2007	2,481,562	2,982,813	501,250	83.2%	1,275,199	39.3%

Schedule of Employer Contributions

Actuarial Valuation Date	Annual Required Contribution ¹	Employer Contribution	Percentage Contributed
06/30/1998	\$27,315,729	\$27,315,729	100.0%
06/30/1999	30,012,859	30,012,859	100.0%
06/30/2000	34,185,605	34,185,605	100.0%
06/30/2001	37,500,243	37,500,243	100.0%
06/30/2002	45,773,119	45,773,119	100.0%
06/30/2003	52,847,992	48,933,326	92.6%
06/30/2004	62,315,910	49,976,898	80.2%
06/30/2005	73,948,917	53,109,687	71.8%
06/30/2006	79,707,834	61,745,505	77.5%
06/30/2007	89,945,503	69,235,160	77.0%

¹ Annual Required Contribution determined by applying the 30-year contribution rate, net of the employee contribution rate, to the estimated payroll on which contributions were made. This payroll is determined using the employer contribution over the statutory employer contribution rate.

Notes in Trend Data

Information:

Valuation Date
Actuarial Cost Method
Amortization Method
Remaining Amortization Period (years)
Asset Valuation Method

Data

06/30/2007
Entry Age Normal
Level Percent, Open
30
5-Year Smoothed Market
Marked to Market as of June 30, 2003

Actuarial

Investment rate of return 8.0%
Projected salary increases 5.0% - 10.0%
Cost-of-living adjustments 3.25%

Table 17

**Calculation of Unfunded Actuarial Accrued Liability
June 30, 2007**

	<u>Amount</u>
(1) Present Value of Future Benefits for:	
Active Members	\$ 2,863,385,403
Service Retirees	1,031,155,736
Disability Retirees	19,613,540
Survivors	42,880,939
Inactive Members	85,893,736
Total	<u>4,042,929,354</u>
(2) Present Value of Future Normal Costs	1,060,116,526
(3) Actuarial Accrued Liability ((1)-(2))	2,982,812,828
(4) Actuarial Value of Assets	2,481,562,443
(5) Unfunded Actuarial Accrued Liability ((3)-(4))	\$ 501,250,385

**Required Contribution Rate & Amortization of Unfunded Liability
for the Fiscal Year Ending 2008**

	<u>Percentage of Payroll</u>
(1) Total Contribution Rate, Member + Employer	12.00%
(2) Normal Cost Rate ¹	11.04%
(3) Approximate Rate Available for Unfunded Actuarial Accrued Liability ((1)-(2))	0.96%
(4) Benchmark Contribution Rate for the System to Amortize the Unfunded Actuarial Accrued Liability in 30 Years ²	12.98%

¹ Normal cost rate was determined using an expected payroll of \$1,191,373,547.

² Contribution rate to amortize the UAAL was determined using valuation payroll of \$1,275,198,809. The benchmark contribution shown here has been adjusted for the 20 year amortization of unfunded liabilities due to changes in benefit provisions as amended in the 2007 legislative session.

Table 18**Analysis of Actuarial Gains and Losses**

	<u>Amount</u>
1. Unfunded Actuarial Liability as of July 1, 2006	\$ 538,195,140
2. Normal Cost for 2007 Plan Year	122,201,932
3. Contribution Expected to be Received During Year (30-Year Rate)	(159,180,663)
4. Interest to Year End @ 8.00% on 1., 2., and 3.	41,604,918
5. Expected Unfunded Actuarial Liability as of June 30, 2007	542,821,327
6. Contribution Shortfall ¹	21,638,982
7. Valuation Refinements	(30,257,733)
8. Actuarial (Gain)/Loss During the Year	
a. From Investment	(63,611,098)
b. From Actuarial Liabilities Due to Actual vs. Expected COLA	7,179,328
c. From Unfunded Actuarial Liabilities Due to Reinstated Service	1,700,489
d. From Unfunded Actuarial Liabilities Due to Other Purchased Service	3,582,030
e. From Actuarial Liabilities Due to Legislative Changes	1,120,898 ²
f. From Actuarial Liabilities Due to Unexpected Salary Changes	10,722,187
g. From Actuarial Liabilities Due to Demographic Experience	8,223,543
h. From Actuarial Liabilities Due to Data and Other	(1,869,568)
i. Total	<u>(32,952,191)</u>
9. Actual Unfunded Actuarial Liability as of June 30, 2007	501,250,385

¹Excludes employee contributions for purchased or reinstated service.

²Includes approximately \$17.2 million for new active members.

APPENDIX D
ADDITIONAL DATA

Table 19**Schedule of Active Member Valuation Data**

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
06/30/1991	28,554	\$389,080	\$13,626	5.1%	45.5	7.4
06/30/1992	28,410	398,147	14,014	2.8%	45.7	7.6
06/30/1993	29,055	415,672	14,306	2.1%	45.7	7.7
06/30/1994	30,662	452,339	14,752	3.1%	45.5	7.6
06/30/1995	32,598	495,449	15,199	3.0%	45.3	7.3
06/30/1996	34,153	538,022	15,753	3.6%	45.2	7.2
06/30/1997	35,982	556,534	15,467	-1.8%	45.1	7.1
06/30/1998	38,672	616,303	15,937	3.0%	44.8	6.7
06/30/1999	41,599	685,272	16,473	3.4%	44.6	6.5
06/30/2000	43,533	735,400	16,893	2.5%	44.5	6.4
06/30/2001	45,517	814,158	17,887	5.9%	44.6	6.3
06/30/2002	46,728	895,420	19,162	7.1%	44.8	6.4
06/30/2003	46,863	971,177	20,724	8.2%	45.3	6.6
06/30/2004	45,880	984,866	21,466	3.6%	46.2	7.0
06/30/2005	46,598	1,055,204	22,645	5.5%	46.6	7.1
06/30/2006	48,188	1,190,994	24,716	9.1%	46.4	7.1
06/30/2007	49,281	1,275,199	25,876	4.7%	46.6	7.2

Table 20

**Solvency Test
(\$ in 000's)**

Actuarial Accrued Liability

Actuarial Valuation Date	Member Contributions (1)	Current Retirees & Beneficiaries (2)	Active & Inactive Members		Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
			Employer Financed Portion (3)			(1)	(2)	(3)
06/30/1993	140,790	196,936	277,693		583,058	100.0%	100.0%	88.3%
06/30/1994	155,238	224,650	306,192		698,988	100.0%	100.0%	104.2%
06/30/1995	169,846	252,034	364,519		778,325	100.0%	100.0%	97.8%
06/30/1996	185,763	293,937	399,861		876,886	100.0%	100.0%	99.3%
06/30/1997	204,757	312,390	447,065		1,001,035	100.0%	100.0%	108.2%
06/30/1998	225,454	350,860	460,033		1,150,311	100.0%	100.0%	124.8%
06/30/1999	231,252	396,846	540,413		1,335,308	100.0%	100.0%	130.9%
06/30/2000	274,167	467,653	653,480		1,522,660	100.0%	100.0%	119.5%
06/30/2001	301,936	565,126	769,014		1,686,242	100.0%	100.0%	106.5%
06/30/2002	354,296	651,295	850,391		1,810,619	100.0%	100.0%	94.7%
06/30/2003	394,925	731,059	923,732		1,677,770	100.0%	100.0%	59.7%
06/30/2004	444,318	804,864	972,028		1,837,308	100.0%	100.0%	60.5%
06/30/2005	466,259	904,292	1,043,943		2,011,566	100.0%	100.0%	61.4%
06/30/2006	524,014	1,020,486	1,212,333		2,218,638	100.0%	100.0%	55.6%
06/30/2007	580,853	1,093,650	1,308,310		2,481,562	100.0%	100.0%	61.7%

Table 21

**Schedule of Retirees and Beneficiaries Added to
and Removed From Retirement Rolls**

Actuarial Valuation Date	Service Retirees			Disability Retirees			Beneficiaries		
	Added to Rolls	Removed from Rolls	Rolls End of Year	Added to Rolls	Removed from Rolls	Rolls End of Year	Added to Rolls	Removed from Rolls	Rolls End of Year
06/30/1989	703	272	7,645	24	14	151	30	1	148
06/30/1990	678	253	8,070	23	10	164	29	8	169
06/30/1991	712	277	8,505	24	13	175	54	4	219
06/30/1992	715	316	8,904	28	7	196	46	5	260
06/30/1993	689	336	9,257	26	10	215	40	7	293
06/30/1994	658	358	9,557	29	9	235	60	9	344
06/30/1995	782	372	9,967	33	19	249	54	12	386
06/30/1996	799	390	10,376	26	8	267	47	18	415
06/30/1997	823	388	10,811	22	13	276	63	18	460
06/30/1998	841	424	11,218	29	17	288	59	22	497
06/30/1999	813	431	11,600	35	7	316	67	19	545
06/30/2000	945	432	12,113	45	14	347	76	20	601
06/30/2001	987	468	12,632	53	22	378	76	14	663
06/30/2002	980	471	13,141	30	21	387	97	18	742
06/30/2003	979	501	13,619	31	13	405	96	25	813
06/30/2004	1,081	541	14,159	44	18	431	86	44	855
06/30/2005	1,116	505	14,770	43	26	448	98	29	924
06/30/2006	1,080	528	15,322	53	23	478	86	50	960
06/30/2007	1,250	563	16,009	29	18	489	120	39	1,041

Table 22

**Schedule of Retirees by Type
(\$ in 000's)**

Actuarial Valuation Date	<u>Service Retirees</u>		<u>Disability</u>		<u>Beneficiaries</u>	
	Number	Benefits	Number	Benefits	Number	Benefits
06/30/1993	9,257	16,464	215	347	293	478
06/30/1994	9,557	18,534	235	417	344	572
06/30/1995	9,967	20,842	249	481	383	699
06/30/1996	10,376	23,785	267	550	415	820
06/30/1997	10,811	27,250	276	616	460	1007
06/30/1998	11,218	30,240	288	672	497	1,126
06/30/1999	11,600	35,395	316	826	545	1,384
06/30/2000	12,113	41,091	347	1002	601	1,653
06/30/2001	12,632	50,512	378	1,232	663	2,038
06/30/2002	13,141	57,697	387	1,346	742	2,413
06/30/2003	13,619	63,860	405	1,449	813	2,752
06/30/2004	14,159	70,710	431	1,558	855	3,076
06/30/2005	14,770	78,435	448	1,709	924	3,569
06/30/2006	15,322	85,639	478	1,873	960	3,736
06/30/2007	16,009	95,809	489	2,011	1,041	4,277

Average New Retiree Statistics

Actuarial Valuation Date	New Service Retirees	Average New Benefit	% Change From Previous Year
06/30/1993	597	275.23	12
06/30/1994	571	306.20	11
06/30/1995	679	298.76	(3)
06/30/1996	797	330.40	11
06/30/1997	823	327.16	(1)
06/30/1998	805	324.82	(1)
06/30/1999	813	366.42	13
06/30/2000	945	431.89	18
06/30/2001	987	565.29	31
06/30/2002	980	660.51	17
06/30/2003	979	676.19	2
06/30/2004	1,081	665.97	(2)
06/30/2005	1,116	652.87	(2)
06/30/2006	1,080	676.06	4
06/30/2007	1,250	717.59	6

APPENDIX E

ACTUARIAL METHODS AND ASSUMPTIONS

STATEMENT OF FUNDING POLICY

In order to establish long-term, consistent methods in the funding of the System, the Board of Trustees has adopted this statement of its funding policy. The funding of the System shall be carried out in such a way that the burden of paying retirement costs shall be shared equitably by present and succeeding generations of members and taxpayers. To this end, the following principles shall apply:

1. The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted every fifth year.
2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs calculated as a percentage of payroll.
3. It shall be the general objective to maintain an amortization period of 30 years or less in the funding of the Unfunded Actuarial Accrued Liability. Whenever a change is made in the System's benefit and contribution rate structures, the amortization period for the System after this change should not exceed 30 years initially. The benchmark contribution shown has not been adjusted for the 20 year amortization of unfunded liabilities due to changes in benefit provisions as amended in the 2007 legislative session. This amendment had no impact on the final contribution rates, which were limited by the annual increase limitation of 1% of pay established in the 2003 session of the legislature
4. If an escalation in future payroll is assumed in determining the amortization payments toward the Unfunded Actuarial Accrued Liability, then the annual rate of such escalation shall not exceed the expected rate of expansion in total System payroll based upon the actuarial assumptions.
5. Assets used in the actuarial valuation shall be valued using adjusted market values averaged over a period of five years.
6. Annual actuarial valuations shall be made of the System's assets and liabilities. The contribution rate shall be established based on the results of these valuations.

ACTUARIAL ASSUMPTIONS
(ADOPTED FOR USE WITH THE JUNE 30, 2006, VALUATION)

Investment Return

It is assumed that investments of the System will return, on average, a yield of 8% per annum compound, net of system expenses (investment and administrative expenses).

Salary and Payroll Increases

Salaries are assumed to increase each year at the rate of 5%. Longevity adjustments are made for those with less than 10 years of service.

<u>Service</u>	<u>Longevity Adjustment</u>	<u>Total Increase</u>
0	5.00%	10.00%
1	3.25	8.25
2	1.75	6.75
3	1.05	6.05
4	0.90	5.90
5	0.75	5.75
6	0.60	5.60
7	0.45	5.45
8	0.30	5.30
9	0.15	5.15
10 and Over	0.00	5.00

Total covered payroll of the entire membership is assumed to increase 5.0% per year in the future.

Disability Rates

Retirement for disability prior to age 60 is assumed in accordance with the following illustrative rates per 1,000 eligible members:

<u>Age</u>	<u>Male and Female Rates</u>
30	0.100
35	0.200
40	0.400
45	1.050
50	1.700
55	2.700

Withdrawal Rates

Termination of membership prior to eligibility for retirement from all causes other than death, disability or retirement, whether resulting in a refund or a deferred benefit, is assumed in accordance with the following illustrative rates per 1,000 members:

<u>Service</u>	<u>Rate</u>
0	300.0
1	220.0
2	150.0
3	120.0
4	100.0
5	81.0
10	48.0
15	33.0
20	18.0
25	0.0

Mortality Rates

Mortality Rates for retirees, beneficiaries, and survivors are based on the GAM94 Table with male ages set forward one year and female ages set back two years. Rates for active members are 70% of retiree rates for males and 60% of retiree rates for females. Illustrative rates per 1,000 for retirees and disabled members at various ages are as follows:

Service Retired Members, Beneficiaries and Survivors		
Age	Male	Female
20	0.530	0.273
30	0.821	0.314
40	1.156	0.598
50	2.872	1.206
60	8.986	3.359
70	25.951	11.763
80	68.615	31.727
90	167.260	93.820
100	333.461	237.713
110	496.356	444.368

Disability Retired Members, Male and Female	
Age	Rate
40	24.075
50	26.175
60	31.500
70	44.625
80	76.650
90	173.276
100	507.128

Retirement Rates

Retirement rates are only applied to those eligible for retirement. Retirement is assumed in accordance with the following rates per 1,000 eligible members:

Age	Service						
	<25 ²	25	26	27	28	29	30+
<50 ¹		50	50	50	50	50	150
50 ¹		50	50	50	50	50	250
51 ¹		50	50	50	50	250	150
52 ¹		50	50	50	250	150	150
53 ¹		50	50	250	150	150	150
54 ¹		50	250	150	150	150	150
55	30	270	170	170	170	170	170
56	30	170	170	170	170	170	170
57	30	170	170	170	170	170	170
58	30	170	170	170	170	170	170
59	30	170	170	170	170	170	170
60	160	160	160	160	160	160	160
61	100	100	100	100	100	100	100
62	240	240	240	240	240	240	240
63	200	200	200	200	200	200	200
64	140	140	140	140	140	140	140
65	260	260	260	260	260	260	260
66	200	200	200	200	200	200	200
67	200	200	200	200	200	200	200
68	200	200	200	200	200	200	200
69	200	200	200	200	200	200	200
70	200	200	200	200	200	200	200
71	200	200	200	200	200	200	200
72	200	200	200	200	200	200	200
73	200	200	200	200	200	200	200
74	200	200	200	200	200	200	200
75+	1000	1000	1000	1000	1000	1000	1000

¹ Rates for members with less than 30 years of service and not eligible under the Rule of 80 are applicable from 1999-2013

² Rates for members who are younger than 60 are for early (age reduced) retirement.

Age-based rates are increased by 10 percent at first eligibility for retirement under the Rule of 80 for participants under age 60.

Cost of Living Adjustments

The cost of living adjustment assumed in the valuation is 3.25% per year. The total lifetime COLA cannot exceed 80% of the original benefit. Future COLAs for current benefit recipients reflect actual cumulative adjustments granted at the time of valuation.

Asset Valuation Method

The Actuarial Value of Assets is based on a five-year average of adjusted market value returns. The actuarial value for a year is computed by taking the actuarial value at June 30 of the prior year, subtracting all expenses (including benefit payments), and adding contributions and expected investment return at 8%. The difference between the actual returns at market value for the year and expected returns is determined. Twenty percent (20%) of that difference is added to the actuarial value along with corresponding amounts from each of the prior four years. The Actuarial Value of Assets has been marked to the market value as of June 30, 2003.

Provisions for Expenses

The assumed investment return rate is intended to represent the net rate of return after payment of all investment and administrative expenses.

Beneficiaries

Eighty percent (80%) of males and females are assumed to be married or to have eligible dependent beneficiaries. Beneficiaries are assumed to be of the opposite sex from the member. Female beneficiaries are assumed to be 3 years younger than the member, and male beneficiaries are assumed to be 3 years older than the member.

Terminations

Half of all active members who terminate for reasons other than death, disability or retirement are assumed to take of refund of their member account balance. The other half are expected to elect a termination benefit deferred to first unreduced retirement age. The same approach is used to value vested, inactive members.

If the present value of the deferred benefit is less than the member account balance, the value of the member account balance is valued.

Return of Unused Member Account Balance

Under the single life annuity payment option, any unused balance of contributions and interest in the member account balance at the time of death is paid in a lump sum to a designated beneficiary. This benefit is approximated with a 3-year certain benefit.

Missing/Incomplete Data

Members without a date of birth provided are assumed to be 30 years old. Pensionable pay for valuation purposes is assumed to be the greater of the current year's salary, the previous year's salary and \$5,000.

APPENDIX F

SUMMARY OF BENEFIT PROVISIONS OF PEERS

MEMBER CONTRIBUTIONS

Half the total PEERS contribution rate. The current total PEERS contribution rate is 12.0% of pay.

NORMAL (UNREDUCED) RETIREMENT

Eligibility

Attainment of age 60 with at least five years of Creditable Service, or
Completion of 30 years of Creditable Service at any age, or
Age plus Creditable Service is at least 80.

Benefit

1.61% of Final Average Salary for each year of Membership Service. A year of Prior Service is treated as 0.6 year of Membership Service. Any person retiring prior to age 62 under the Rule of 80 or with 30 years of creditable service will receive an additional benefit payable to attainment of age 62. This benefit is equal to 0.8% of Final Average Salary for each year of Membership Service.

Compensation

All regular earnings as an employee of a PEERS-covered employer. Compensation or salary includes, but is not limited to, payments for extra duties, overtime payments and employer-paid medical, dental and vision insurance premiums for the member.

Final Average Salary

Average monthly salary over the Member's three highest consecutive years of service. Effective August 28, 2007, the maximum increase in the annual compensation used for the final average salary shall not exceed ten percent.

Membership Service

Service while a participating member of PEERS. Service is measured each year in relation to minimum salary for 20 hours per week in the position for that year.

Prior Service

Service rendered in a covered position prior to November 1, 1965.

Creditable Service

Membership Service plus any Prior Service.

Normal Form of Benefit

Single Life Annuity

Options available include joint and survivor (50%, 75%, or 100%), term certain (60 or 120 months) and life thereafter, partial lump sum option (PLSO), and accelerated payment plan (APP).

EARLY (AGE REDUCED) RETIREMENT

Eligibility

Attainment of age 55 and under age 60 with at least five years of creditable service.

Benefit

Normal retirement benefit accrued to the date of early retirement, actuarially reduced from age 60.

SPECIAL NORMAL RETIREMENT – UNDER MODIFIED FORMULA

Eligibility

Retirement on or before July 1, 2013 at an age under 55 and with at least 25 years of creditable service but not eligible for the Rule of 80.

Benefit

Based on a percentage of final average salary per year of creditable service. Percentages are as follows:

<u>Years of Service</u>	<u>Benefit Percentage</u>
25-25.9	1.51%
26-26.9	1.53
27-27.9	1.55
28-28.9	1.57
29-29.9	1.59

COLA ADJUSTMENTS

In any year in which the Board determines that the CPI has increased, the Board may provide for annual increases in the current benefit of up to 5%. For any member such adjustments commence in the fourth January after commencement of benefits. The total of such increases may not exceed 80% of the original benefit for any member.

DISABILITY BENEFITS

Definition of Disability

Incapacity for performance of gainful employment after completion of five years of creditable service and before age 60.

Benefit

Lifetime benefit equal to 90% of accrued normal retirement benefit.

Form of Benefit

If eligible, surviving spouse may elect a survivor benefit. COLA adjustments similar to those provided retirees are provided on this benefit.

VESTING

Eligibility

Completion of five years of creditable service.

Benefit

Accrued normal retirement benefit payable at earliest retirement age based on service at date of termination. Benefit is based on formula in effect at commencement of benefit.

DEATH / SURVIVOR BENEFITS

Refund

Refund of accumulated member contributions with interest

Survivor Benefits

If the member has at least 5 years of creditable service at date of death, the spouse may receive a survivor benefit based on 100% J & S equivalent of the benefit accrued to date of death. The benefit may commence:

1. immediately if member is eligible to retire at date of death, or
2. at a future retirement date of the deceased member.

The benefit may be reduced for early commencement if the deceased member would not have been eligible for unreduced retirement at that date based on service to date of death.

COLA adjustments similar to those provided retirees are provided on these benefits.