

**REPORT ON THE SIXTY-FOURTH ANNUAL VALUATION
OF THE TEACHERS' AND STATE EMPLOYEES'
RETIREMENT SYSTEM OF NORTH CAROLINA
PREPARED AS OF DECEMBER 31, 2006**



September 29, 2007

Board of Trustees
Teachers' and State Employees'
Retirement System of North Carolina
325 North Salisbury Street
Raleigh, NC 27603

Members of the Board:

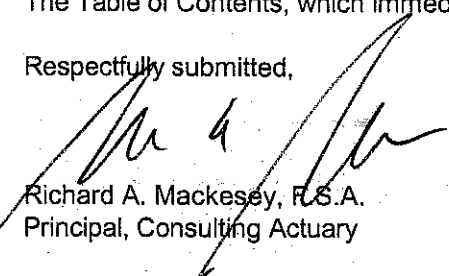
We submit herewith our report on the sixty-fourth annual valuation of the Teachers' and State Employees' Retirement System of North Carolina prepared as of December 31, 2006. The report has been prepared in accordance with North Carolina General Statute 135-6(o).

The System was amended effective July 1, 2007 to provide a 2.20% increase in the benefit to beneficiaries on the roll as of July 1, 2006 and to provide a prorated portion of a 2.20% increase for beneficiaries who retired after July 1, 2006 but before June 30, 2007. The cost of this amendment was covered by gains which developed during the 2005 valuation year and the increase in the contribution rate from 2.66% of payroll to 3.05% of payroll.

The Appropriations Act of 2007 sets contributions at 3.05% of payroll effective for the fiscal year ending June 30, 2008. The valuation has been prepared in accordance with the parameters of Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The annual required contribution (ARC) under GASB for the 2008-2009 fiscal year is 2.63% of payroll which will liquidate the unfunded accrued liability within a 9-year period. On this basis, there is a preliminary reserve from undistributed gains equivalent to 0.42% of payroll.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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**REPORT ON THE SIXTY-FOURTH ANNUAL VALUATION OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA
PREPARED AS OF DECEMBER 31, 2006**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. This report, prepared as of December 31, 2006, presents the results of the sixty-fourth actuarial valuation of the system. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below. The current valuation reflects the benefit increases granted to beneficiaries as of July 1, 2006 and amendments to the system effective through July 1, 2007.

**TABLE I
SUMMARY OF PRINCIPAL RESULTS**

VALUATION DATE	12/31/06	12/31/05
Active members included in valuation		
Number	330,117	321,513
Reported compensation	\$ 11,711,385,640	\$ 10,990,238,891
Valuation compensation	\$ 12,735,864,745	\$ 11,924,641,197
Beneficiaries		
Number	140,292	134,719
Annual allowances	\$ 2,702,710,327	\$ 2,514,627,247
Assets		
Actuarial value	\$ 52,420,807,724	\$ 49,670,182,206
Market value	55,729,371,671	51,558,604,486
Unfunded accrued liability	\$ (3,028,900,728)	\$ (3,045,514,417)
CONTRIBUTIONS FOR FISCAL YEAR ENDING	June 30, 2009	June 30, 2008
<u>Appropriations Act</u>		
Employer contribution rate		
Normal	6.19%	6.15%
Accrued liability	<u>(3.14)</u>	<u>(3.49)</u>
Total	3.05%	2.66%
Liquidation period	11 years	11 years
<u>GASB 25/27</u>		
Annual required contribution (ARC) of employer		
Normal	6.19%	6.15%
Accrued liability	<u>(3.56)</u>	<u>(3.83)</u>
Total	2.63%	2.32%
Liquidation period	9 years	9 years
Reserve from undistributed gains	0.42%	0.34%

2. The valuation balance sheet showing the results of the valuation is given in Section III.
3. Comments on the valuation results are given in Section IV, comments on the experience and actuarial gains during the valuation year are given in Section V and the rates of contribution payable
4. Schedule B of this report outlines the full set of actuarial assumptions and methods employed. Schedule A of this report presents the development of the actuarial value of assets.
5. Schedule C gives a summary of the benefit and contribution provisions of the system.

SECTION II - MEMBERSHIP DATA

Data regarding the membership of the system for use as a basis for the valuation were furnished by the system's office. The following tables summarize the membership of the system as of December 31, 2006 upon which the valuation was based. Detailed tabulations of the data are given in Schedule D.

TABLE II

THE NUMBER AND REPORTED COMPENSATION OF ACTIVE MEMBERS INCLUDED IN THE VALUATION AS OF DECEMBER 31, 2006

GROUP	NUMBER	REPORTED COMPENSATION
Teachers	151,058	\$ 5,570,260,917
Employees	176,269	6,009,271,148
Law Enforcement Officers	<u>2,790</u>	<u>131,853,575</u>
Total	330,117	\$ 11,711,385,640

There are, in addition, 59,934 inactive members who were excluded from the table because of insufficient data. The results of the valuation were adjusted to take these members into account.

TABLE III

**THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF BENEFICIARIES
AND SURVIVORS ON THE ROLL AS OF DECEMBER 31, 2006**

GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES
<u>Beneficiaries Receiving Service Retirement Allowances</u>		
Teachers	60,305	\$ 1,455,420,536
Employees	61,073	949,440,997
Law Enforcement Officers	<u>1,918</u>	<u>54,205,758</u>
Total	123,296	\$ 2,459,067,291
<u>Beneficiaries Receiving Disability Retirement Allowances</u>		
Teachers	1,662	\$ 38,734,098
Employees	4,075	67,084,750
Law Enforcement Officers	<u>153</u>	<u>3,700,850</u>
Total	5,890	\$ 109,519,698
<u>Benefits to Survivors of Deceased Beneficiaries</u>		
Teachers	3,398	\$ 53,404,897
Employees	7,434	75,598,259
Law Enforcement Officers	<u>274</u>	<u>5,120,182</u>
Total	11,106	\$ 134,123,338
 Grand Total	 <u>140,292</u>	 <u>\$ 2,702,710,327</u>

SECTION III - VALUATION BALANCE SHEET

The following valuation balance sheet shows the assets and liabilities of the retirement system as of the current valuation date of December 31, 2006 and, for comparison purposes, as of the immediately previous valuation date of December 31, 2005. The items shown in the balance sheet are present values actuarially determined as of the relevant valuation date. The development of the actuarial value of assets is presented in Schedule A.

TABLE IV

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE
TEACHERS' AND STATE EMPLOYEES'
RETIREMENT SYSTEM OF NORTH CAROLINA

ASSETS	DECEMBER 31, 2006	DECEMBER 31, 2005
Current actuarial value of assets:		
Annuity Savings Fund	\$ 8,257,710,349	\$ 7,807,735,473
Pension Accumulation Fund	<u>44,163,097,375</u>	<u>41,862,446,733</u>
Total current assets	\$ 52,420,807,724	\$ 49,670,182,206
Future member contributions to Annuity Savings Fund	\$ 7,089,000,960	\$ 6,652,279,194
Prospective contributions to Pension Accumulation Fund:		
Normal contributions	\$ 7,195,335,974	\$ 6,707,714,854
Unfunded accrued liability contributions	(3,028,900,728)	(3,045,514,417)
Undistributed gain contributions	<u>358,727,344</u>	<u>266,747,475</u>
Total prospective contributions	\$ 4,525,162,590	\$ 3,928,947,912
Total Assets	<u>\$ 64,034,971,274</u>	<u>\$ 60,251,409,312</u>
LIABILITIES		
Annuity Savings Fund:		
Past member contributions	\$ 8,257,710,349	\$ 7,807,735,473
Future member contributions	<u>7,089,000,960</u>	<u>6,652,279,194</u>
Total contributions to Annuity Savings Fund	\$ 15,346,711,309	\$ 14,460,014,667
Pension Accumulation Fund:		
Benefits currently in payment	\$ 24,675,461,122	\$ 23,048,139,224
Benefits to be paid to current active members	23,080,656,884	21,769,438,603
Reserve for increases in retirement allowances effective July 1, 2007 (July 1, 2006 for December 31, 2005 figure)	573,414,615	707,069,343
Reserve from undistributed gains	<u>358,727,344</u>	<u>266,747,475</u>
Total benefits payable from Pension Accumulation Fund	\$ 48,688,259,965	\$ 45,791,394,645
Total Liabilities	<u>\$ 64,034,971,274</u>	<u>\$ 60,251,409,312</u>

SECTION IV - COMMENTS ON VALUATION

The valuation balance sheet gives the following information with respect to the funds of the system as of December 31, 2006.

Annuity Savings Fund

The Annuity Savings Fund is the fund to which are credited contributions made by members together with interest thereon. When a member retires, the amount of his accumulated contributions is transferred from the Annuity Savings Fund to the Pension Accumulation Fund. The assets credited to the Annuity Savings Fund on December 31, 2006, which represent the accumulated contributions of members to that date, amounted to \$8,257,710,349. The balance sheet also shows that the future contributions by members have a present value of \$7,089,000,960. The present value of both past and future contributions of members is therefore equal to \$15,346,711,309. The liabilities of this fund are also shown to be equal to \$15,346,711,309.

Pension Accumulation Fund

The Pension Accumulation Fund is the fund to which the contributions made by employers are credited and from which are paid all benefits on account of beneficiaries and their survivors.

The current market related actuarial value of assets creditable to the Pension Accumulation Fund on December 31, 2006 amounted to \$44,163,097,375. The liabilities on account of active members amounted to \$23,080,656,884. In addition, the balance sheet indicates liabilities of \$24,675,461,122 on account of all benefits payable to beneficiaries and survivors as of December 31, 2006. The balance sheet also shows a reserve of \$573,414,615 to provide for the increases in retirement allowances effective July 1, 2007, and a reserve from undistributed gains of \$358,727,344. The total liabilities of the Pension Accumulation Fund, therefore, amounted to \$48,688,259,965. The difference between these liabilities and the current assets credited to this fund is \$4,525,162,590 which represents the present value of future contributions to be made by the employers. Of this amount, \$7,195,335,974 represents the present value of prospective normal contributions by the employers, \$(3,028,900,728) represents the present value of prospective accrued liability contributions by employers and the balance of \$358,727,344 represents the present value of prospective contributions on account of undistributed actuarial gains.

The retirement act provides that the contributions of employers shall consist of a normal contribution and an accrued liability contribution. G.S. 135-8(d)(2) of the retirement act provides that the normal contribution rate is to be determined as the uniform percentage of the earnable compensation of the average new entrant throughout his entire period of active service and is to be determined after each valuation. The valuation indicates that the uniform normal percentage contribution rate should be set at 6.19% of compensation.

The present valuation indicates that if the employer contribution rate is set at 3.05% of payroll in accordance with the Appropriations Act of 2007, the accrued liability rate would be equal to (3.14%) of payroll effective July 1, 2007. The required employer contribution is 2.63% which will liquidate the unfunded accrued liability within a 9-year period.

SECTION V - COMMENTS ON EXPERIENCE AND GAINS

The unfunded accrued liability has decreased to \$(3,029) million from \$(3,046) million since the prior valuation. The significant items which affected the unfunded accrued liability were the amendments effective July 1, 2007 which increased the unfunded accrued liability by \$625 million and the 2006 adjustment towards market value of assets which decreased the unfunded accrued liability by \$827 million.

The valuation results indicates that there is a preliminary reserve from undistributed gains equivalent to 0.42% of payroll. Each 1.0% increase in retirement allowances as of July 1, 2008 to beneficiaries on the retirement roll on July 1, 2007 and a prorated portion of each 1.0% increase as of July 1, 2008 for beneficiaries who retired after July 1, 2007 but before June 30, 2008 is equivalent to 0.33% of payroll. The cost of each 0.01% increase in the defined benefit formula with a corresponding increase in retirement allowances to all current benefit recipients is 0.41% of payroll.

SECTION VI - RATES OF PAYMENT TO PENSION ACCUMULATION FUND

The valuation balance sheet gives the basis for determining the percentage rates for contributions to be made by employers to the Pension Accumulation Fund and the Death Benefit Fund under the provisions of the retirement act. The following table shows the rates of contribution payable by employers as determined from the Appropriations Act and the present valuation for the 2008/2009 fiscal year.

TABLE V**RATES OF CONTRIBUTION PAYABLE BY EMPLOYERS
FOR THE 2008/2009 FISCAL YEAR
BASED ON THE APPROPRIATIONS ACT
AND THE VALUATION AS OF DECEMBER 31, 2006**

CONTRIBUTION	RATE
Normal	6.19%
Actuarial Accrued Liability	(3.14)
Total	3.05%

SECTION VII - ACCOUNTING INFORMATION

1. Statement Nos. 25 and 27 of the Governmental Accounting Standards Board (GASB) set forth certain items of information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF DECEMBER 31, 2006**

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	140,292
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	59,934
Active Participants	<u>330,117</u>
Total	530,343

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

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)
12/31/01	\$42,104,086,026	\$37,713,663,200	\$(4,390,422,826)	111.6%	\$9,494,602,568	(46.24)%
12/31/02	43,226,837,217	39,863,983,389	(3,362,853,828)	108.4	9,734,447,779	(34.55)
12/31/03	45,117,507,733	41,733,701,348	(3,383,806,385)	108.1	10,082,153,001	(33.56)
12/31/04	47,383,509,397	43,827,854,276	(3,555,655,121)	108.1	10,366,136,571	(34.30)
12/31/05	49,670,182,206	46,624,667,789	(3,045,514,417)	106.5	10,990,238,891	(27.71)
12/31/06	52,420,807,724	49,391,906,996	(3,028,900,728)	106.1	11,711,385,640	(25.86)

3. Following is the calculation of the annual pension cost and net pension obligation for the fiscal year ending June 30, 2007.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 6/30/2007

(a)	Employer annual required contribution	\$ 332,149,000
(b)	Interest on net pension obligation	2,119,000
(c)	Adjustment to annual required contribution	(4,378,000)
(d)	Annual pension cost: (a) + (b) + (c)	\$ 329,890,000
(e)	Employer contributions made for fiscal year ending 6/30/2007	362,149,000
(f)	Increase (decrease) in net pension obligation: (d) – (e)	\$ (32,259,000)
(g)	Net pension obligation beginning of fiscal year	29,229,000*
(h)	Net pension obligation end of fiscal year: (f) + (g)	\$ (3,030,000)

* Net pension obligation as of June 30, 2006, adjusted to reflect the escrow repayment of \$25,000,000 made in January, 2006 not previously reflected.

TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$232,249,000	102.1%	\$58,770,000
June 30, 2006*	265,046,000	111.1	29,229,000
June 30, 2007	329,890,000	109.8	(3,030,000)

* Net pension obligation and APC adjusted to reflect the escrow repayment of \$25,000,000 made in January, 2006 not previously reflected.

4. The annual required contribution (ARC) of the employer as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below. The accrued liability rate is based on amortization of the unfunded actuarial accrued liability of \$(3,028,900,728) over a 9-year period from the valuation date.

2008/2009 FISCAL YEAR
ANNUAL REQUIRED CONTRIBUTION (ARC)
BASED ON THE VALUATION AS OF DECEMBER 31, 2006

<u>ANNUAL REQUIRED CONTRIBUTION (ARC)</u>	<u>RATE</u>
Normal	6.19%
Accrued liability	(3.56)
Total	2.63%

5. Additional information as of December 31, 2006 follows.

Valuation date	12/31/06
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	9 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.50 – 16.10%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

SCHEDULE A**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2006**

1.	Actuarial Value of Assets as of December 31, 2005	\$ 49,670,182,206
2.	2006 Net Cash Flow	
	a. Contributions	1,108,791,106
	b. Disbursements	<u>2,727,709,010</u>
	c. Net Cash Flow: (a) - (b)	(1,618,917,904)
3.	Expected Investment Return: [(1) x .0725] + [(2)c x .03625]	3,542,402,435
4.	Expected Actuarial Value of Assets as of December 31, 2006: (1) + (2)c + (3)	51,593,666,737
5.	Market Value of Assets as of December 31, 2006	55,729,371,671
6.	Excess of Market Value over Expected Actuarial Value of Assets: (5) - (4)	4,135,704,934
7.	20% Adjustment towards Market Value: (6) x .20	827,140,987
8.	Actuarial Value of Assets as of December 31, 2006: (4) + (7)	52,420,807,724
9.	Rate of investment return on actuarial value	8.94%
10.	Rate of investment return on market value	11.41%

SCHEDULE B**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

Assumptions are based on the experience investigation prepared as of December 31, 2004 and adopted by the Board of Trustees on April 20, 2006.

INTEREST RATE: 7.25% per annum, compounded annually.

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed rates of separation from active service are as follows:

GENERAL EMPLOYEES

Annual Rates of

Age	Withdrawal* and Vesting		Death		Disability		Service Retirement**	
	Male	Female	Male	Female	Male	Female	Male	Female
25	.0800	.0850	.0006	.0003	.0001	.0001		
30	.0800	.0850	.0008	.0003	.0004	.0004		
35	.0680	.0740	.0009	.0005	.0010	.0010		
40	.0530	.0500	.0010	.0007	.0029	.0018		
45	.0400	.0400	.0015	.0009	.0049	.0033		
50	.0400	.0350	.0023	.0013	.0084	.0050	.3500	.3500
55	.0400	.0350	.0040	.0021	.0144	.0088	.3000	.3500
60			.0071	.0039	.0240	.0138	.1500	.1500
65			.0129	.0076			.3000	.3000
69			.0199	.0118			.1500	.2000

TEACHERS

Annual Rates of

Age	Withdrawal* and Vesting		Death		Disability		Service Retirement**	
	Male	Female	Male	Female	Male	Female	Male	Female
25	.0550	.0600	.0006	.0003	.0001	.0002		
30	.0550	.0600	.0007	.0003	.0001	.0003		
35	.0550	.0500	.0008	.0004	.0003	.0006		
40	.0350	.0350	.0009	.0006	.0007	.0010		
45	.0300	.0250	.0013	.0008	.0014	.0018		
50	.0350	.0300	.0019	.0011	.0023	.0032	.3500	.3500
55	.0350	.0300	.0032	.0017	.0047	.0055	.3500	.4500
60			.0056	.0029	.0077	.0102	.1500	.1500
65			.0102	.0058			.3000	.3500
69			.0162	.0097			.2500	.1500

* Higher rates of withdrawal are used during the first 3 years of membership in the system.

** An additional 15% of general employees and an additional 20% of teachers are assumed to retire in the year when first eligible for unreduced service retirement. Special rates are used for early service retirement.

LAW ENFORCEMENT OFFICERS - MALES

Annual Rates of

Age	Withdrawal and Vesting	Death		Disability		Service Retirement*
		Ordinary	Accidental	Ordinary	Accidental	
25	.0980	.00056	.00006	.0029	.0003	
30	.0570	.00070	.00008	.0036	.0004	
35	.0370	.00077	.00009	.0047	.0005	
40	.0300	.00090	.00010	.0061	.0007	
45	.0220	.00131	.00015	.0090	.0010	
50	.0220	.00210	.00023	.0151	.0017	.2000
55		.00358	.00040			.2000
60		.00638	.00071			.2000
65		.01165	.00129			.4000
69		.01787	.00199			.3000

LAW ENFORCEMENT OFFICERS - FEMALES

Annual Rates of

Age	Withdrawal and Vesting	Death		Disability		Service Retirement*
		Ordinary	Accidental	Ordinary	Accidental	
25	.0980	.00026	.00003	.0029	.0003	
30	.0570	.00030	.00003	.0036	.0004	
35	.0370	.00041	.00005	.0047	.0005	
40	.0300	.00059	.00007	.0061	.0007	
45	.0220	.00083	.00009	.0090	.0010	
50	.0220	.00118	.00013	.0151	.0017	.2000
55		.00187	.00021			.2000
60		.00347	.00039			.2000
65		.00686	.00076			.4000
69		.01058	.00118			.3000

* An additional 40% are assumed to retire in the year when first eligible for unreduced service retirement. Special rates are used for early service retirement.

SALARY INCREASES: Representative values of the assumed annual rates of salary increases are as follows:

Age	Annual Rate of Salary Increase			
	General Employees	Law Enforcement Officers	Service	Teachers
25	10.28%	9.70%	0	14.73%
30	6.17	7.20	5	10.38
35	5.22	5.87	10	6.86
40	5.08	5.30	15	6.65
45	4.98	4.96	20	6.43
50	4.77	4.50	25	6.34
55	4.50	4.50	30	6.29
60	4.50	4.50	35	5.90
64	4.50	4.50	40	4.50
65	4.50	4.50	45	4.50
69	4.50	4.50	50	4.50

DEATH AFTER RETIREMENT: According to the 1994 Group Annuity Mortality Tables. These tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers, and set forward two years for the beneficiaries of deceased members.

MORTALITY PROJECTION: All mortality rates are projected from December 1, 2005 using Scale AA.

ADMINISTRATIVE EXPENSES: 0.10% of payroll.

MARRIAGE ASSUMPTION: 100% married with the husband four years older than his wife.

VALUATION METHOD: Entry age normal cost method. Entry age is established on an individual basis.

ASSET VALUATION METHOD: Actuarial value, as developed in Schedule A. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value.

SCHEDULE C**SUMMARY OF MAIN BENEFIT AND CONTRIBUTION PROVISIONS**

A summary of the main benefit provisions of the Retirement System and of the sources of revenue from which benefits are paid is presented in the following digest. Items in parentheses in the text are the provisions applicable to law enforcement officers.

"Average final compensation" as used in the summary means the average annual compensation during the four consecutive years of membership service which afford the highest such average. "Membership service" means service represented by regular contributions. "Creditable service" means membership service and may also include certain special purchased service.

BENEFITS**Service Retirement Allowance****Condition for Allowance**

A service retirement allowance is payable to any member who retires from service after he has attained age 60 and completed 5 years of membership service (age 55 and 5 years of creditable service) or completed 30 years of creditable service.

Amount of Allowance

On service retirement on or after age 65 (55), or after age 60 and completion of 25 years of creditable service, or after completion of 30 years of creditable service, a member receives a retirement allowance equal to 1.82% of his average final compensation multiplied by the number of years of his creditable service.

If a member who is not a law enforcement officer has not attained age 65 or has not completed 25 or more years of creditable service at the time of his retirement, his allowance is reduced 1/4 of 1% for each month by which his age at retirement is less than age 65.

In no event will a member whose creditable service commenced on or before June 30, 1963 receive a smaller retirement allowance than he would have received under the benefit provisions of the system in effect on that date.

Early Service Retirement Allowance

Condition for Allowance

An early service retirement allowance is payable to any member who retires from service after he has attained age 50 and completed 20 (15) years of creditable service but prior to becoming eligible for a service retirement allowance.

Amount of Allowance

The member's early service retirement allowance is equal to 1.82% of his average final compensation multiplied by the number of years of his creditable service at his date of retirement reduced by the lesser of:

(i) $5/12$ ($1/3$) of 1% for each month by which his age is less than 60 (55), plus $1/4$ of 1% for each month by which his age is less than 65.

(ii) 5% times the difference between 30 years and his creditable service at retirement.

Deferred Service Retirement Allowance

Any member who separates from service prior to becoming eligible for a service retirement allowance or an early service retirement allowance after completing 5 or more years of membership service and who leaves his total accumulated contributions in the system may receive a deferred retirement allowance, beginning at age 60 (55), computed in the same way as a service retirement allowance, or, if the member has 20 or more years of service, at age 50 computed in the same way as an early service retirement allowance, on the basis of his creditable service and compensation to the date of separation.

Return of Contributions

Upon the withdrawal of a member without a retirement allowance and upon his request, his contributions are returned to him, together with accumulated regular interest thereon if he has at least 5 years of membership service.

Upon the death of a member before retirement, his contributions, together with the full accumulated regular interest thereon, are paid to his estate or to person(s) designated by the member unless the designated beneficiary, if eligible, elects the survivor's alternate benefit described below.

Survivor's Alternate Benefit

Upon the death of a member in service who has attained age 60(55) and has completed 5 years of membership (creditable) service or completed 20 years of creditable service, his designated beneficiary may elect to receive a benefit equal to that which would have been payable under the provisions of Option 2 had the member retired on the first day of the month following his death and elected such option, in lieu of the member's accumulated contributions, provided the member had not instructed the Board of Trustees in writing that he did not wish the alternate benefit to apply.

Death After Retirement

Upon the death of a beneficiary who did not retire under an effective election of Option 2 or Option 3, an amount equal to the excess if any, of his accumulated contributions at retirement over the retirement allowance payments received is paid to a designated person or to the beneficiary's estate.

Upon the death of the survivor of a beneficiary who retired under an effective election of Option 2 or Option 3, an amount equal to the excess, if any, of the beneficiary's accumulated contributions at retirement over the total retirement allowance payments received is paid to such other person designated by the beneficiary or to the beneficiary's estate.

Optional Arrangements at Retirement

In lieu of the full retirement allowance, any member may elect to receive a reduced retirement allowance equal in value to the full allowance, with the provision that:

Option 1 - A member retiring prior to July 1, 1993, may elect that at his death within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 for each month he has received a retirement allowance, is paid to his estate, or to a person(s) designated by the member, or

Option 2 - At the death of the member his allowance shall be continued throughout the life of such other person as the member shall have designated at the time of his retirement, or

Option 3 - At the death of the member one-half of his allowance shall be continued throughout the life of such other person as the member shall have designated at the time of his retirement.

Option 4 - A member may elect to receive a retirement allowance in such amount that, together with his Social Security benefit, he will receive approximately the same income per annum before and after the earliest age at which he becomes eligible to receive the Social Security benefit.

Option 5 - A member retiring prior to July 1, 1993 may elect to receive a reduced retirement allowance under the provisions of Option 2 or Option 3 in conjunction with the provisions of Option 1.

Option 6 - A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

Post-Retirement Increases
in Allowances

Future increases in allowances may be granted if the Consumer Price Index rises, provided the liabilities on account of such increases do not increase the total employer rate of contribution.

CONTRIBUTIONS

REGULAR CONTRIBUTIONS

By Members

Each member contributes 6% of his compensation.

By Employers

Employers make annual contributions consisting of a normal contribution and an accrued liability contribution. The normal contribution covers the liability on account of current service and is determined by the actuary after each valuation.

The accrued liability contribution covers the liability on account of service rendered before the establishment of the retirement system and the liability on account of increases in benefits for service rendered prior to the effective date of any amendment.

SCHEDULE D**TABLE 1**

**THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF DECEMBER 31, 2006**

Age	Men		Women	
	Number	Amount	Number	Amount
16	2	\$81,656		
17			1	\$7,561
18	3	\$11,806	1	5,592
19	33	267,588	33	293,473
20	112	1,331,720	105	1,173,333
21	224	3,362,954	242	3,030,396
22	427	6,810,063	878	12,586,925
23	717	13,032,085	2,528	43,448,017
24	1,289	27,262,034	3,695	80,261,683
25	1,548	36,099,939	4,577	110,312,923
26	1,719	43,547,023	4,726	121,532,752
27	1,837	49,430,624	4,853	128,066,051
28	1,877	53,272,033	4,901	136,276,309
29	1,932	57,923,007	4,844	138,526,332
30	3,190	72,485,085	5,879	150,927,070
31	2,308	74,671,012	5,040	150,988,237
32	2,311	77,786,103	5,058	157,260,565
33	2,248	77,552,165	4,928	152,897,719
34	2,385	83,558,492	5,055	160,412,589
35	2,551	92,959,196	5,427	173,676,274
36	2,830	103,242,074	6,038	193,594,275
37	2,695	104,269,237	5,947	193,650,406
38	2,574	99,324,419	5,783	187,731,675
39	2,536	98,836,803	5,619	180,402,523
40	2,453	95,929,373	5,651	181,244,950
41	2,612	101,295,230	5,538	177,085,167
42	2,615	103,095,685	5,888	191,553,263
43	2,741	108,616,538	6,112	200,928,585
44	2,822	114,722,645	6,235	207,895,867
45	2,828	114,812,040	6,548	222,040,184
46	2,857	118,187,371	6,733	230,457,119
47	2,824	117,939,603	6,771	238,688,004
48	2,973	124,581,682	6,791	240,025,874
49	3,000	125,758,388	7,189	265,891,643
50	3,066	132,411,228	7,417	282,963,626
51	2,960	128,220,415	7,180	281,574,568
52	2,950	131,063,547	7,090	280,629,044

TABLE 1
THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF DECEMBER 31, 2006

CONTINUED

Age	Men		Women	
	Number	Amount	Number	Amount
53	2,973	\$132,111,867	7,083	\$281,808,823
54	2,905	133,623,883	6,724	270,938,409
55	2,852	132,409,382	6,301	256,603,670
56	2,702	122,880,721	5,869	237,374,570
57	2,541	115,058,535	5,378	214,696,729
58	2,532	114,479,402	5,042	200,272,962
59	2,423	111,368,766	4,757	186,953,738
60	2,366	112,070,207	4,656	184,389,580
61	1,516	70,317,118	2,743	106,772,118
62	1,396	64,695,440	2,170	84,559,604
63	978	47,744,347	1,659	64,692,391
64	807	39,494,924	1,312	49,508,691
65	581	29,223,610	835	31,897,723
66	434	19,781,416	531	18,963,063
67	317	15,529,292	370	12,750,588
68	234	10,895,981	282	10,023,044
69	202	8,651,096	217	6,815,114
70	146	6,827,773	159	5,327,681
71	115	4,181,393	104	3,017,232
72	91	4,178,733	107	3,415,936
73	87	3,623,162	65	2,126,708
74	63	2,673,897	57	1,667,233
75	51	2,003,279	28	867,448
77	1	81,000		
78	1	48,840	1	39,387
83			1	48,300
85	1	73,182		
87			1	36,215
	102,364	\$3,997,778,109	227,753	\$7,713,607,531

SCHEDULE D**TABLE 2****THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF DECEMBER 31, 2006**

Years of Service	Men		Women	
	Number	Amount	Number	Amount
0	5,479	\$41,852,131	10,246	\$75,742,416
1	11,196	272,696,118	25,817	534,773,811
2	8,996	296,548,237	20,655	604,018,430
3	7,282	247,092,294	15,907	473,710,395
4	5,974	216,505,374	13,202	414,489,078
5	4,909	183,718,744	11,725	374,718,728
6	5,118	195,033,337	12,238	397,638,653
7	4,647	179,192,424	11,333	370,088,863
8	4,254	169,379,661	10,297	348,253,497
9	3,906	160,767,945	9,243	322,792,203
10	3,460	145,079,199	8,626	312,310,667
11	3,104	135,666,335	6,642	248,408,913
12	2,997	130,414,770	6,315	240,781,962
13	3,105	135,891,953	5,691	222,627,683
14	2,401	112,269,244	5,239	210,132,286
15	2,342	107,624,875	4,553	188,337,978
16	1,893	91,070,122	3,924	166,362,037
17	2,214	103,423,184	4,631	195,049,152
18	2,091	97,872,918	4,889	204,989,264
19	1,899	94,965,838	4,385	191,509,231
20	1,642	85,637,263	3,402	155,094,156
21	1,482	80,328,450	3,302	152,939,399
22	1,618	85,948,716	3,387	157,961,965
23	1,542	83,362,707	3,019	145,709,322
24	1,222	67,883,589	2,246	110,883,206
25	1,039	58,324,048	2,163	109,716,672
26	997	57,144,660	2,393	118,699,463
27	1,078	64,055,661	2,707	134,466,885
28	1,131	68,394,678	2,788	145,129,622
29	936	57,726,260	2,372	127,140,921
30	625	39,740,566	1,494	83,234,093
31	378	26,250,514	852	49,912,894
32	313	22,012,419	636	38,841,627
33	296	19,895,108	548	32,226,500
34	194	13,826,455	289	17,736,283
35	166	13,078,411	186	11,298,891
36	106	8,073,271	125	8,151,656

TABLE 2

**THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF DECEMBER 31, 2006**

CONTINUED

Years of Service	Men		Women	
	Number	Amount	Number	Amount
37	100	\$8,457,087	85	\$5,460,389
38	66	5,563,023	59	4,121,359
39	57	5,299,344	43	2,420,709
40	32	2,552,919	32	1,889,508
41	21	1,876,232	17	1,024,666
42	17	1,597,798	13	788,582
43	13	1,220,063	5	265,532
44	7	840,283	10	616,545
45	7	692,749	6	295,720
46	5	437,519	8	424,304
47	2	129,372		
48	1	48,840		
49	1	112,601	2	111,677
50			2	119,345
51	1	93,052	1	58,763
52			1	47,115
54	1	36,566	1	48,300
56	1	73,182		
57			1	36,215
Total	102,364	\$3,997,778,109	227,753	\$7,713,607,531

SCHEDULE D**TABLE 3**

**THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF BENEFICIARIES AND
SURVIVORS BY AGE AS OF DECEMBER 31, 2006**

**SERVICE RETIREMENTS AND
DEPENDENTS OF DECEASED BENEFICIARIES**

Age	Men		Women	
	Number	Amount	Number	Amount
25	31	\$397,154	14	\$100,467
26	6	41,413	2	22,371
27	2	35,420	2	19,242
28	5	75,515	3	38,995
29	11	137,012	1	8,882
30	9	141,029	9	128,534
31	6	85,800	4	56,249
32	7	59,253	4	72,704
33	7	72,119	3	15,967
34	7	80,614	2	14,527
35	19	224,314	4	38,092
36	14	106,300	7	137,940
37	11	90,750	9	132,851
38	15	181,231	11	117,141
39	13	113,413	9	102,681
40	21	180,900	9	58,669
41	25	242,090	14	176,683
42	23	239,863	10	92,025
43	24	232,015	10	95,011
44	30	253,561	19	187,650
45	27	164,226	18	204,895
46	36	345,518	24	325,618
47	37	430,542	19	250,426
48	38	500,425	40	476,476
49	62	1,047,993	57	1,001,973
50	114	2,454,049	131	2,580,784
51	216	4,705,635	285	6,141,928
52	375	8,915,152	538	13,011,189
53	476	12,564,285	974	25,985,712
54	615	17,193,809	1,468	40,991,851
55	770	21,672,849	1,685	48,383,730
56	919	26,846,833	1,960	56,245,739
57	1,054	31,997,250	2,104	59,459,517
58	1,196	37,901,942	2,335	65,105,811
59	1,387	43,385,663	2,497	67,806,461
60	1,786	53,811,322	3,076	79,481,072
61	1,392	40,171,681	2,735	62,395,254
62	1,516	40,119,547	3,001	60,698,632
63	1,710	39,987,729	3,553	64,107,035
64	1,959	45,284,197	3,910	69,385,084

TABLE 3
THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF BENEFICIARIES AND
SURVIVORS BY AGE AS OF DECEMBER 31, 2006

SERVICE RETIREMENTS AND
DEPENDENTS OF DECEASED BENEFICIARIES

CONTINUED

Age	Men		Women	
	Number	Amount	Number	Amount
65	1,741	\$38,602,656	3,511	\$60,016,851
66	1,809	38,873,686	3,591	59,152,629
67	1,769	37,400,859	3,393	55,063,756
68	1,812	38,229,819	3,194	50,814,743
69	1,695	35,602,027	3,235	49,850,764
70	1,556	33,410,101	2,991	46,377,813
71	1,585	34,755,157	2,988	45,192,571
72	1,488	31,266,005	2,937	43,823,044
73	1,405	30,763,577	2,517	36,029,190
74	1,328	28,461,949	2,549	36,704,908
75	1,322	28,514,316	2,478	34,806,602
76	1,287	28,282,086	2,422	34,955,215
77	1,222	26,420,725	2,256	31,701,103
78	1,089	22,941,782	2,221	29,607,240
79	983	20,332,462	2,147	28,195,566
80	939	18,415,277	1,979	25,985,108
81	823	16,922,584	1,833	22,916,914
82	760	14,766,704	1,754	20,707,877
83	631	11,804,885	1,563	18,269,636
84	573	10,238,054	1,378	16,543,437
85	472	10,153,200	1,386	15,832,094
86	500	8,909,172	1,230	14,541,551
87	342	5,629,828	1,102	12,036,875
88	324	5,461,306	898	9,776,599
89	203	3,284,481	771	8,491,965
90	179	2,813,017	649	7,150,086
91	142	2,160,353	559	6,143,157
92	105	1,572,854	464	5,767,824
93	82	1,436,237	412	4,778,897
94	47	799,516	321	3,914,461
95	28	320,616	225	2,905,253
96	27	340,242	177	2,190,984
97	20	281,025	127	1,680,531
98	20	238,598	96	1,274,283
99	4	32,068	75	958,399
100	4	28,567	45	581,888

TABLE 3

**THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF BENEFICIARIES AND
SURVIVORS BY AGE AS OF DECEMBER 31, 2006**

**SERVICE RETIREMENTS AND
DEPENDENTS OF DECEASED BENEFICIARIES**

CONTINUED

Age	Men		Women	
	Number	Amount	Number	Amount
101	5	\$67,536	34	\$387,563
102	1	31,595	16	189,590
103	1	24,465	14	162,071
104			8	124,065
105			3	35,193
106	1	3,259	2	13,406
Total	44,295	\$1,022,083,059	90,107	\$1,571,107,570
Maximum	12,519	279,054,383	42,712	713,450,493
Cash Refund	2,463	51,672,687	9,280	124,593,432
100% J&S	7,294	165,241,718	2,671	35,818,912
50% J&S	3,454	90,250,231	2,069	37,211,913
Soc Sec Level	7,846	204,229,066	17,341	407,689,231
Odd Surv	23	831,205	13	259,529
100% J&S Popup	4,989	117,371,248	3,419	59,205,540
50% J&S Popup	3,157	88,865,535	4,046	83,322,168
Beneficiaries	2,550	24,566,986	8,556	109,556,352

SCHEDULE D**TABLE 4**

**THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF BENEFICIARIES AND
SURVIVORS BY AGE AS OF DECEMBER 31, 2006**

DISABILITY RETIREMENTS

Age	Men		Women	
	Number	Amount	Number	Amount
42	1	\$7,710		
43	1	19,184	1	\$14,184
44	1	14,038	1	11,363
45	5	85,599	3	40,026
46	3	43,809	12	177,926
47	4	68,961	8	100,904
48	10	164,200	19	290,025
49	26	564,430	17	372,455
50	25	530,547	33	583,999
51	39	835,788	65	1,331,158
52	46	1,005,308	71	1,712,548
53	53	1,214,846	74	1,802,171
54	52	1,164,276	111	2,815,697
55	58	1,574,142	134	3,507,174
56	64	1,565,858	142	3,612,737
57	80	1,888,740	135	3,533,736
58	79	1,801,540	145	3,662,253
59	105	2,433,298	145	3,539,691
60	114	2,826,063	169	3,732,998
61	88	2,002,186	126	2,716,530
62	74	1,527,619	143	2,861,920
63	67	1,347,584	142	2,672,497
64	79	1,765,335	149	2,969,054
65	81	1,572,929	138	2,450,452
66	72	1,393,756	126	1,977,822
67	88	1,665,848	111	1,719,870
68	52	880,824	121	1,817,530
69	55	944,602	126	1,963,370
70	48	891,468	79	1,152,323
71	68	1,090,604	91	1,281,876
72	49	850,331	79	1,208,245
73	50	776,019	85	1,106,432
74	46	815,367	71	877,605
75	34	542,067	67	851,862
76	36	569,999	59	801,194
77	41	603,004	70	895,987
78	34	484,797	73	887,424
79	35	471,518	60	681,211
80	34	431,629	72	793,392
81	41	563,363	65	716,482

TABLE 4
THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF BENEFICIARIES AND
SURVIVORS BY AGE AS OF DECEMBER 31, 2006

DISABILITY RETIREMENTS

CONTINUED

Age	Number	Men		Women	
		Number	Amount	Number	Amount
82	35		\$564,181	56	\$491,606
83	27		349,309	56	677,050
84	38		560,995	58	601,099
85	21		295,508	41	466,520
86	16		231,884	42	458,991
87	10		200,921	32	324,905
88	16		165,837	22	221,621
89	11		152,907	26	338,276
90	4		34,890	26	285,820
91	6		61,525	22	272,981
92	2		36,858	11	114,415
93	3		26,516	11	87,349
94				8	71,688
95	2		16,406	5	74,136
96	1		20,565		
97				2	24,451
98				1	18,230
99				1	6,374
100				1	8,950
101				1	13,625
Total	2,130		\$41,717,488	3,760	\$67,802,210
Maximum	1,215		26,992,986	2,659	52,749,716
Cash Refund	276		4,437,561	733	9,310,946
100% J&S	166		2,101,119	78	895,907
50% J&S	225		3,418,283	101	1,322,022
Soc Sec Level	14		404,778	26	733,993
Odd Surv				2	31,072
100% J&S Popup	63		935,303	39	577,991
50% J&S Popup	171		3,427,458	122	2,180,563