North Dakota Teachers' Fund
For Retirement

ACTUARIAL VALUATION
July 1, 2006

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
5605 N. MacArthur Blvd.
Suite 870
Irving, TX 75038-2631
469.524.0000 phone
469.524.0003 fax
www.gabrielroeder.com

October 9, 2006

Board of Trustees
North Dakota Teachers' Fund for Retirement
1930 Burnt Boat Drive
P. O. Box 7100
Bismarck, ND 58507-7100

Subject: Actuarial Valuation as of July 1, 2006

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement (TFFR) as of July 1, 2006.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the North Dakota Century Code, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. All three are Enrolled Actuaries and Members of the American Academy of Actuaries and are experienced in performing valuations for large public retirement systems. All three meet the Qualification Standards of the American Academy of Actuaries.

Actuarial Valuation

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of TFFR, and to analyze changes in TFFR's condition. In addition, the report provides information required by TFFR in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data. Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

Financing Objectives

The member and employer contribution rates are established by statute, and both are currently set at 7.75%. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) over a period of 30 years from the valuation date. A thirty-year period is the maximum amortization period allowed by GASB 25 in computing the Annual Required Contribution (ARC). The thirty-year period is in common use for public-sector plans and is considered reasonable by the actuary.

Progress toward Realization of Financing Objectives

In order to determine the adequacy of the 7.75% statutory employer contribution rate, it is compared to the GASB 25 Annual Required Contribution (ARC). The ARC is equal to the sum of (a) the employer normal cost rate, and (b) the level percentage of pay required to amortize the UAAL over a 30-year period. For this calculation, payroll is assumed to increase 2.00% per annum. As of July 1, 2006, the ARC is 12.29%. This is greater than the 7.75% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law and the rate necessary to fund the UAAL in 30 years is -4.54%.

The GASB ARC increased from 12.12% last year. The increase in the ARC would have been even larger if not for the 14.6% market asset return in FY 2006.

If the 7.75% employer contribution rate remains unchanged, and all actuarial assumptions are exactly realized, including an 8.00% investment return on the actuarial value of assets, then the UAAL will never be amortized. I.e., TFFR has an infinite funding period.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at July 1, 2005 was 74.8%, while it is 75.4% as of July 1, 2006. Based on market values rather than actuarial values of assets, the funded ratio improved to 83.0% from 77.9% last year.

Reporting Consequences

TFFR is required to report in its Comprehensive Annual Financial Report (CAFR) for the current fiscal year ending June 30, 2006 that actual contributions received in FY 2006 were less than the ARC. The 7.75% statutory rate was 63.9% of the 12.12% ARC determined by the last valuation. Next year, the CAFR for FY 2007 will show that the 7.75% statutory rate was only 63.1% of the 12.29% ARC for FY 2007. There are no other accounting consequences for the state or the other school districts that sponsor TFFR, since it is a cost-sharing, multiple-employer retirement system.

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. The legislature made no material changes to these provisions since the last actuarial valuation.

Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. These assumptions and procedures were recommended by the actuary, and were last changed in 2005, following an analysis of plan experience for the five-year period ending June 30, 2004. We believe the assumptions are internally consistent and are reasonable, based on the actual experience of TFFR. These actuarial assumptions and methods comply with the parameters for disclosure in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

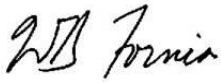
Data

Member data for retired, active, and inactive participants was supplied as of July 1, 2006, by the staff of the Retirement and Investment Office (RIO). We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was also supplied by the RIO staff.

Sincerely,
Gabriel, Roeder, Smith & Co.

J. Christian Conradi, ASA, MAAA, EA
Senior Consultant

W. Michael Carter, FSA, MAAA, EA
Senior Consultant



William B. Fornia, FSA, MAAA, EA
Senior Consultant
2039/2006/val/06_val.doc

Executive Summary

Valuation Date:	7/1/2006	7/1/2005
Fiscal Year Ending:	6/30/2007	6/30/2006
Membership		
• Number of		
- Active Members	9,585	9,801
- Retirees and Beneficiaries	5,893	5,586
- Inactive, Vested	1,409	1,377
- Inactive, Nonvested	143	168
- Total	17,030	16,932
• Payroll	$390.1 million	$386.6 million
Statutory contribution rates		
• Employer	7.75%	7.75%
• Member	7.75%	7.75%
Assets		
• Market value	$1,720.3 million	$1,530.2 million
• Actuarial value	1,564.0 million	1,469.7 million
• Return on market value	14.6%	13.3%
• Return on actuarial value	8.5%	3.3%
• Ratio - actuarial value to market value	90.9%	96.0%
• External cash flow %	-1.8%	-1.6%
Actuarial Information		
• Normal cost %	11.31%	11.31%
• Unfunded actuarial accrued liability (UAAL)	$509.9 million	$495.5 million
• Funded ratio	75.4%	74.8%
• Funding period	Infinite	Infinite
GASB 25 ARC		
• Amortization period	30 years	30 years
• Amortization method	Level % (2.00%)	Level % (2.00%)
• Calculated contribution rate	12.29%	12.12%
• Margin	-4.54%	-4.37%
Gains/(Losses)		
• Asset experience	$6.7 million	$(67.4) million
• Liability experience	(1.7) million	(5.8) million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	0.0 million	(63.3) million
• Total	$5.0 million	$(136.5) million

Introduction

The results of the July 1, 2006 actuarial valuation of the North Dakota Teachers' Fund for Retirement are presented in this report.

The purpose of any actuarial valuation report is to describe the financial condition of the Fund, to assess the adequacy of the current contributions, and to analyze changes in the funding requirements. In addition, this report presents information required by TFFR in connection with Governmental Accounting Standards Board Statement No. 25 (GASB No. 25).

Section C discusses the determination of the current funding requirements and funding periods. Section D analyzes the changes in (i) the unfunded actuarial accrued liability and (ii) the GASB Annual Required Contribution (ARC). This section also discusses the gains and losses resulting from differences between actual experience and the actuarial assumptions. Section E discusses the disclosure requirements of GASB No. 25.

Sections F through I discuss background information used in the preparation of this report--benefit provisions, actuarial assumptions and methods, financial information, and membership data.

All the tables referenced by the other sections appear in Section J.

Funding Status

Table 1 shows the development of the plan's liabilities and costs. Although the employer contribution rate is set at 7.75%, the Board has defined the GASB Annual Required Contribution (ARC) as the sum of (a) the employer normal cost, and (b) an amount necessary to amortize the unfunded actuarial accrued liability (UAAL) as a level percentage of payroll over a period of 30 years from the valuation date.

The calculation of the ARC involves the following steps:

- The actuarial present value of future benefits is determined for the present members, including retired members, beneficiaries, inactive members and active members. This amounts to $2.450 billion. Table 3 shows the development of this total.

- The entry age normal funding method is used to allocate the actuarial present value of future benefits between that portion due for the current year (the normal cost), prior years (the actuarial accrued liability), and future years. Under the entry age normal cost method, the current and future normal costs are determined as a level percentage of payroll. Table 4 shows an analysis of the normal cost. The amount needed to fund the current and future normal costs is 11.31% of payroll inclusive of member assessments. This is the total (member plus employer) contribution rate needed to pay for the average new member.

- A part of the normal cost is paid by the employee assessments of 7.75%, leaving 3.56% to be funded by the employers, i.e., the current year's employer normal cost is 3.56% of the valuation payroll. This is shown in Line 3 of Table 1.

- The actuarial accrued liability (the portion of the total liability attributed to prior years) is compared with the actuarial value of assets (See Section H). The difference is the unfunded actuarial accrued liability (UAAL), and this is amortized over 30 years assuming a 2.00% annual payroll growth rate. This adds $36.0 million to the employer portion of the normal cost of $14.7 million, for a total ARC of $50.7 million, and is equivalent to 12.29% of pay.

Another way of expressing this is that an employer contribution of 12.29% would be required to meet the 30-year funding schedule, determined as follows:

Employer normal cost	3.56%
Amortization payment	8.73%
Total	12.29%

The above calculations take the position that the 30-year funding period is fixed and the appropriate contribution is to be determined. The situation can be reversed by asking, if the current 7.75% employer rate is left in place, how long does it take to amortize the UAAL? As shown on Table 1, the current employer rate is not sufficient to amortize the UAAL over any period.

Analysis of Changes

Tables 2a and 2b show the impact of a variety of changes on both the UAAL and on the GASB ARC. Table 11 shows the detailed calculation of the asset gain/loss, while Table 12 shows the development of the liability gain/loss. The gains and losses are due to differences between actual experience and anticipated experience determined using the actuarial assumptions.

As shown on Table 2b, the UAAL increased from $495.5 million to $509.9 million, an increase of $14.4 million. This increase was principally due to the fact that member and employer contributions were not large enough to pay the normal cost and interest on the UAAL. Therefore, the Fund experienced negative amortization. There was also a small liability loss of $1.7 million, which was offset by the actuarial asset gain of $6.7 million. There were no changes in actuarial assumptions or actuarial methods during the last year, nor were there any changes in benefit provisions.

Table 2a shows the impact of these same changes on the GASB ARC, expressed as a percentage of payroll. The most significant items are the 28 basis point increase due to insufficient amortization payments and the 11 basis point decrease due to the investment experience gain.

GASB No. 25 Disclosure

Governmental Accounting Standards Board (GASB) Statement No. 25 governs reporting for government-sponsored retirement plans.

This report includes Tables 5a, 5b and 5c which show information required to be reported under GASB 25. Table 5a shows a history of funding progress: a comparison of actuarial assets with the actuarial accrued liability, and a comparison of the UAAL with plan compensation. Table 5b shows the Annual Required Contribution (ARC) as computed under GASB No. 25, and it shows what percent of this amount was actually received.

For TFFR, the ARC is now defined to be the sum of (a) the employer normal cost, and (b) the amount needed to amortize the UAAL as a level percentage of payroll over 30 years. If this amount is less than the statutory 7.75%, the statutory contribution rate is treated as the ARC. For FY2005 and prior years, the ARC was defined using a 20-year amortization with no payroll increase. The Board decided to redefine the ARC following the adoption of new actuarial assumptions in March 2005. However, this change first becomes effective for the July 1, 2005 actuarial valuation report and for determining the ARC for FY 2006.

Since the 7.75% statutory rate exceeded the ARC in each year through FY 2003, Table 5b shows that 100% of the ARC was made for each of these years. For FY 2004, FY 2005 and FY 2006, since the statutory rate was less than the ARC, the table shows that 86.7%, 68.3%, and 63.9% of the ARC were made for FY 2004, FY 2005 and FY 2006 respectively (7.75% ÷ 8.94%, 7.75% ÷ 11.34%, and 7.75% ÷ 12.12%). When next year's financial report is prepared, this table will show that the contributions received for FY 2007 are only 63.1% of the ARC (7.75% ÷ 12.29%).

The dollar amounts of the ARCs shown on Table 5b differ from the dollar amounts calculated in prior valuations because they are adjusted for differences between expected and actual payroll in each fiscal year. This procedure is permitted under GASB 25; see Q&A 94 in the GASB 25 Implementation Guide. For FY 2006, employers contributed $31,170,851, which represents 7.75% of actual covered payroll during the fiscal year. This implies actual payroll of $402,204,529 ($31,170,851/0.0775). The ARC for FY 2006 was calculated in the last valuation report as 12.12% of payroll. Therefore, the dollar ARC shown on Table 5b for FY 2006 is 12.12% of actual payroll of $402,204,529, or $48,747,189.

The auditor's notes should disclose the following events during the last six years which may affect the comparability of the trend information shown in Tables 5a and 5b: the change in assumptions made at July 1, 2005, the change in the definition of the ARC made effective July 1, 2005, and the benefit improvement and multiplier increase made at July 1, 2001. (See GASB No. 25, paragraph 40b.)

Benefit Provisions

Table 18 summarizes the provisions of TFFR used in this valuation. Table 19 is a historical record of prior legislative changes made since 1990. The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. No material legislation was adopted since the previous actuarial valuation.

This valuation reflects benefits promised to members by TFFR statutes. There are no ancillary benefits. Ancillary benefits are retirement-type benefits not required by TFFR statutes but which might be deemed a TFFR liability if continued beyond the availability of funding by the current funding source.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an investment return assumption. TFFR's Board adopts the assumptions used, taking into account the actuary's recommendations. This report is based upon the same assumptions and methods used in preparing last year's report. Assumptions were last changed in 2005, based upon an analysis of plan experience for the preceding five years.

The most significant assumptions are (i) the 8.00% assumed investment return rate, and (ii) the assumption regarding future salary increases, which is based on a table that varies by service and averages about 5.7%. All actuarial assumptions and methods used are summarized in Table 17.

In addition to the actuarial assumptions, the actuary also makes use of an actuarial funding method to allocate costs to particular years. In common with many public-sector plans, TFFR uses the entry age normal method. This method produces a relatively level pattern of funding over time, and thereby provides equity between various generations of taxpayers. We continue to believe this method is appropriate for TFFR.

Finally, TFFR's Board selects the amortization method and the amortization period used in determining the GASB ARC, to which the required 7.75% rate is compared. In determining the ARC, the UAAL is amortized with level-percentage-of-payroll payments with a 2.00% payroll growth rate over an open 30-year period. By an "open" amortization period, we mean that the 30-year amortization payments are redetermined each year based on a new 30-year period.

Fund Assets

TFFR assets are held in trust, and are co-mingled for investment purposes with those of other North Dakota sponsored trusts. Investment decisions lie with the State Investment Board rather than with the TFFR Board, although the TFFR Board sets the investment policy, including the asset allocation guidelines. Asset information used in this valuation has been provided by the Retirement and Investment Office (RIO) staff. Section J contains several tables which summarize, reconcile or analyze this information.

Table 7 presents a summary of the market value of assets held by the fund. About 76% of the assets are held in equities, real estate, and private equity. This has decreased from about 80% last year. Table 8 shows a reconciliation of the assets from the beginning of the prior year to the valuation date.

Tables 9a and 9b show the development of the Actuarial Value of Assets (AVA). An actuarial value is used in order to dampen some of the year-to-year fluctuations which would occur if the market value were used instead. The method used phases in differences between actual and expected earnings 20% per year. (Expected earning are determined using market value and the 8.00% investment return assumption. Actual earnings are net of all investment and administrative expenses.)

Table 10 shows an estimate of the Fund's yield for the year. This is shown on (i) the market value of assets (reflecting all realized and unrealized gains and losses), and (ii) the actuarial value of assets. While the dollar-weighted market yield this year is about 14.6%, the yield on the actuarial value is 8.5%. The difference between these is due to the smoothing effect of the AVA.

Table 11 determines the asset gain or loss for the year, based on the difference between the actual fund yield and the assumed rate of 8%. The impact of this gain has already been discussed in Section D. Finally, Table 13 shows a history of cash flows to the trust.

Membership Data

Membership data was provided on electronic files sent by the RIO staff. Data for active members includes sex, birthdate, service, salary (for the prior fiscal year) and accumulated assessments. Data for inactive, nonretired members was similar, but also includes the members' unreduced benefit. For retired members, data includes status (service retiree, disabled retiree or beneficiary), sex, birthdate, pension amount, form of payment, beneficiary sex and birthdate if applicable, and date of retirement.

While not verifying the correctness of the data at the source, we performed various tests to ensure the internal consistency of the data and its overall reasonableness.

Membership statistics are summarized in Table 6a. Table 6b summarizes certain active member data, and the age/service distribution of active members is shown in Table 15. Tables 16a and 16b show the distribution of retirees by option and by benefit amount.

The number of active members decreased by 2.2% since last year, from 9,801to 9,585. Note that normally the actual number of active members during the year will be somewhat higher than the valuation count, since the July 1 count excludes most June and July retirees but does not include new teachers joining the system for the next school year.

Total payroll increased 0.9% since last year. For all comparative purposes, payroll is the amount supplied by the RIO staff (i.e., the 2005-2006 member pay), annualized. However, this figure is increased by one year's pay assumed increase to determine the member's rate of pay at July 1, 2006. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased by 3.2%, from $39,447 to $40,703. However, this includes the impact of replacing more highly-paid members who retire with new teachers. The average increase in salary for continuing members—members active in both this valuation and the preceding valuation—was 5.3%.

The average age of active members decreased from 44.9 years to 44.8 years, while their average service also decreased from 14.7 years to 14.6 years.

Some of the changes in membership statistics may have been affected by changes in the procedures used for gathering data. In particular, partly as a result of the implementation of the new CPAS system, July retirees now appear in the retired data. In previous years, the retiree file was based on members paid at the beginning of June.

Tables

Development of Employer Cost

		July 1, 2006 (1)	July 1, 2005 (2)
1.	Payroll		
	a. Supplied by System	$ 390,135,120	$ 386,617,411
	b. Adjusted for one year's pay increase	412,513,423	408,844,266
2.	Present value of future pay	$ 3,328,661,866	$ 3,280,649,186
3.	Normal cost rate (payable monthly)		
	a. Total normal cost rate	11.31%	11.31%
	b. Less: member assessment rate	-7.75%	-7.75%
	c. Employer normal cost rate	3.56%	3.56%
4.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 1,470,781,617	$ 1,468,480,644
	b. Less: present value of future normal costs (Item 3a * Item 2)	(376,471,657)	(371,041,423)
	c. Actuarial accrued liability	$ 1,094,309,960	$ 1,097,439,221
5.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 929,118,013	$ 820,800,623
	b. Inactive members	50,452,430	46,955,107
	c. Active members (Item 4c)	1,094,309,960	1,097,439,221
	d. Total	$ 2,073,880,403	$ 1,965,194,951
6.	Actuarial value of assets	$ 1,563,957,955	$ 1,469,739,346
7.	Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 509,922,448	$ 495,455,605
8.	Funding period set by Board	30 years	30 years
9.	Current employer contribution rate	7.75%	7.75%
10.	GASB No. 25 Annual Required Contribution (ARC) for fiscal year beginning on valuation date		
	a. Payment to amortize UAAL	$ 36,009,763	$ 34,988,142
	b. Employer normal cost (Item 3c * Item 1b)	14,685,478	14,554,856
	c. Contribution requirement (a+b)	50,695,241	49,542,998
	d. Contribution as percentage of payroll (10c/1b)	12.29%	12.12%

Analysis of Change in GASB ARC

Item	July 1, 2006	July 1, 2005
(1)	(2)	(3)
1. Prior valuation	12.12%	11.34%
2. Increases/(decreases) due to:		
a. Open amortization	(0.12%)	(0.19%)
b. Growth in covered payroll	0.10%	(0.23%)
c. Employer contributions received at 7.75%, rather than 12.12% for FY2006 or 11.34% for FY2005	0.28%	0.29%
d. Liability experience	0.02%	0.14%
e. Investment experience	(0.11%)	1.63%
f. Assumption changes	0.00%	2.49%
g. Changes in amortization method	0.00%	(3.35%)
h. Legislative changes	0.00%	0.00%
i. Total	0.17%	0.78%
3. Current valuation (1. + 2.i.)	12.29%	12.12%
4. Statutory employer contribution rate	7.75%	7.75%
5. Margin available (4. - 3.)	(4.54%)	(4.37%)

Analysis of Change in UAAL

Item	Unfunded Actuarial Accrued Liability ($ in millions) as of July 1, 2006	Unfunded Actuarial Accrued Liability ($ in millions) as of July 1, 2005
(1)	(2)	(3)
1. Prior valuation	$ 495.5	$ 354.8
2. Increases/(decreases) due to:		
a. Amortization payments	$ 19.4	$ 4.2
b. Investment experience	(6.7)	67.4
c. Assumption changes	-	63.3
d. Liability experience	1.7	5.8
e. Changes in actuarial methods	-	-
f. Legislative changes	-	-
g. Total	$ 14.4	$ 140.7
3. Current valuation (1. + 2.g.)	$ 509.9	$ 495.5

Actuarial Present Value of Future Benefits

		July 1, 2006 (1)	July 1, 2005 (2)
1.	Active members		
	a. Retirement benefits	$ 1,357,200,078	$ 1,356,657,814
	b. Deferred termination benefits and refunds	77,210,781	75,547,648
	c. Death benefits	14,773,694	14,779,459
	d. Disability benefits	21,597,064	21,495,723
	e. Total	$ 1,470,781,617	$ 1,468,480,644
2.	Retired members		
	a. Service retirement	$ 875,237,300	$ 769,881,920
	b. Disability retirement	8,354,880	7,424,868
	c. Beneficiaries	45,525,833	43,493,835
	d. Total	$ 929,118,013	$ 820,800,623
3.	Inactive members		
	a. Vested terminations	$ 49,870,093	$ 46,512,965
	b. Nonvested terminations	387,337	442,142
	c. Pending July 1 Refunds	195,000	0
	d. Total	$ 50,452,430	$ 46,955,107
4.	Total actuarial present value of future benefits	$ 2,450,352,060	$ 2,336,236,374

Analysis of Normal Cost

		July 1, 2006 (1)	July 1, 2005 (2)
1.	Gross normal cost rate (payable monthly)		
	a. Retirement benefits	8.72%	8.72%
	b. Deferred termination benefits and refunds	2.09%	2.09%
	c. Death benefits	0.17%	0.17%
	d. Disability benefits	0.33%	0.33%
	e. Total	11.31%	11.31%
2.	Less: member assessment rate	7.75%	7.75%
3.	Employer normal cost rate	3.56%	3.56%

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 1996	$733.3	$851.6	$118.3	86.1%	$281.2	42.1%
July 1, 1997	$823.4	$977.1	$153.6	84.3%	$294.1	52.2%
July 1, 1998	$928.0	$1,033.0	$105.0	89.8%	$298.4	35.2%
July 1, 1999	$1,053.1	$1,188.4	$135.3	88.6%	$314.6	43.0%
July 1, 2000	$1,308.5	$1,287.9	($20.6)	101.6%	$323.0	-6.4%
July 1, 2001	$1,414.7	$1,467.7	$53.0	96.4%	$342.2	15.5%
July 1, 2002	$1,443.5	$1,575.8	$132.3	91.6%	$348.1	38.0%
July 1, 2003	$1,438.4	$1,690.3	$251.9	85.1%	$367.9	68.5%
July 1, 2004	$1,445.6	$1,800.4	$354.8	80.3%	$376.5	94.2%
July 1, 2005	$1,469.7	$1,965.2	$495.5	74.8%	$386.6	128.2%
July 1, 2006	$1,564.0	$2,073.9	$509.9	75.4%	$390.1	130.7%

Note: Dollar amounts in millions

Schedule of Employer Contributions

Fiscal Year	GASB 25 Annual Required Contribution (ARC)		Actual Employer Contributions		Percentage of GASB ARC Contributed
	% of Payroll[1]	Amount[2]	% of Payroll	Amount	[(5)/(3)]
(1)	(2)	(3)	(4)	(5)	(6)
1996	6.75%	$18,988,538	6.75%	$18,988,538	100.0%
1997	6.75%	$19,693,130	6.75%	$19,693,130	100.0%
1998	7.75%	$23,326,328	7.75%	$23,326,328	100.0%
1999	7.75%	$24,257,091	7.75%	$24,257,091	100.0%
2000	7.75%	$25,527,734	7.75%	$25,527,734	100.0%
2001	7.75%	$26,289,206	7.75%	$26,289,206	100.0%
2002	7.75%	$27,243,542	7.75%	$27,243,542	100.0%
2003	7.75%	$28,850,725	7.75%	$28,850,725	100.0%
2004	8.94%	$34,186,080	7.75%	$29,635,584	86.7%
2005	11.34%	$44,471,740	7.75%	$30,388,265	68.3%
2006	12.12%	$48,747,189	7.75%	$31,170,851	63.9%

[1] The GASB ARC for each fiscal year is based on the actuarial valuation as of the beginning of the year. Therefore, the FY 2006 ARC is based on the July 1, 2005 actuarial valuation. The ARC is defined as the contribution rate required to pay the employer normal cost and to amortize the UAAL over a 30-year period as a level percent of payroll, but not less than the statutory contribution rate. Note that the change in the ARC definition discussed in this report first becomes effective for FY 2006. For FY 2005 and prior years, the UAAL is amortized over a 20-year period as a level dollar amount.

[2] The dollar amount of the ARC is based on the actual payroll for the year. The FY 2006 ARC shown above differs from the estimated dollar amount shown in the July 1, 2005 actuarial valuation report because of differences between estimated and actual FY 2006 payroll.

Notes to Required Supplementary Information (as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Amortization period for GASB 25 ARC**	30-year open period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	4.50% to 14.00%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

** The GASB Annual Required Contribution (ARC) for this plan is defined as the larger of (a) the sum of (i) the employer normal cost, and (ii) an amount necessary to amortize the UAAL as a level percentage of payroll over an open 30-year amortization period, and (b) the 7.75% statutory employer contribution rate. Payroll is assumed to increase at 2.00% per annum.

Membership Data

		July 1, 2006 (1)	July 1, 2005 (2)
1.	Active members		
	a. Males	2,566	2,665
	b. Females	7,019	7,136
	c. Total members	9,585	9,801
	d. Total payroll supplied, annualized	$ 390,135,120	$ 386,617,411
	e. Average salary	$ 40,703	$ 39,447
	f. Average age	44.8	44.9
	g. Average service	14.6	14.7
	h. Total assessments with interest	$ 504,416,676	$ 498,218,648
	i. Average assessments with interest	$ 52,626	$ 50,833
2.	Vested inactive members		
	a. Number	1,409	1,377
	b. Total annual deferred benefits	$ 7,921,907	$ 7,624,634
	c. Average annual deferred benefit	$ 5,622	$ 5,537
3.	Nonvested inactive members		
	a. Number	143	168
	b. Employee assessments with interest due	$ 387,337	$ 442,142
	c. Average refund due	$ 2,709	$ 2,632
4.	Service retirees		
	a. Number	5,313	5,020
	b. Total annual benefits	$ 91,204,855	$ 81,545,347
	c. Average annual benefit	$ 17,166	$ 16,244
5.	Disabled retirees		
	a. Number	85	79
	b. Total annual benefits	$ 971,449	$ 867,129
	c. Average annual benefit	$ 11,429	$ 10,976
6.	Beneficiaries		
	a. Number	495	487
	b. Total annual benefits	$ 5,620,039	$ 5,341,566
	c. Average annual benefit	$ 11,354	$ 10,968

Historical Summary of Active Member Data

Year Ending June 30,	Active Members		Covered Payroll		Average Salary			
	Number	Percent Increase /(Decrease)	Amount in $ Millions	Percent Increase /(Decrease)	$ Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1992	9,707	1.2%	250.9	6.7%	25,850	5.5%	41.7	12.8
1993	9,808	1.0%	260.4	3.8%	26,549	5.5%	42.2	13.2
1994	9,653	-1.6%	262.4	0.8%	27,187	5.2%	42.4	13.3
1995	9,663	0.1%	268.7	2.4%	27,803	2.3%	42.6	13.4
1996	9,797	1.4%	281.2	4.7%	28,708	3.3%	42.9	13.6
1997	10,010	2.2%	294.1	4.6%	29,382	2.3%	43.4	14.0
1998	9,896	-1.1%	298.4	1.5%	30,156	2.6%	43.5	14.0
1999	10,046	1.5%	314.6	5.4%	31,318	3.9%	44.0	14.4
2000	10,025	-0.2%	323.0	2.7%	32,223	2.9%	43.9	14.1
2001	10,239	2.1%	342.2	5.9%	33,421	3.7%	44.4	14.4
2002	9,931	-3.0%	348.1	1.7%	35,052	4.9%	44.5	14.4
2003	9,916	-0.2%	367.9	5.7%	37,105	5.9%	44.8	14.6
2004	9,826	-0.9%	376.5	2.3%	38,321	3.3%	44.9	14.7
2005	9,801	-0.3%	386.6	2.7%	39,447	2.9%	44.9	14.7
2006	9,585	-2.2%	390.1	0.9%	40,703	3.2%	44.8	14.6

Plan Net Assets
(Assets at Market or Fair Value)

Item	June 30, 2006	June 30, 2005
(1)	(2)	(3)
1. Cash and cash equivalents (operating cash)	$ 9,634,510	$ 8,648,006
2. Receivables:		
a. Member and employer contributions	$ 7,715,230	$ 7,403,583
b. Investment income	8,616,986	8,109,864
c. Due from other funds	19,504	20,170
d. Miscellaneous receivables	1,320	0
e. Total receivables	$ 16,353,040	$ 15,533,617
3. Investments		
a. Invested cash	$ 15,969,730	$ 28,950,655
b. Domestic equities	654,595,767	604,847,705
c. International equities	377,166,245	399,906,454
d. Domestic fixed income	314,813,187	201,123,853
e. International fixed income	81,912,666	71,304,366
f. Real estate	182,884,803	139,039,070
g. Private equity	69,410,721	62,572,727
h. Total investments	$ 1,696,753,119	$ 1,507,744,830
4. Invested securities lending collateral	$ 127,302,330	$ 104,685,772
5. Total assets	$ 1,850,042,999	$ 1,636,612,225
6. Liabilities		
a. Accounts payable	$ 2,041,720	$ 1,414,912
b. Accrued expenses	316,761	284,129
c. Due to other funds	57,240	32,985
d. Securities lending collateral	127,302,330	104,685,772
e. Total liabilities	$ 129,718,051	$ 106,417,798
7. Total market value of assets available for benefits (Item 5 - Item 6)	$ 1,720,324,948	$ 1,530,194,427
8. Asset allocation (investments)		
a. Invested cash	0.9%	1.9%
b. Domestic equities	38.6%	40.2%
c. International equities	22.2%	26.5%
d. Domestic fixed income	18.6%	13.3%
e. International fixed income	4.8%	4.7%
f. Real estate	10.8%	9.2%
g. Private equity	4.1%	4.2%
h. Total investments	100.0%	100.0%

Reconciliation of Plan Net Assets

	Year Ending June 30, 2006 (1)	Year Ending June 30, 2005 (2)
1. Value of assets at beginning of year	$ 1,530,194,427	$ 1,374,679,677
2. Revenue for the year		
a. Contributions		
i. Employee contributions	$ 31,171,156	$ 30,388,650
ii. Employer contributions	31,170,851	30,388,265
iii. Purchased service credit	3,225,589	3,292,441
iv. Interest and penalties	10,232	3,525
v. Total	$ 65,577,828	$ 64,072,881
b. Income		
i. Interest, dividends, and other income	$ 42,267,850	$ 39,228,237
ii. Investment expenses	(10,853,774)	(6,137,707)
iii. Net	$ 31,414,076	$ 33,090,530
c. Net realized and unrealized gains (losses)	$ 189,138,608	$ 147,669,725
d. Total revenue	$ 286,130,512	$ 244,833,136
3. Expenditures for the year		
a. Benefits and refunds		
i. Refunds	$ 2,697,308	$ 2,733,407
ii. Regular annuity benefits	91,397,868	84,125,369
iii. Partial lump-sum benefits paid	420,224	372,761
iv. Total	$ 94,515,400	$ 87,231,537
b. Administrative and miscellaneous expenses	1,484,591	2,086,849
c. Total expenditures	$ 95,999,991	$ 89,318,386
4. Increase in net assets (Item 2 - Item 3)	$ 190,130,521	$ 155,514,750
5. Value of assets at end of year (Item 1 + Item 4)	$ 1,720,324,948	$ 1,530,194,427

Determination of Excess Earnings to be Deferred

	Year ended :	June 30, 2003 (1)	June 30, 2004 (2)	June 30, 2005 (3)	June 30, 2006 (4)
1.	MVA at beginning of year	$1,165,369,565	$1,175,248,478	$1,374,679,677	$1,530,194,427
2.	Net new investments				
	a. Contributions	$ 60,210,068	$ 63,655,362	$ 64,072,881	$ 65,577,828
	b. Benefits and refunds paid	(73,774,741)	(82,953,154)	(87,231,537)	(94,515,400)
	c. Subtotal	$ (13,564,673)	$ (19,297,792)	$ (23,158,656)	$ (28,937,572)
3.	MVA at end of year	$1,175,248,478	$1,374,679,677	$1,530,194,427	$1,720,324,948
4.	Net MVA earnings (3 - 1 - 2)	$ 23,443,586	$ 218,728,991	$ 178,673,406	$ 219,068,093
5.	Assumed investment return rate	8.00%	8.00%	8.00%	8.00%
6.	Expected return	$ 92,686,978	$ 93,247,967	$ 109,048,028	$ 121,258,051
7.	Excess return (4 - 6)	$ (69,243,392)	$ 125,481,024	$ 69,625,378	$ 97,810,042
8.	Excess return deferral percent	20%	40%	60%	80%
9.	Amount deferred	$ (13,848,678)	$ 50,192,410	$ 41,775,227	$ 78,248,034

Note: MVA is market value of assets

Development of Actuarial Value of Assets

1.	Market value of assets as of valuation	$	1,720,324,948
2.	Deferred amounts for fiscal year ending June 30,		
	a. 2006	$	78,248,034
	b. 2005	$	41,775,227
	c. 2004	$	50,192,410
	d. 2003	$	(13,848,678)
	e. Total	$	156,366,993
3.	Actuarial value of assets (1) - (2)	$	1,563,957,955
4.	Ratio of actuarial value to market value		90.9%

Estimation of Yields

	Year Ending June 30, 2006 (1)	Year Ending June 30, 2005 (2)
A. Market value yield		
1. Beginning of year market assets	$ 1,530,194,427	$ 1,374,679,677
2. Investment income (including realized and unrealized gains and losses)		
a. Interest and dividends net of investment expenses	$ 31,414,076	$ 33,090,530
b. Realized and unrealized gains/(losses)	189,138,608	147,669,725
c. Total investment income based on market value	$ 220,552,684	$ 180,760,255
3. End of year market assets	$ 1,720,324,948	$ 1,530,194,427
4. Estimated dollar weighted market value yield	14.6%	13.3%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 1,469,739,346	$ 1,445,594,633
2. Investment income (based on asset valuation method)		
a. Interest and dividends net of investment expenses	$ 31,414,076	$ 33,090,530
b. Realized and unrealized gains/(losses)	93,226,696	16,299,688
c. Less: administrative expenses	(1,484,591)	(2,086,849)
d. Net investment income based on asset valuation method	$ 123,156,181	$ 47,303,369
3. End of year actuarial assets	$ 1,563,957,955	$ 1,469,739,346
4. Estimated actuarial value yield	8.5%	3.3%

History of Investment Return Rates

Plan Year Ending June 30 of	Market	Actuarial
(1)	(2)	(3)
1990	6.7%	7.7%
1991	7.5%	5.8%
1992	12.4%	6.5%
1993	14.7%	8.1%
1994	1.2%	7.0%
1995	13.6%	9.1%
1996	15.6%	11.3%
1997	18.5%	12.6%
1998	13.2%	12.6%
1999	11.5%	13.5%
2000	11.6%	13.3%
2001	-7.6%	8.6%
2002	-8.6%	3.0%
2003	2.1%	0.6%
2004	18.9%	1.9%
2005	13.3%	3.3%
2006	14.6%	8.5%
Average Returns		
Last 5 years	7.6%	3.4%
Last 10 years	8.3%	7.7%
Last 15 years	9.3%	7.9%

Investment Experience Gain or Loss

Item	Year Ending June 30, 2006	Year Ending June 30, 2005
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 1,469,739,346	$ 1,445,594,633
2. Total assessments and contributions during year	$ 65,577,828	$ 64,072,881
3. Benefits and refunds paid	$ (94,515,400)	$ (87,231,537)
4. Assumed net investment income at 8%		
a. Beginning of year assets	$ 117,579,148	$ 115,647,571
b. Assessments and contributions	2,623,113	2,562,915
c. Benefits and refunds paid	(3,780,616)	(3,489,261)
d. Total	$ 116,421,645	$ 114,721,225
5. Expected actuarial assets, end of year (Sum of Items 1 through 4)	$ 1,557,223,419	$ 1,537,157,202
6. Actual actuarial assets, end of year	$ 1,563,957,955	$ 1,469,739,346
7. Asset gain (loss) for year (Item 6 - Item 5)	$ 6,734,536	$ (67,417,856)

Total Experience Gain or Loss

Item	Year Ending June 30, 2006	Year Ending June 30, 2005
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 495,455,605	$ 354,769,085
2. Normal cost for the year (employer and employee)	$ 46,240,286	$ 40,769,663
3. Less: contributions and assessments for the year	$ (65,577,828)	$ (64,072,881)
4. Interest at 8 %		
a. On UAAL	$ 39,636,448	$ 28,381,527
b. On normal cost	1,849,611	1,630,787
c. On contributions	(2,623,113)	(2,562,915)
d. Total	$ 38,862,946	$ 27,449,399
5. Expected UAAL (Sum of Items 1 - 4)	$ 514,981,009	$ 358,915,266
6. Actual UAAL	$ 509,922,448	$ 495,455,605
7. Total gain (loss) for the year(Item 5 - Item 6)	$ 5,058,561	$ (136,540,339)
B. Source of gains and losses		
8. Asset gain (loss) for the year (Table 11)	$ 6,734,536	$ (67,417,856)
9. Liability gain (loss) for the year	$ (1,675,975)	$ (5,808,442)
10. Change in benefit provisions	$ -	$ -
11. Change in actuarial assumptions	$ -	$ (63,314,041)
12. Total	$ 5,058,561	$ (136,540,339)

History of Cash Flow

Year Ending June 30,	Contributions[1]	Disbursements or Expenditures: Benefit Payments	Refunds	Administrative Expenses	Total	External Cash Flow for the Year[2]	Market Value of Assets	External Cash Flow as Percent of Market Value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1990	32,491,026	(19,363,427)	(3,116,128)	(620,373)	(23,099,928)	9,391,098	449,961,104	2.1%
1991	32,276,625	(21,591,216)	(3,782,578)	(606,298)	(25,980,092)	6,296,533	490,424,458	1.3%
1992	34,326,788	(26,164,266)	(2,782,003)	(768,580)	(29,714,849)	4,611,939	556,086,158	0.8%
1993	35,474,901	(27,710,231)	(2,614,160)	(780,865)	(31,105,256)	4,369,645	642,418,007	0.7%
1994	36,106,560	(34,093,075)	(2,293,299)	(719,777)	(37,106,151)	(999,591)	649,345,245	-0.2%
1995	37,214,707	(36,001,717)	(2,186,791)	(788,743)	(38,977,251)	(1,762,544)	736,009,925	-0.2%
1996	38,552,876	(38,546,098)	(2,644,413)	(858,258)	(42,048,769)	(3,495,893)	847,339,136	-0.4%
1997	40,157,287	(39,522,935)	(2,590,766)	(832,223)	(42,945,924)	(2,788,637)	1,001,037,886	-0.3%
1998	47,411,761	(43,706,492)	(2,671,933)	(789,830)	(47,168,255)	243,506	1,133,469,244	0.0%
1999	49,158,925	(46,120,317)	(2,877,423)	(944,654)	(49,942,394)	(783,469)	1,262,584,076	-0.1%
2000	53,571,777	(53,583,271)	(2,788,019)	(1,015,549)	(57,386,839)	(3,815,062)	1,405,246,440	-0.3%
2001	54,522,507	(57,740,914)	(3,127,841)	(1,099,331)	(61,968,086)	(7,445,579)	1,290,662,140	-0.6%
2002	56,415,165	(67,482,482)	(2,743,408)	(1,066,309)	(71,292,199)	(14,877,034)	1,165,369,565	-1.3%
2003	60,210,068	(72,044,977)	(1,729,764)	(1,056,611)	(74,831,352)	(14,621,284)	1,175,258,478	-1.2%
2004	63,655,362	(77,153,054)	(5,800,100)	(1,513,788)	(84,466,942)	(20,811,580)	1,374,679,677	-1.5%
2005	64,072,881	(84,498,130)	(2,733,407)	(2,086,849)	(89,318,386)	(25,245,505)	1,530,194,427	-1.6%
2006	65,577,828	(91,818,092)	(2,697,308)	(1,484,591)	(95,999,991)	(30,422,163)	1,720,324,948	-1.8%

[1] Column (2) includes employee assessments and employer contributions, as well as any purchased service credits during the year.
[2] Column (7) = Column (2) - Column (6).

Actuarial Balance Sheet

	July 1, 2006 (1)	July 1, 2005 (2)
A. Assets		
1. Current assets		
a. At market value	$ 1,720,324,948	$ 1,530,194,427
b. Adjustment for actuarial value	(156,366,993)	(60,455,081)
c. Actuarial value of assets	$ 1,563,957,955	$ 1,469,739,346
2. Actuarial present value of future contributions		
a. Member assessments	$ 257,971,295	$ 254,250,310
b. Employer normal costs	118,500,362	116,791,113
c. Unfunded actuarial accrued liability	509,922,448	495,455,605
d. Total	$ 886,394,105	$ 866,497,028
3. Total (1c + 2d)	$ 2,450,352,060	$ 2,336,236,374
B. Liabilities - present value of future benefits		
1. Retirees and beneficiaries	$ 929,118,013	$ 820,800,623
2. Inactive members	50,452,430	46,955,107
3. Active members	1,470,781,617	1,468,480,644
4. Total	$ 2,450,352,060	$ 2,336,236,374

Solvency Test

	July 1, 2006 (1)	July 1, 2005 (2)
1. Actuarial accrued liability (AAL)		
a. Active member contributions	$ 504,416,676	$ 498,218,648
b. Retirees and beneficiaries	929,118,013	820,800,623
c. Active and inactive members (employer financed)	640,345,714	646,175,680
d. Total	$ 2,073,880,403	$ 1,965,194,951
2. Actuarial value of assets	$ 1,563,957,955	$ 1,469,739,346
3. Cumulative portion of AAL covered		
a. Active member contributions	100.0%	100.0%
b. Retirees and beneficiaries	100.0%	100.0%
c. Active and inactive members (employer financed)	20.4%	23.3%

Distribution of Active Members by Age and by Years of Service

Attained Age	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 20	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20-24	22	100	25	0	1	0	0	0	0	0	0	0	148
	13,224	26,738	30,294	0	21,291	0	0	0	0	0	0	0	$25,293
25-29	56	191	244	167	127	133	0	0	0	0	0	0	918
	13,591	27,402	29,551	30,893	32,093	32,837	0	0	0	0	0	0	$29,202
30-34	17	65	73	69	66	579	84	0	0	0	0	0	953
	19,294	28,827	30,948	31,914	33,805	35,341	36,771	0	0	0	0	0	$34,045
35-39	16	48	43	42	58	350	479	102	0	0	0	0	1,138
	14,854	25,945	33,540	33,094	36,385	37,131	40,930	44,331	0	0	0	0	$38,268
40-44	11	34	45	28	40	214	230	469	133	0	0	0	1,204
	13,299	29,707	29,340	30,296	32,238	37,801	41,550	44,949	46,393	0	0	0	$41,123
45-49	14	30	28	28	36	171	190	262	425	203	2	0	1,389
	14,020	30,275	30,788	32,437	32,562	37,150	41,851	44,958	46,751	45,616	49,253	0	$42,734
50-54	12	33	30	23	34	157	172	244	270	624	232	0	1,831
	19,792	29,650	29,850	34,782	34,575	37,328	42,174	44,359	47,399	48,423	48,816	0	$44,983
55-59	9	19	24	20	23	139	127	194	244	261	341	75	1,476
	15,889	27,594	36,429	35,912	40,735	37,837	40,962	45,023	47,930	49,721	51,650	53,102	$46,518
60-64	9	8	1	4	8	47	42	65	85	70	42	70	451
	18,014	26,416	23,283	39,037	32,286	34,986	39,852	43,186	46,123	47,143	55,666	53,692	$44,907
65 & Over	2	1	2	2	1	9	6	12	14	8	8	12	77
	19,179	14,800	18,197	39,578	29,495	35,118	37,456	41,161	46,516	45,009	54,015	63,829	$44,705
Total	168	529	515	383	394	1,799	1,330	1,348	1,171	1,166	625	157	9,585
	$15,126	$27,739	$30,449	$32,014	$33,758	$36,325	$41,020	$44,689	$47,057	$48,125	$50,890	$54,185	$40,703

Schedule of Retired Members by Type of Benefit

Type of Benefit/ Form of Payment	Number	Annual Benefits Amount	Average Monthly Benefit
(1)	(2)	(3)	(4)
Service :			
Straight Life	2,549	$ 32,781,535	$ 1,072
100% J&S	1,570	33,721,281	1,790
50% J&S	408	8,242,745	1,684
5 Years C&L	34	428,002	1,049
10 Years C&L	157	2,316,103	1,229
20 Years C&L	28	524,316	1,560
Level	567	13,190,874	1,939
Subtotal:	5,313	$ 91,204,855	1,431
Disability:			
Straight Life	66	$ 764,686	$ 966
100% J&S	11	123,721	937
50% J&S	4	40,136	836
5 Years C&L	2	25,253	1,052
10 Years C&L	1	7,992	666
20 Years C&L	1	9,663	805
Level	0	0	0
Subtotal:	85	$ 971,449	952
Beneficiaries			
Straight Life	475	$ 5,476,582	$ 961
5 Years Certain Only	8	56,136	585
10 Years Certain Only	12	87,321	606
20Years Certain Only	0	0	0
Subtotal:	495	$ 5,620,039	946
Total:	5,893	$ 97,796,343	$ 1,383

Schedule of Retired Members by Monthly Benefit

Monthly Benefit Amount (1)	Total (2)	Female (3)	Male (4)
Under $100	46	38	8
$ 100 - 199	125	87	38
200 - 299	189	133	56
300 - 399	271	228	43
400 - 499	289	241	48
500 - 599	301	241	60
600 - 699	309	257	52
700 - 799	254	208	46
800 - 899	195	154	41
900 - 999	228	170	58
1000 - 1199	542	383	159
1200 - 1399	492	320	172
1400 - 1599	498	287	211
1600 - 1799	449	271	178
1800 - 1999	438	249	189
2000 - 2199	310	161	149
2200 - 2399	258	128	130
2400 - 2599	190	83	107
2600 - 2799	150	63	87
2800 - 2999	102	35	67
3000 & Over	257	60	197
Total	5,893	3,797	2,096

Summary of Assumptions and Methods

ACTUARIAL ASSUMPTIONS

1. Investment Return Rate ..... 8.00% per annum, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% real rate of return. (Adopted July 1, 1990; allocation between inflation and real rate of return modified July 1, 2000.)

2. Mortality Rates

   a. Post-Termination
   Non-Disabled ..... 1994 Uninsured Pensioner Mortality Table set back three years for males and two years for females. (Adopted July 1, 2005.)

   b. Post-Retirement
   Disabled..... Pension Benefit Guaranty Corporation Disabled Life Mortality Tables Va and VIa.

	Deaths per 100 Lives			
	Male Participants		Female Participants	
Age	Non-Disabled	Disabled	Non-Disabled	Disabled
20	.0463	4.83	.0293	2.63
25	.0598	4.83	.0313	2.63
30	.0782	3.62	.0338	2.37
35	.0902	2.78	.0454	2.14
40	.0958	2.82	.0643	2.09
45	.1346	3.22	.0943	2.24
50	.2042	3.83	.1297	2.57
55	.3455	4.82	.2051	2.95
60	.6001	6.03	.3612	3.31
65	1.0911	6.78	.7179	3.70
70	1.9391	7.39	1.2648	4.11

   c. Active Mortality..... 65% of non-disabled post-retirement mortality rates

3. Retirement Rates ..... The following rates of retirement are assumed for members eligible to retire. (Adopted July 1, 2005.)

	Retirements Per 100 Members			
	Unreduced Retirement Ultimate Rate*		Reduced Retirement	
Age	Male	Female	Male	Female
50	20.0%	25.0%	0.0%	0.0%
51	20.0%	25.0%	0.0%	0.0%
52	20.0%	25.0%	0.0%	0.0%
53	20.0%	25.0%	0.0%	0.0%
54	20.0%	25.0%	0.0%	0.0%
55	20.0%	25.0%	2.0%	1.5%
56	20.0%	25.0%	2.0%	1.5%
57	20.0%	25.0%	2.0%	1.5%
58	20.0%	25.0%	2.0%	1.5%
59	20.0%	20.0%	2.0%	1.5%
60	25.0%	25.0%	5.0%	2.0%
61	30.0%	30.0%	5.0%	2.0%
62	30.0%	50.0%	20.0%	10.0%
63	25.0%	25.0%	5.0%	5.0%
64	20.0%	50.0%	25.0%	20.0%
65	65.0%	50.0%	--	--
66	35.0%	30.0%	--	--
67	35.0%	30.0%	--	--
68	35.0%	30.0%	--	--
69	35.0%	30.0%	--	--
70	100.0%	100.0%	--	--

*If a member reaches eligibility for unreduced retirement under the rule of 85 before age 65, a retirement rate of 50.0% (for males) or 65.0% (for females) is used for that age only.

4. Disability Rates..... As shown below for selected ages. (Adopted July 1, 2000.)

Age	Disabilities Per 100 Members
20	0.016
25	0.016
30	0.016
35	0.016
40	0.048
45	0.080
50	0.128
55	0.224
60	0.432
65	0.000

5. Termination Rates..... 80% of the following withdrawal rates are used based on age and service, for causes other than death, disability, or retirement. (Adopted July 1, 2005.)

	Males										
	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	0.1420	0.1379	0.1366	0.1339	0.1220	0.1067	0.0896	0.0878	0.0860	0.0842	0.0598
30	0.1416	0.1376	0.1363	0.1336	0.1210	0.1053	0.0907	0.0889	0.0871	0.0853	0.0470
35	0.1359	0.1321	0.1308	0.1282	0.1141	0.0988	0.0867	0.0849	0.0832	0.0815	0.0343
40	0.1317	0.1280	0.1267	0.1243	0.1074	0.0928	0.0824	0.0808	0.0791	0.0775	0.0252
45	0.1282	0.1246	0.1234	0.1210	0.1002	0.0868	0.0777	0.0761	0.0746	0.0730	0.0196
50	0.1246	0.1211	0.1199	0.1176	0.0916	0.0809	0.0725	0.0710	0.0696	0.0681	0.0188
55	0.1444	0.1403	0.1390	0.1362	0.0974	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
60	0.1588	0.1544	0.1529	0.1499	0.1071	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
65	0.1747	0.1698	0.1681	0.1648	0.1178	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

	Females										
	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	0.1654	0.1607	0.1592	0.1560	0.1307	0.1119	0.0952	0.0806	0.0790	0.0774	0.0352
30	0.1373	0.1334	0.1321	0.1295	0.1107	0.0964	0.0836	0.0738	0.0723	0.0708	0.0312
35	0.1143	0.1110	0.1100	0.1078	0.0926	0.0820	0.0732	0.0672	0.0658	0.0645	0.0275
40	0.0978	0.0951	0.0941	0.0923	0.0779	0.0695	0.0637	0.0607	0.0595	0.0583	0.0242
45	0.0910	0.0885	0.0876	0.0859	0.0686	0.0593	0.0553	0.0545	0.0535	0.0524	0.0220
50	0.0967	0.0940	0.0931	0.0912	0.0670	0.0519	0.0480	0.0484	0.0475	0.0465	0.0227
55	0.1455	0.1414	0.1400	0.1373	0.0742	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
60	0.1885	0.1831	0.1814	0.1778	0.0907	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
65	0.2498	0.2428	0.2404	0.2357	0.1167	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

6. Salary Increase Rates..... Inflation rate of 3.00% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted July 1, 2005.)

Years of Service	Annual Step-Rate/ Promotional Component	Annual Total Salary Increase
0	9.50%	14.00%
1	3.50%	8.00%
2	3.25%	7.75%
3	3.00%	7.50%
4	2.75%	7.25%
5	2.50%	7.00%
6	2.25%	6.75%
7	2.00%	6.50%
8	1.75%	6.25%
9	1.50%	6.00%
10	1.25%	5.75%
11	1.00%	5.50%
12	1.00%	5.50%
13	1.00%	5.50%
14	0.75%	5.25%
15 or more	0.00%	4.50%

7. Payroll Growth Rate ..... 2.00% per annum. This assumption does not include any allowance for future increase in the number of members. (Adopted July 1, 2005.)

8. Percent Married..... For valuation purposes 75% of members are assumed to be married. Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. (Adopted July 1, 1992.)

9. Percent Electing a Deferred Termination Benefit..... Terminating members are assumed to elect the most valuable benefit at the time of termination. Termination benefits are assumed to commence at the first age at which unreduced benefits are available. (Adopted July 1, 1990.)

10. Provision for Expense ..... The assumed investment return rate represents the anticipated net rate of return after payment of all administrative and investment expenses. (Adopted July 1, 1992.)

ASSET VALUATION METHOD

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (or less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The actual investment return for this purpose is determined net of all investment and administrative expenses.

ACTUARIAL COST METHOD

The GASB Annual Required Contribution (ARC) is determined using the Entry Age Normal actuarial cost method. This method assigns the plan's total actuarial present value of future benefits to various periods. The actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are assigned to future years.

The normal cost rate is determined as a level percentage of payroll for a hypothetical group of new entrants, based on the characteristics (age at hire, sex, pay at hire) of actual new members joining TFFR during FY 2000 through FY 2004. Entry age is determined as the age at member's enrollment in TFFR. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets.

AMORTIZATION PERIOD AND METHOD

The GASB Annual Required Contribution (ARC) is determined as the sum of (a) the employer normal cost rate, and (b) a level percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. If the calculated ARC is less than the 7.75% statutory employer contribution rate, the 7.75% rate will be treated as the ARC. The 30-year period is an open period, and does not decrease in subsequent valuations.

Summary of Benefit Provisions

1. Effective Date: July 1, 1971.

2. Plan Year: Twelve-month period ending June 30th.

3. Administration: The Teachers' Fund for Retirement (TFFR) is administered by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although the TFFR Board establishes the asset allocation policy. The Retirement and Investment Office is the administrative agency for TFFR.

4. Type of Plan: TFFR is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple employer Public Employee Retirement System.

5. Eligibility: All certified teachers of any public school in North Dakota participate in TFFR. This includes teachers, supervisors, principals, administrators, etc. Non-certified employees such as teacher's aides, janitors, secretaries, drivers, etc. are not allowed to participate in TFFR. Eligible employees become members at their date of employment.

6. Employee Assessments: All active members contribute 7.75% of their salary per year. The employer may "pick up" the member's assessments under the provisions of Internal Revenue Code Section 414(h).

7. Salary: The member's total earnings are used for salary purposes, including overtime, etc., and including nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick and vacation leave.

8. Employer Contributions: The district or other employer which employs a member contributes 7.75% of the member's salary.

9. Service: Employees receive credit for service while a member. A member may also purchase credit for certain periods, such as time spent teaching at a public school in another state, by paying the actuarially determined cost of the additional service. Special rules and limits govern the purchase of additional service.

10. Final Average Compensation (FAC): The average of the member's highest three plan year salaries. Monthly benefits are based on one-twelfth of this amount.

11. Normal Retirement

    a. Eligibility: A member may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 85.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service.

    c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's assessments plus interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

12. Early Retirement

    a. Eligibility: A member may retire early after reaching age 55 with credit for three years of service.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service, multiplied by a factor which reduces the benefit 6% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 85.

    c. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

    a. Eligibility: A member is eligible provided he/she has credit for at least one year of service.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service.

    c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's assessments plus interest as of the date of retirement that is in excess of the sum of payments already received will be paid in a lump sum to the member's beneficiary.

d. All alternative forms of payment are also permitted in the case of disability retirement. Disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.

14. Deferred Termination Benefit

a. Eligibility: A member with at least three years of service who does not withdraw his/her contributions from the fund is eligible for a deferred termination benefit.

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the rule of 85 is met (age plus service equals 85). Reduced benefits may commence at or after age 55 if the member is not eligible for an unreduced benefit.

c. Payment Form: The form of payment is the same as for Normal Retirement above.

d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below in 16b.

15. Withdrawal (Refund) Benefit

a. Eligibility: All members leaving covered employment with less than three years of service are eligible. Optionally, vested members (those with three or more years of service) may withdraw their assessments plus interest in lieu of the deferred benefits otherwise due.

b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee assessments, plus the interest credited on these contributions. Interest is credited at 6%.

16. Death Benefit

    a. Eligibility: Death must have occurred while an active or an inactive, non-retired member.

    b. Benefit: Upon the death of a nonvested member, a refund of the member's assessments and interest is paid. Upon the death of a vested member, the beneficiary may elect (i) the refund benefit above, (ii) payment for 60 months of the normal retirement benefit, based on FAC and service determined at the date of death, or (iii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. Members not eligible for normal retirement benefits under Option One use the Fund's disability reduction tables.

17. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

    a. Option 1 - A life annuity payable while either the participant or his beneficiary is alive, "popping-up" to the original life annuity if the beneficiary predeceases the member.

    b. Option 2 - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary, and "popping-up" to the original life annuity if the beneficiary predeceases the member.

    c. Option 3a - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)

    d. Option 3b - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 240 payments (twenty years), the payments will be continued to a beneficiary for the balance of the twenty-year period. (This option replaced Option 3a effective August 1, 2003.)

    e. Option 4 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 120 payments (10 years), the payments will be continued to a beneficiary for the balance of the ten-year period.

f. Option 5 - A nonlevel annuity payable to the member, designed to provide a level total income when combined with the member's Social Security benefit.

In addition, members may elect a partial lump-sum option (PLSO) at retirement. Under this option, a member receives an immediate lump-sum equal to 12 times the monthly life annuity benefit and a reduced annuity. The reduction is determined actuarially. The member can then elect to receive the annuity benefit in one of the other optional forms, except that members who receive a PLSO may not elect Option 5 – the level income option. The PLSO is not available to disabled retirees or retirees who are not eligible for an unreduced retirement benefit

Actuarial equivalence is based on tables adopted by the Board of Trustees.

18. Cost-of-living Increase: From time to time, TFFR has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

Summary of Plan Changes

1991 Legislative Session:

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.

2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1991. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:

    a. $3 per year of service for retirements before 1980
    b. $2 per year of service for retirements between 1980 and 1983
    c. $1 per year of service for retirements from 1984 through June 30, 1991

    Minimum increase is $5 per month. Maximum increase is $75 per month.

1993 Legislative Session:

1. Benefit multiplier increased from 1.39% to 1.55% for all future retirees.

2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1993. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:

    a. $3 per year of service for retirements before 1980
    b. $2.50 per year of service for retirements between 1980 and 1983
    c. $1 per year of service for retirements from 1984 through June 30, 1993

    Minimum increase is $5 per month. Maximum increase is $100 per month.

3. Minimum retirement benefit increased to $10 times years of service up to 25, plus $15 times years of service greater than 25. (Previously was $6 up to 25 years of service plus $7.50 over 25 years of service.)

4. Disability benefit changed to 1.55% of FAC times years of service using a minimum of 20 years of service.

1995 Legislative Session:

There were no material changes made during the 1995 legislative session.

1997 Legislative Session:

1. Benefit multiplier increased from 1.55% to 1.75% for all future retirees.

2. Member assessment rate and employer contribution rate increased from 6.75% to 7.75%.

3. A $30.00/month benefit improvement was granted to all retirees and beneficiaries.

1999 Legislative Session:

1. Active members will now be fully vested after three years (rather than five years) of service.

2. Early retirement benefits will be reduced 6% per year from the earlier of (i) age 65, or (ii) the date as of which age plus service equals 85 (rather than from age 65 in all cases).

3. An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional $2.00 per month for each year of service plus $1.00 per month for each year since the member's retirement.

4. The formula multiplier was increased from 1.75% to 1.88% effective July 1, 1999.

2001 Legislative Session:

1. An ad hoc COLA was provided for all retirees and beneficiaries. The ad hoc COLA increase is equal to an additional $2.00 per month for each year of service plus $1.00 per month for each year since the member's retirement. Retirees and beneficiaries will also receive two additional increases equal to 0.75% times the monthly benefit, payable July 1, 2001 and July 1, 2002. The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase.

2. The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

2003 Legislative Session:

1. Partial lump-sum option adopted, equal to twelve times the monthly life annuity benefit. Not available if level-income option is elected. Not available for reduced retirement or disability retirement.

2. Five-year certain and life option replaced with 20-year certain and life. This does not impact retirees who retired under the five-years certain and life option.

3. Employer service purchase authorized.

4. Active members of the Department of Public Instruction are permitted to make a one-time irrevocable election to transfer to the North Dakota Public Employees Retirement System in FY2004. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be based on the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance if larger.

2005 Legislative Session:

There were no material changes made during the 2005 legislative session.

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used it two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Margin: The difference, whether positive or negative, between the statutory employer contribution rate and the Annual Required Contribution (ARC), determined under parameters set by the Board of Trustees, as constrained by GASB 25.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.