



Public Employees Retirement Association of New Mexico

Annual Actuarial Valuation
June 30, 2005

December 16, 2005

The Retirement Board
Public Employees Retirement Association
Santa Fe, New Mexico

Dear Board Members:

This report contains the results of an actuarial valuation of the statutory obligations associated with PERA benefits and their relationship to the Association's statutory funding resources.

The valuation was made as of June 30, 2005 using financial and individual people information furnished by the Association.

The report is divided into parts and sections as follows:

- **Section 1** Purpose of the Valuation, Valuation Results, Comments and Conclusions
- **Section 2** Summary of Financial and People Information
- **Section 3** Summary of Benefit Provisions
- **Section 4** Summary of Actuarial Cost Methods, Estimates of Future Fiscal and People Activities, and Definitions of Technical Terms
- **Section 5** Information for Governmental Accounting Standards Board Statements
No. 25

This report was prepared under the supervision of a Member of the American Academy of Actuaries with significant experience valuing public employee retirement plans.

Respectfully submitted,

Kenneth G. Alberts

Norman S. Losk, FSA

KGA:lr

TABLE OF CONTENTS

Section 1 – Purpose of Valuation, Valuation Results, Comments and Conclusions

Purpose of the Actuarial Valuation	1
Statutory Obligations	2
Sources of Funding	3
Sources of Obligations	4
Statutory Obligations by Division	5
Statutory Contribution Rates	6
Utilization of Contribution Rates	7
Funding Progress Indicators	9
Comments	11
Conclusions	12
Statutory Reserve Transfers	13
Experience Gain/Loss	14

Section 2 - Summary of Financial and People Information Used for the Valuation

Fiscal Information	15
Funding Value of Assets	16
Allocation of Assets by Division	17
Retirants and Beneficiaries	18
Former Members	22
Active Members	23

Section 3 - Summary of Benefit Provisions

Benefit Provision Summary	33
Contribution Rates	37

Section 4 - Description of Actuarial Cost Methods Summary of Estimates of Future Experience Used for the Valuation

Definitions of Technical Terms

Actuarial Cost Methods	38
Experience Estimates	39
Miscellaneous and Technical Assumptions	47
Definitions	48

Section 5 – Disclosures and Supplementary Information Required by Statement No. 25 of the Governmental Accounting Standards Board

Required Supplementary Information	50
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Section 1

Purpose of Valuation
Valuation Results
Comments and Conclusions

PURPOSE OF THE ACTUARIAL VALUATION

PERA statutory obligations are:

- pension payments to current and future retired members, vested former members and survivor pension beneficiaries
- refunds of member contributions to non-vested former members
- administrative and investment expenses incurred in the operation of PERA

PERA statutory funding resources are:

- member contributions (fixed statutory rates)
- affiliated public employer contributions (fixed statutory rates)
- investment earnings of PERA assets

The basic funding objective of PERA is to avoid transfers of the cost of statutory obligations between generations of taxpayers. This objective will be realized if the PERA funding resources are sufficient to finance:

- costs allocated to the current year attributable to service rendered by PERA members in the current year (Normal Cost)
- costs allocated to prior years attributable to service rendered by PERA members in prior years (Unfunded Actuarial Accrued Liability)

Board policy is to finance unfunded actuarial accrued liability over a period not to exceed 30 years. This policy was adopted in October of 1996.

The actuarial valuation measures: (1) the relationship between PERA obligations and funding resources to determine if the funding objective is being met; and (2) the contribution rate needed to comply with the 30 year objective for financing the unfunded actuarial accrued liability.

PERA STATUTORY OBLIGATIONS -- JUNE 30, 2005

The statutory obligations of PERA were calculated to have an actuarial present value of \$13,877,750,029 on June 30, 2005. The funding value of PERA assets available to meet these obligations totaled \$9,997,484,609.

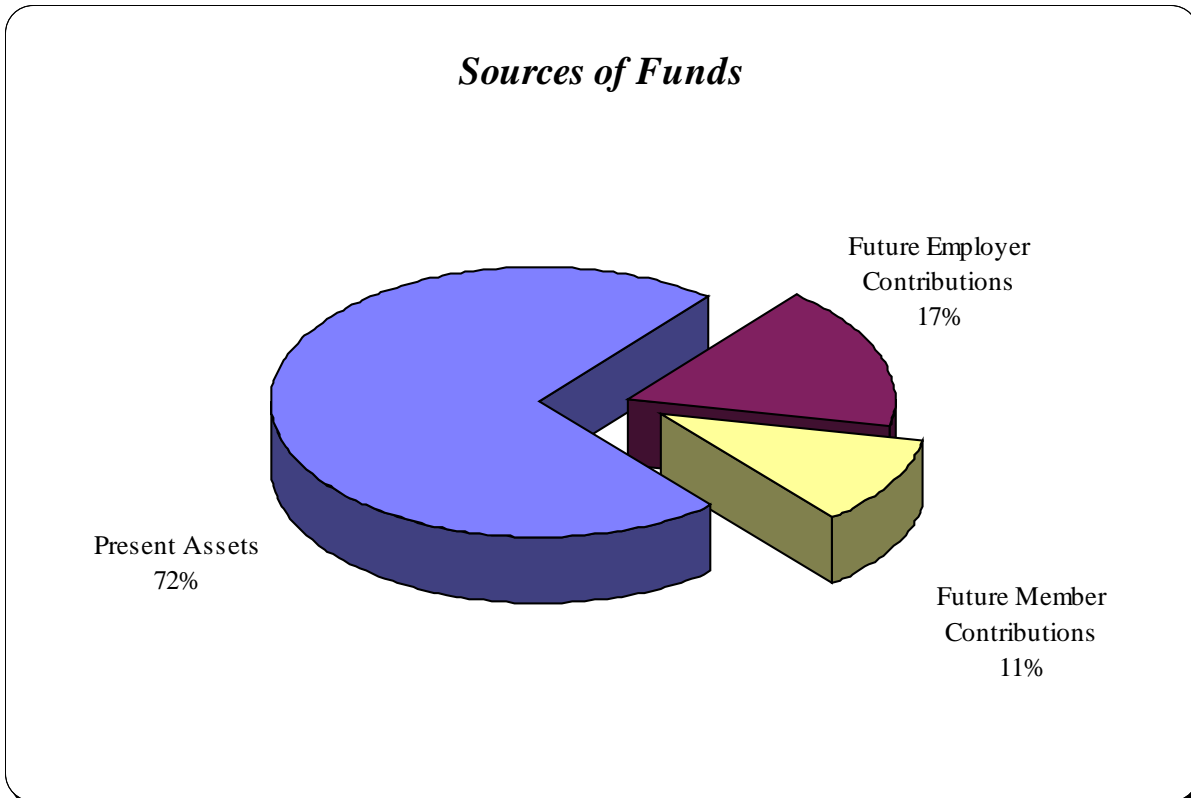
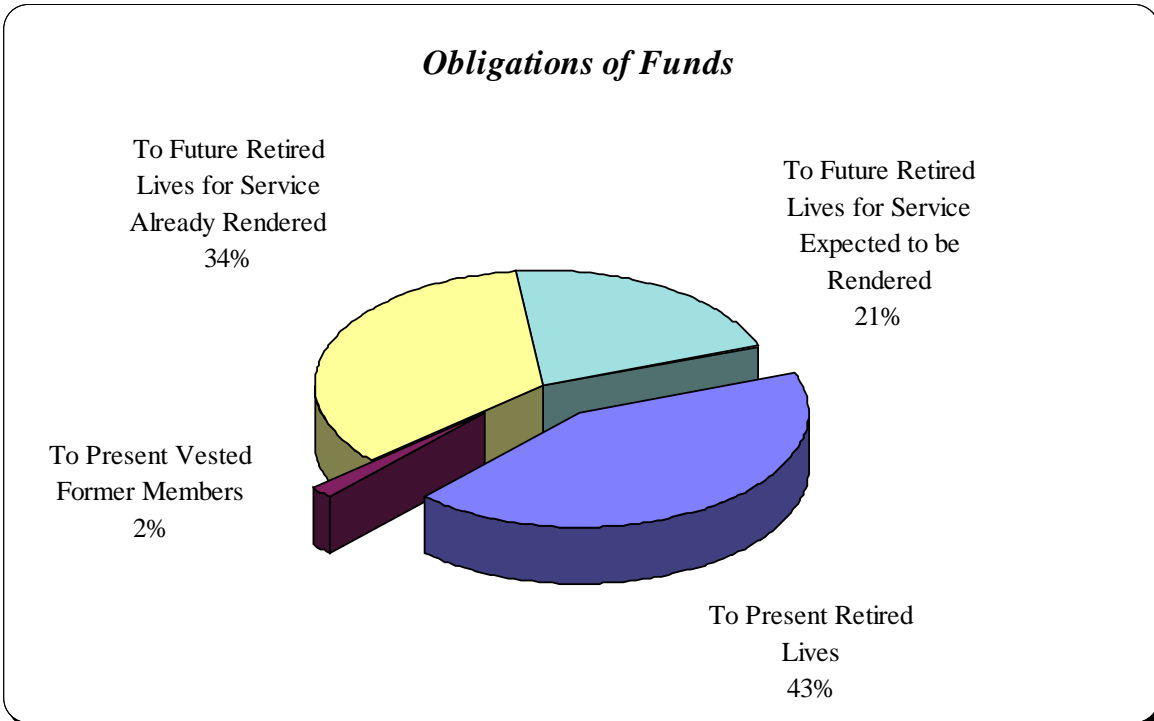
	Actuarial Accrued Liability	Future Normal Cost	Actuarial Present Value of Statutory Obligations
Retired Members	\$ 5,916,796,608	none	\$ 5,916,796,608
Vested Former Members	215,007,326	none	215,007,326
Active Members	4,770,964,842	\$2,974,981,254	7,745,946,096
Total Actuarial Obligation	\$10,902,768,775	\$2,974,981,254	\$13,877,750,029
Less Funding Value of Assets @	\$ 9,997,484,610		
Unfunded Actuarial Accrued Liability	\$ 905,284,165		

@ Currently, the market value of assets exceeds the actuarial value (AV) by \$111,509,929. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a 4-year period (see page 16).

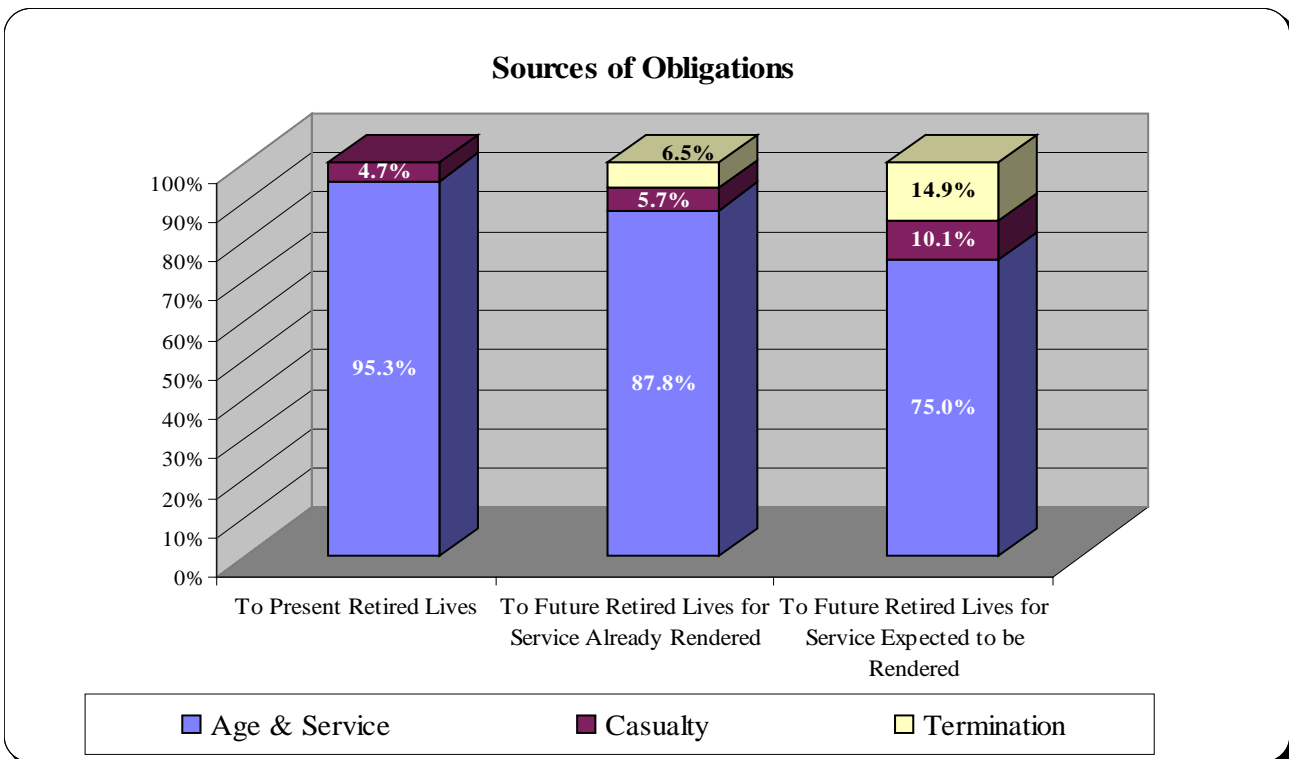
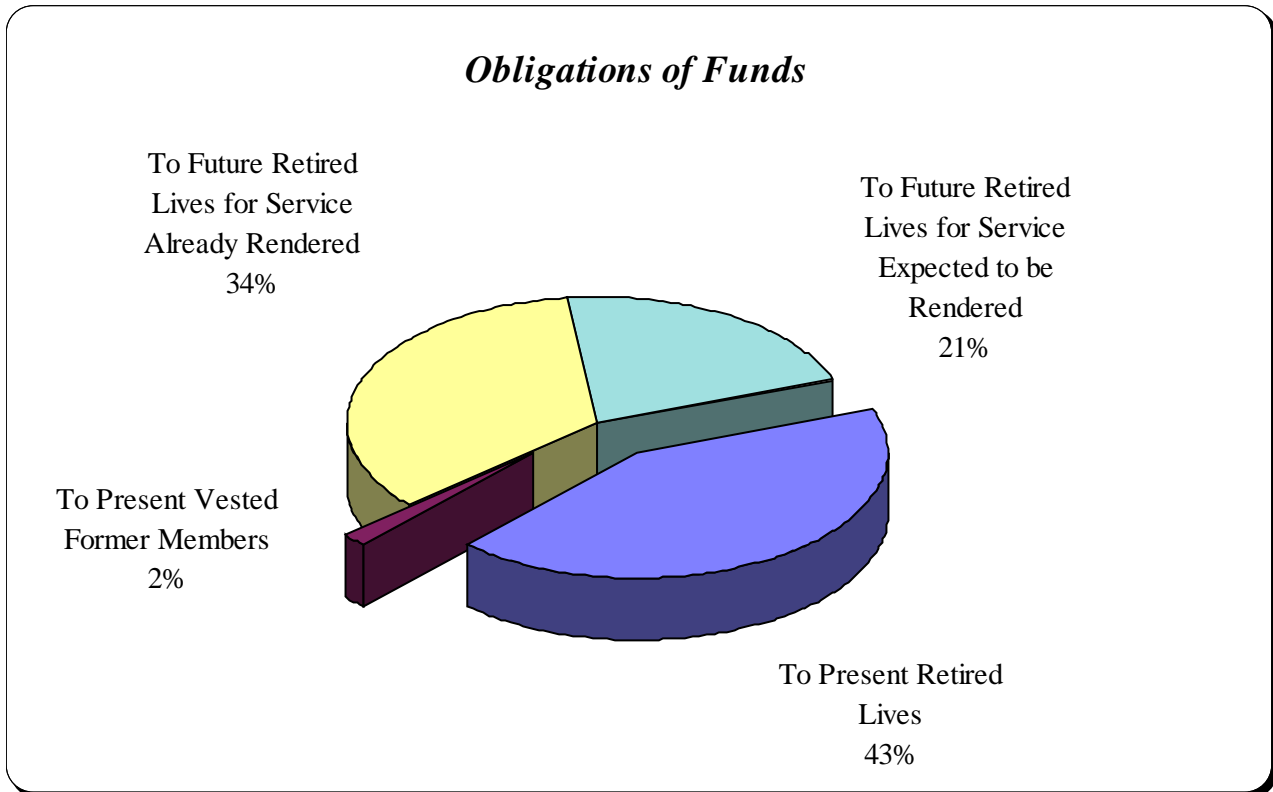
Derivation of the funding value of assets is shown on page 16.

The report excludes Legislative Division reported assets of \$11,149,825 (\$11,026,880 funding value) and the corresponding statutory obligations. An actuarial valuation of Legislative assets and statutory obligations is detailed in a separate report.

**STATUTORY OBLIGATIONS AND SOURCES OF FUNDS
JUNE 30, 2005**



STATUTORY OBLIGATIONS JUNE 30, 2005



ACTUARIAL PRESENT VALUE OF STATUTORY OBLIGATIONS BY DIVISION JUNE 30, 2005

The actuarial present value of statutory obligations and funding value of assets, by PERA division, is as follows:

Division and Coverage Plans	Accrued Liability		Future Normal Cost	APV of Statutory Obligations	Assets @
	Retired	Active*			
STATE DIVISION					
General coverage plan	\$2,766,461,744	\$2,233,128,824	\$1,153,934,660	\$ 6,153,525,229	\$4,182,402,262
Less Funding Value of Assets	2,766,461,744	1,415,940,518			
Unfunded Act. Accr. Liab	none	817,188,307			
Police/Corrections coverage plan	253,559,215	249,778,688	142,441,088	645,778,991	712,970,765
Less Funding Value of Assets	253,559,215	459,411,550			
Unfunded Act. Accr. Liab	none	(209,632,862)			
MUNICIPAL DIVISION					
General coverage plan	1,631,538,147	1,637,987,026	991,383,615	4,260,908,788	3,187,083,937
Less Funding Value of Assets	1,631,538,147	1,555,545,790			
Unfunded Act. Accr. Liab	none	82,441,236			
Police coverage plan	780,263,875	570,194,235	438,801,791	1,789,259,901	1,281,973,844
Less Funding Value of Assets	780,263,875	501,709,969			
Unfunded Act. Accr. Liab	none	68,484,266			
Fire coverage plan	484,973,626	294,883,395	248,420,100	1,028,277,121	633,053,802
Less Funding Value of Assets	484,973,626	148,080,176			
Unfunded Act. Accr. Liab	none	146,803,219			
PERA TOTALS					
All coverage plans	\$5,916,796,608	\$4,985,972,168	\$2,974,981,254	\$13,877,750,029	\$9,997,484,610
Less Funding Value of Assets	5,916,796,608	4,080,688,002			
Unfunded Act. Accr. Liab	none	\$905,284,165			

* Including vested former members.

@ Currently, the market value of assets exceeds the actuarial value (AV) by \$111,509,929. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a 4-year period (see page 16).

STATUTORY CONTRIBUTION RATES

PERA member and employer contribution rates are defined by statute in terms of percents of active member payroll. The following rates were in effect on June 30, 2005:

Division and Coverage Plan	Contribution Rates	
	Member	Employer
STATE DIVISION		
General coverage Plan 3	7.42%	16.59%
Police and Adult Corrections Plan 1	7.60	25.10
Hazardous Duty (Juvenile Correctional Officer) Plan 2	4.78	25.72
Weighted average for Police/Corrections*	7.26	25.17
MUNICIPAL DIVISION		
General coverage Plans		
Plan 1	7.00	7.00
Plan 2	9.15	9.15
Plan 3	13.15	9.15
Plan 4	15.65	11.65
Detention Officer Plan 1	16.65	16.65
Weighted average*	11.50	9.22
Police coverage Plans		
Plan 1	7.00	10.00
Plan 2	7.00	15.00
Plan 3	7.00	18.50
Plan 4	12.35	18.50
Plan 5	16.30	18.50
Weighted average*	15.45	18.12
Fire coverage Plans**		
Plan 1	8.00	11.00
Plan 2	8.00	17.50
Plan 3	8.00	21.25
Plan 4	12.80	21.25
Plan 5	16.20	21.25
Weighted average*	16.07	21.18

* PERA financial records do not provide an asset breakdown by coverage plan which necessitates the use of a weighted average contribution rate for the purpose of comparing assets to the actuarial accrued liability and determining the financing period for the unfunded actuarial accrued liability.

** These contribution rates include the 1% increase pursuant to 1998 legislation.

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2005 STATE DIVISION

The following schedule indicates utilization of the member and employer funding resource in meeting the actuarial present value of PERA statutory obligations and the financing period applicable to the unfunded actuarial accrued liability.

	General	Police/Corrections
FUNDING RESOURCE		
Members	7.42%	7.21%
Affiliated Public Employers	16.59%	25.19%
Total Funding Resource (Weighted Average)	24.01%	32.40%
UTILIZATION OF FUNDING RESOURCE		
Normal Cost:		
Age & Service	15.78%	19.44%
Disability	0.79%	2.15%
Pre-Retirement Survivors	1.09%	1.16%
Refunds	1.03%	0.76%
Total Normal Cost	18.69%	23.51%
Unfunded Actuarial Accrued Liability	5.32%	8.89%
Total Utilized	24.01%	32.40%

UNFUNDED ACTUARIAL ACCRUED LIABILITY

FINANCING PERIOD*

Current Valuation	35 years	# years
Last Year's Valuation	51 years	# years
From 6/30/1990 Valuation	65 years	20 years
Change Since Last Year's Valuation	-16 years	+ years**

FUNDING POLICY OBJECTIVE@

0.44%

0.00%

* The number of years required to fund the unfunded actuarial accrued liability based on current statutory contribution rates and allocation of liability to accrued service in accordance with the individual entry-age actuarial cost method.

@ The additional percent-of-payroll funding resource needed to finance the unfunded actuarial accrued liability over 30 years.

There was no unfunded actuarial accrued liability in the Police/Corrections division.

** Change is not measurable - only direction of change can be determined (i.e., positive or negative).

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2005 MUNICIPAL DIVISION

The following schedule indicates utilization of the member and employer funding resource in meeting the actuarial present value of PERA statutory obligations and the financing period applicable to the unfunded actuarial accrued liability.

	General	Police	Fire
FUNDING RESOURCE			
Members	12.07%	15.36%	15.97%
Affiliated Public Employers	9.34%	18.14%	21.10%
Total Funding Resource (Weighted Average)	21.41%	33.50%	37.07%
UTILIZATION OF FUNDING RESOURCE			
Normal Cost:			
Age & Service	15.19%	26.09%	26.98%
Disability	0.83%	1.47%	0.87%
Pre-Retirement Survivors	1.28%	1.12%	1.28%
Refunds	1.59%	1.19%	0.67%
Total Normal Cost	18.89%	29.87%	29.80%
Unfunded Actuarial Accrued Liability	2.52%	3.63%	7.27%
Total Utilized	21.41%	33.50%	37.07%
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
FINANCING PERIOD*			
Current Valuation	6 years	16 years	58 years
Last Year's Valuation	# years	# years	43 years
From 6/30/1990 Valuation	43 years	91 years	90 years
Change Since Last Year's Valuation	+ years**	+ years**	15 years
FUNDING POLICY OBJECTIVE@			
	0.00%	0.00%	2.58%

* The number of years required to fund the unfunded actuarial accrued liability based on current statutory contribution rates and allocation of liability to accrued service in accordance with the individual entry-age actuarial cost method.

@ The additional percent-of-payroll funding resource needed to finance the unfunded actuarial accrued liability over 30 years.

** Change is not measurable - only direction of change can be determined (i.e., positive or negative).

There was no unfunded actuarial accrued liability in the Municipal General and Municipal Police divisions.

FUNDING PROGRESS

No all-encompassing measure of funding progress and funded status exists. The schedule on the next page shows four indicators. It is important to keep the *Interpretive Note* in mind when assessing the indicators for prior years.

First Indicator - The trend in the financing period for the unfunded actuarial accrued liability. The financing period is expected to remain steady or slowly decrease in the absence of benefit enhancements.

Second Indicator – Prior to 1999, the ratio of assets available to finance benefits to the actuarial present value of credited projected benefits (APVCPB). The APVCPB is independent of the actuarial cost method selected to implement the PERA basic funding objective and was the basis of the Pension Benefit Obligation used for financial reporting under Statement No. 5, Governmental Accounting Standards Board. Beginning in 1999, the actuarial accrued liability (AAL) based on the entry-age actuarial cost method used for funding purposes is used rather than the APVCPB. This is in conformance with Statement No. 25 of the Governmental Accounting Standards Board, which supercedes Statement No. 5.

The ratio is expected to remain steady or slowly increase in the absence of benefit enhancements.

Third Indicator - The ratio of the unfunded actuarial accrued liability (UAAL) to active member payroll. Under the PERA basic funding objective, the UAAL is controlled in terms of inflation-adjusted dollars and should not increase in relationship to active member payroll in the absence of benefit enhancements or a diminishing work force size.

Fourth Indicator - The experience gain (loss) realized during the year preceding the actuarial valuation, expressed as a percent of the actuarial accrued liability at the beginning of the year. Gains and losses are expected to offset each other over long periods of time.

Interpretive Note - *PERA benefits have undergone a long series of legislated enhancements. Each time benefits were enhanced the funded status of PERA was diminished because the benefit obligation was immediately increased but the offsetting assets were only gradually increased by the higher contributions of members and/or affiliated public employers. A similar diminishment occurs each time a previously legislated coverage plan is adopted by an affiliated public employer.*

FUNDING PROGRESS INDICATORS -- HISTORICAL COMPARISON
(DOLLAR AMOUNTS IN THOUSANDS)

Valuation Date	FIRST INDICATOR	Funding Value of Assets	SECOND INDICATOR			Valuation Payroll	THIRD INDICATOR	FOURTH INDICATOR
	Financing Period #		Percent Funded	UAAL	Payroll Ratio		Experience Gain (Loss)	
1978	18 yrs.	\$ 270,782	\$ 287,716	94%	\$ 16,934	\$ 257,423	7%	%
1979	19	309,046	356,894	87	47,848	281,849	17	
1980	20	355,247	420,874	84	65,627	317,301	21	
1981	57	422,581	644,489	66	221,908	375,226	59	
1982	31	510,426	753,770	68	243,344	416,655	58	
1983	32	636,764	921,331	69	284,567	465,053	61	
1984	29	763,783	1,020,245	75	256,462	485,408	53	
1985	45	899,133	1,280,402	70	381,269	584,280	65	
1986	45	1,077,411	1,431,839	75	354,428	572,685	62	
1987*								
1988	55	1,447,499	1,937,662	75	490,163	644,664	76	
1989	63	1,649,238	2,207,009	75	557,771	682,245	82	(1.9)
1990	57	1,865,707	2,472,000	75	606,294	760,639	80	(1.3)
1991	57	2,104,450	2,730,199	77	625,749	825,006	76	0.2
1992	50	2,399,346	2,981,655	80	582,309	843,915	69	2.7
1993	40	2,696,511	3,202,244	84	505,733	909,242	56	1.7
1994	43	2,974,816	3,641,320	82	666,504	943,330	71	(1.6)
1995	38	3,364,452	4,240,843	79	876,391	1,043,575	84	(0.9)
1996	40	3,845,138	4,688,085	82	842,947	1,098,636	77	2.2
1997	30	4,560,312	5,171,481	88	611,169	1,102,082	55	5.3
1998	13	5,487,476	5,604,745	98	117,269	1,146,991	10	10.5
1999	9	6,490,295	6,548,103	99	57,808	1,200,565	5	9.7
2000	4	7,522,348	7,112,380	106	(409,968)	1,253,305	(33)	6.4
2001	7	8,302,820	7,876,575	105	(426,245)	1,318,275	(32)	2.4
2002	10	8,763,444	8,498,752	103	(264,692)	1,396,209	(19)	(3.3)
2003**	17	8,971,081	9,215,945	97	244,864	1,437,357	17	(6.4)
2004	21	9,267,268	9,950,224	93	682,956	1,499,069	46	(5.1)
2005	13	9,798,339	10,639,908	92	841,569	1,607,839	52	(0.3)
2005***	16	9,997,485@@	10,902,769	92	905,284	1,607,839	56	0.4

* No actuarial valuation performed.

** Plan Change.

*** Assumption Changes.

In calculating this aggregate number, only assets up to the accrued liabilities for each division were considered.

@ Present value of credited projected benefits prior to 1999.

@@ Currently the market value of assets exceeds the actuarial value (AV) by \$111,509,929. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a 4-year period (see page 16).

COMMENT A – METHODS AND ASSUMPTIONS

Methods and assumptions used in the June 30, 2005 were changed from the prior valuation. The new methods and assumption were adopted by the Board in August, 2005 pursuant to the July 1, 2000 through June 30 2004 Experience Study, dated August 18, 2005. The changes include:

- Changes to the assumed rates of withdrawal;
- Changes to the assumed rates of disability;
- Changes to the assumed rates of retirement;
- Changes to the assumed rates of post-retirement mortality for disabled members;
- Changes to the assumed rate of merit and longevity pay increases;
- A decrease in the wage inflation assumption from 5.0% to 4.5%
- Restarting the funding method as of the beginning of the year (July 1, 2005).

These changes are discussed in detail in our August 18, 2005 Experience Study report and resulted in an increase in the unfunded actuarial accrued liability of approximately \$64 million (\$263 million due to change in accrued liability, plus -\$12 million due to asset restart, plus -\$187 million due to change in pattern of recognized investment gains and losses).

COMMENT B – EXPERIENCE

In aggregate, fund experience was more favorable than expected, producing an experience gain for the year ending June 30, 2005. The primary sources of gains were data changes, pay increases less than expected (for State General, State Police/Corrections and Municipal General), and investment return in excess of assumed (8.4% vs. 8.0%). Gains were partially offset by losses due retirements in excess of assumed and pay increases in excess of assumed (for Municipal Police and Municipal Fire).

The funding value of assets uses a smoothing technique that smoothes gains and losses out over a four year period. One quarter of this year's investment gain has been recognized in this year's funding value and one quarter of it will be recognized in each of the next three years. Since the funding value was reset this year, as part of the changes adopted as a result of the experience study, there are no prior gains or losses being recognized this year.

In aggregate, the system had an experience gain of \$43 million (or approximately 0.4% of beginning of year accrued liability).

COMMENT C – LOOK AHEAD

- Looking ahead to next year we can see we have a net gain of \$37 million for past investment gains scheduled to flow into the recognized gain/loss in next year's actuarial value of assets. Essentially this means that if the fund earns exactly 8% on investments during the 2005/2006 fiscal year and incurs no other liability gains or losses (an unlikely situation) then the June 30, 2006 valuation

results will show a small gain of approximately \$37 million. This will have a small upward impact on the funded status of the fund in the next valuation.

COMMENT D – DATA

This year, PERA underwent significant data cleansing. The result of this data cleansing was to more accurately account for members under the plans they were contributing in. This had the effect of reducing the average reported service for most divisions and increasing the average reported pays for the Municipal Police and Municipal Fire divisions.

Anomalies in the reported data discovered during the valuation process resulted in data being submitted to GRS for the June 30, 2005 valuation 3 times. In some areas, data is very different than that which has been submitted for previous valuations. We understand that PERA is continuing to work on data cleansing. We have therefore increased active member liabilities by 4% as a reserve for future data uncertainties.

Two particular areas of concern are reported pays and credited service. These two items of data are significantly different than what has been reported in the past.

RECOMMENDATION

We recommend that PERA audit the active member pay fields and active member credited service fields to ensure that we are utilizing correct information in the valuation process.

CONCLUSIONS

Our conclusions based on the June 30, 2005 annual actuarial valuation of PERA are as follows:

- PERA funding status remained strong during the year ended June 30, 2005, with the aggregate funding ratio of accrued valuation assets to accrued liabilities at 92%. This is the measure used by Governmental Accounting Standards Board Statement No. 25 for financial reporting.
- PERA has an actuarial balance between resources and obligations.
- Future ability to properly monitor PERA's actuarial balance is dependent upon continued diligence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns.
- If PERA experiences significant experience losses over the next couple of years or if reported data changes substantially, a temporary increase in contribution rates may be necessary in order to prevent the overall PERA amortization period from exceeding the 30-year target established by Board policy and maintaining a strong funding status.

STATUTORY RESERVE TRANSFERS

NMSA 10-11-126.B. provides:

- B. Each year following receipt of the report of the annual actuarial valuation, the excess, if any, of the reported actuarial present value of pensions being paid and likely to be paid to retired members and survivor pension beneficiaries and residual refunds likely to be paid to refund beneficiaries of retired members and to survivor pension beneficiaries over the balance in the retirement reserve fund (RRF) shall be transferred to the retirement reserve fund from the employers accumulation fund (EAF).

Division	Reported Fund Balances**	Actuarial Present Value of Pensions Being Paid	Transfer
STATE GENERAL			
MCF*	\$ 583,146,453		
EAF	697,126,754		\$0
RRF	2,948,761,179	\$2,766,461,744	0
STATE POLICE/CORRECTIONS			
MCF	46,274,613		
EAF	303,566,441		0
RRF	371,079,052	253,559,215	0
MUNICIPAL GENERAL			
MCF	695,969,808		
EAF	698,190,035		0
RRF	1,828,458,814	1,631,538,147	0
MUNICIPAL POLICE			
MCF	192,945,781		
EAF	278,475,623		0
RRF	824,845,939	780,263,875	0
MUNICIPAL FIRE			
MCF	108,757,669		
EAF	29,851,594		0
RRF	501,502,838	484,973,626	0
TOTAL	\$10,108,952,593		

* *Members contribution fund.*

** *At market value.*

EXPERIENCE GAIN (LOSS) -- YEAR ENDED JUNE 30, 2005
(DOLLAR AMOUNTS IN THOUSANDS)

DERIVATION	State Division		Municipal Division			Totals
	General	Pol / H.D.	General	Police	Fire	
(1) UAAL at start of year	\$ 763,746	\$(163,660)	\$(15,269)	\$(12,226)	\$ 110,365	\$ 682,956
(2) Normal Cost for year (NC x Pays from 2004 val'n)	138,915	15,851	104,632	36,992	20,377	316,767
(3) EE and ER contributions (net of refunds)	(167,316)	(20,747)	(109,582)	(44,074)	(25,603)	(367,322)
(4) Interest Accrual	59,964	(13,289)	(1,419)	(1,261)	8,620	52,615
(5) Expected UAAL before changes	795,309	(181,845)	(21,638)	(20,569)	113,759	685,016
(6) Effect of assumption changes	106,103	(23,803)	113,427	42,022	25,112	262,861
(7) Effect of benefit changes	0	0	0	0	0	0
(8) Effect Asset Method Restart	(5)	(1)	(4)	(2)	(1)	(12)
(9) Expected UAAL after changes	901,406	(205,648)	91,786	21,451	138,870	947,865
(10) Actual UAAL	817,188	(209,633)	82,441	68,484	146,803	905,283
(11) Gain (Loss)	84,218	3,985	9,345	(47,033)	(7,933)	42,582
(12) As % of beginning of year AAL	1.81%	0.81%	0.32%	(4.01%)	(1.13%)	0.43%

AAL represents actuarial accrued liability.

UAAL represents unfunded actuarial accrued liability.

Note: Numbers may not add due to rounding to nearest \$1,000s.

SECTION 2

Summary of Financial and People Information Used for the Valuation

SUMMARY OF FISCAL INFORMATION FURNISHED FOR THE VALUATION

	6-30-05	6-30-04
Fund balance beginning of year	\$ 9,287,742,499	\$8,084,949,036
Revenues		
a. Member contributions	160,793,676	151,568,208
b. Employer contributions	234,582,546	223,058,779
c. Purchases of service	3,963,956	3,855,869
d. Investment Income		
1. Adjustments of inv to market value	177,349,583	732,721,180
2. Interest, dividends, etc.	290,129,689	282,582,452
3. Realized gains/(losses)	452,542,510	242,971,072
e. Other Income	2,636,293	2,748,940
f. Total revenues	\$ 1,321,998,253	\$1,639,506,500
Expenditures		
a. Pensions paid	427,084,483	387,306,615
b. Refunds of member contributions	29,416,644	28,146,201
c. Administrative and investment expenses	33,137,207	21,260,221
d. Total expenditures	\$ 489,638,334	\$ 436,713,037
Audit Adjustment	0	0
Fund balance end of year (Market value)	\$10,120,102,418	\$9,287,742,499
ASSETS AND LIABILITIES	2005	2004
Cash & Receivables	\$ 36,286,455	\$ 29,453,646
Property & Equipment	1,325,157	1,474,467
Building	23,500,000	15,500,000
Short Terms & Accruals	31,164,795	266,051,942
US Gov't & Agency Securities	2,053,166,960	2,160,921,672
Corporate Bonds	4,566,447,832	4,288,723,342
Corporate Stocks	1,068,577,491	697,901,523
International Stocks	2,339,633,728	1,827,715,907
Other Investments	0	0
Net Assets	\$10,120,102,418	\$9,287,742,499

Fiscal information was furnished by PERA prior to availability of audited financial statements and may differ from information contained in the audited financial statements.

DERIVATION OF FUNDING VALUE OF RETIREMENT SYSTEM ASSETS

	Fiscal Years Ending June 30,				
	2001	2002	2003	2004	2005
A. Funding Value Beginning of Year	\$7,527,280,315	\$8,308,210,019	\$8,725,679,753	\$8,976,907,422	\$9,287,742,499
B. Market Value End of Year	7,999,047,423	7,650,611,843	8,084,949,036	9,287,742,499	10,120,102,418
C. Market Value Beginning of Year	8,152,748,384	7,999,047,423	7,650,611,843	8,084,949,036	9,287,742,499
D. Non-Investment Net Cash Flow	15,664,683	4,501,228	(11,637,540)	(36,969,960)	(57,160,949)
E. Investment Income					
E1. Market Total: B - C - D	(169,365,644)	(352,936,808)	445,974,733	1,239,763,423	889,520,868
E2. Amount for Immediate Recognition	608,078,109	664,836,851	697,588,879	716,673,795	740,732,962
E3. Amount for Phased-In Recognition E1-E2	(777,443,753)	(1,017,773,659)	(251,614,146)	523,089,628	148,787,906
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	(194,360,938)	(254,443,415)	(62,903,537)	130,772,407	37,196,977
F2. First Prior Year	76,984,220	(194,360,938)	(254,443,415)	(62,903,537)	-
F3. Second Prior Year	119,951,788	76,984,220	(194,360,938)	(254,443,415)	-
F4. Third Prior Year	154,611,842	119,951,788	76,984,220	(194,360,939)	-
F5. Total Recogn. Phased -In Investment Gain	157,186,912	(251,868,345)	(434,723,670)	380,935,484	37,196,977
G. Audit Adjustment Phase-In	0	0	0	0	0
H. Funding Value End of Year: A + D + E2 + F5 +G	8,308,210,019	8,725,679,753	8,976,907,422	9,275,675,773	10,008,511,489
Difference between Market & Funding Value	(309,162,596)	(1,075,067,910)	(891,958,386)	12,066,726	111,590,929
I. Recognized Rate of Return	10.16%	4.97%	3.01%	3.75%	8.40%

Asset information was furnished by PERA prior to availability of audited financial statements and may differ from information contained in the audited financial statements. The funding value of assets was reset to market value and the smoothing method was restarted July 1, 2005.

ALLOCATION OF FUNDING VALUE OF ASSETS BY DIVISION -- JUNE 30, 2005

Fund information was furnished by PERA prior to availability of audited financial statements and may differ from information contained in the audited financial statements.

	State Division			Municipal Division			PERA Totals	PERA Totals w/o Legislative
	General	Police	Legislative	General	Police	Fire		
Member Contribution Fund	\$ 583,146,453	\$ 46,274,613	\$ 576,795	\$ 695,969,808	\$ 192,945,781	\$108,757,669	\$1,627,671,119	\$1,627,094,324
Employer Accumulation Fund	697,126,754	303,566,441	7,484,224	698,190,035	278,475,623	29,851,594	2,014,694,671	2,007,210,447
Retirement Reserve Fund	2,948,761,179	371,079,052	3,088,806	1,828,458,814	824,845,939	501,502,838	6,477,736,628	6,474,647,822
Total Fund Balances	4,229,034,386	720,920,106	11,149,825	3,222,618,657	1,296,267,343	640,112,101	10,120,102,418	10,108,952,593
Funding Value Adjustment	(46,632,124)	(7,949,341)	(122,945)	(35,534,720)	(14,293,499)	(7,058,299)	(111,590,929)	(111,467,984)
Total Funding Value of Assets	\$4,182,402,262	\$712,970,765	\$11,026,880	\$3,187,083,937	\$1,281,973,844	\$633,053,802	\$10,008,511,489	\$9,997,484,609

The funding value adjustment is the difference between the funding value of assets derived on page 16 and the total fund balance at market value. It was allocated to funding groups in proportion to the Total Fund Balances.

SUMMARY OF RETIRED MEMBER AND SURVIVOR PENSION BENEFICIARY INFORMATION

There were 18,551 retired members and 2,845 survivor beneficiaries reported for the June 30, 2005 valuation, involving an annual pension payroll of \$437,138,215. The distribution by division and group was:

STATE DIVISION	Retired Members			Survivor Pension Benefit		
	No.	Annual Pension	Avg. Age	No.	Annual Pension	Avg. Age
General	9,458	\$198,841,125	66.7	1,383	\$15,067,655	69.1
Police/Haz Duty	629	16,237,502	62.2	104	1,583,841	58.3
Totals	10,087	215,078,627	66.4	1,487	16,651,496	68.3
MUNICIPAL DIVISION						
General	5,831	111,141,530	66.2	1,064	11,097,739	68.5
Police	1,594	47,720,298	56.9	183	2,828,539	61.8
Fire	1,039	30,462,168	58.7	111	2,157,818	68.0
Totals	8,464	189,323,996	63.5	1,358	16,084,096	67.6
PERA TOTALS	18,551	\$404,402,623	65.1	2,845	\$32,735,592	68.0

Retired member and survivor pension beneficiaries added during the year ended June 30, 2005 and included in the preceding schedule totaled 1,265 with an annualized pension payroll of \$30,631,980. The distribution by division and group was:

STATE DIVISION	Retired Members			Survivor Pension Benefit		
	No.	Annual Pension	Avg. Age	No.	Annual Pension	Avg. Age
General	546	\$13,006,168	57.7	18	\$236,777	55.6
Police/Haz Duty	34	988,369	51.5	0	0	0.0
Totals	580	13,994,537	57.3	18	236,777	55.6
MUNICIPAL DIVISION						
General	474	10,454,218	57.5	16	277,413	46.7
Police	121	3,853,151	48.8	4	27,172	36.7
Fire	52	1,788,711	47.1	0	0	0.0
Totals	647	\$16,096,080	55.0	20	\$304,585	44.7
PERA TOTALS	1,227	\$30,090,617		38	\$541,363	

**RETIRED MEMBERS AND SURVIVOR PENSION BENEFICIARIES
HISTORICAL DEVELOPMENT OF PENSION PAYROLL**

June 30	Pension Recipients		Pension Payroll		
	Number	Percent Increase (1)	Annual Amount	Percent Increase (1)	Average Amount
1955	217	n.a.%	\$ 251,900	n.a.%	\$ 1,161
1960	593	22.3	717,200	23.3	1,209
1965	1,072	12.6	1,440,800	15.0	1,344
1970	1,730	10.0	2,949,300	15.4	1,705
1975	2,883	10.8	6,885,000	18.5	2,388
1980	4,252	8.1	12,896,700	13.4	3,033
1985	6,698	9.5	37,478,500	23.8	5,595
1990	10,216	8.8	92,567,196	19.8	9,061
1995	13,028	5.0	158,150,864	11.3	12,139
1996	13,400	4.5	169,346,648	10.6	12,638
1997	14,631	5.5	201,694,430	12.4	13,785
1998	15,440	6.1	226,128,019	13.2	14,646
1999	16,370	5.7	253,914,635	12.3	15,511
2000	17,181	5.7	280,495,600	12.1	16,326
2001	18,037	6.1	309,090,461	12.8	17,136
2002	18,724	5.1	337,043,554	10.8	18,001
2003	19,630	4.9	371,097,620	10.4	18,905
2004	20,730	4.8	412,515,097	10.2	19,899
2005	21,396	4.5	437,138,216	9.3	20,431

(1) Annual rate of increase during the preceding 5 years.

**RETIRED MEMBERS AND SURVIVOR PENSION BENEFICIARIES
DISPLAYED BY TYPE OF PENSION BEING PAID -- JUNE 30, 2005**

Type of Pension	Number	Pension	Average
<i>Normal Retirement Pensions</i>			
Single life pension terminating on death	7,898	\$170,614,421	\$21,602
Two life 100% survivor pension			
Retired member recipient	6,955	156,173,496	22,455
Survivor recipient	1,352	18,114,531	13,398
Two life 50% survivor pension			
Retired member recipient	2,781	64,436,059	23,170
Survivor recipient	550	4,431,771	8,058
Single life with temporary child survivor pension			
Retired member recipient	138	3,730,807	27,035
Child recipient	2	35,116	17,558
Total Normal Retirement Pensions	19,676	\$417,536,201	\$21,221
<i>Disability Retirement Pensions</i>			
Single life pension terminating on death	206	\$ 2,521,683	\$12,241
Two life 100% survivor pension			
Retired member recipient	461	5,521,358	11,977
Survivor recipient	134	1,407,097	10,501
Two life 50% survivor pension			
Retired member recipient	94	1,224,634	13,028
Survivor recipient	19	99,944	5,260
Single life with temporary child survivor pension			
Retired member recipient	18	180,166	10,009
Child recipient	-	-	-
Total Disability Retirement Pensions	932	10,954,882	11,754
<i>Pre-retirement Survivor Pensions</i>			
Spouse recipient	753	8,450,330	11,222
Child recipient	35	196,803	5,623
Total Pre-retirement Survivor Pensions	788	8,647,133	16,845
Total Pensions Being Paid	21,396	\$437,138,216	\$20,431

**RETIRED MEMBERS AND SURVIVOR BENEFICIARIES
DISPLAYED BY ATTAINED AGE - JUNE 30, 2005**

Attained Ages	State Division		Municipal Division		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
Under 20	27	\$ 150,265	22	\$ 185,275	49	\$ 335,540
20-24	12	131,873	4	58,813	16	190,686
25-29	11	86,425	7	87,734	18	174,159
30-34	19	232,850	15	159,602	34	392,452
35-39	36	359,556	46	701,509	82	1,061,065
40-44	121	2,209,615	289	8,019,485	410	10,229,100
45-49	474	11,623,883	781	21,473,262	1,255	33,097,145
50-54	1,086	29,010,282	1,200	33,310,131	2,286	62,320,413
55-59	1,699	45,869,282	1,436	38,230,427	3,135	84,099,709
60-64	1,687	39,427,518	1,395	32,883,011	3,082	72,310,529
65-69	1,991	37,645,334	1,523	28,243,186	3,514	65,888,520
70-74	1,590	27,774,779	1,259	20,160,342	2,849	47,935,121
75-79	1,231	19,068,777	925	12,925,537	2,156	31,994,314
80-84	895	12,079,161	527	5,856,042	1,422	17,935,203
85-89	465	4,367,496	272	2,308,160	737	6,675,656
90-94	171	1,320,175	85	604,707	256	1,924,882
95 - 99	40	276,059	19	91,449	59	367,508
100 & Over	19	96,793	17	109,421	36	206,214
Grand Total	11,574	\$231,730,123	9,822	\$205,408,093	21,396	\$437,138,216

**FORMER MEMBERS DISPLAYED BY DIVISION
JUNE 30, 2005**

Division	Number	Average (in years)	
		Age	Service
State Division			
General	1,898	50.1	9.6
Police/Corrections	75	47.1	10.9
Total State Division	1,973	49.9	9.6
Municipal Division			
General	1,160	50.0	10.1
Police	109	43.0	10.0
Fire	23	44.9	10.9
Total Municipal Division	1,292	49.3	10.1
Total PERA	3,265	49.7	9.8

**ACTIVE MEMBERS DISPLAYED BY DIVISION AND COVERAGE PLAN
JUNE 30, 2005**

Divisions/Coverage Plan	Number	Payroll	Averages*		
			Age	Service	Pay
State Division					
General	20,647	\$ 728,031,257	44.0	8.2	\$ 35,261
Police	538	21,345,255	36.4	10.0	39,675
Adult Corrections	1,220	34,714,136	38.1	9.0	28,454
Juvenile Corrections	313	8,967,185	40.8	6.7	28,649
Total State Division	22,718	793,057,832	43.4	8.2	34,909
Municipal Division					
General Cov. Plan 1	1,573	34,769,463	43.1	4.4	22,104
General Cov. Plan 2	5,035	134,809,400	43.7	6.7	26,774
General Cov. Plan 3	11,839	384,413,664	43.0	8.2	32,470
General Cov. Plan 4	748	20,317,563	43.7	6.4	27,163
Detention Officers Plan 1	610	18,135,606	38.3	6.4	29,731
Total General	19,805	592,445,696	43.0	7.4	29,914
Police Cov. Plan 1	177	5,077,327	39.2	4.9	28,685
Police Cov. Plan 2	97	2,737,471	38.1	6.5	28,221
Police Cov. Plan 3	114	3,964,782	37.5	6.7	34,779
Police Cov. Plan 4	170	6,990,967	38.5	8.3	41,123
Police Cov. Plan 5	2,842	127,078,933	36.8	8.7	44,715
Total Police	3,400	145,849,480	37.1	8.3	42,897
Fire Cov. Plan 1	33	1,041,943	36.2	5.4	31,574
Fire Cov. Plan 2	10	303,984	32.3	8.0	30,398
Fire Cov. Plan 3	38	720,648	38.7	1.4	18,964
Fire Cov. Plan 4	4	155,284	40.0	16.8	38,821
Fire Cov. Plan 5	1,703	74,263,849	36.7	9.0	43,608
Total Fire	1,788	76,485,708	36.7	8.8	42,777
Total Municipal Division	24,993	814,780,883	41.8	7.6	32,600
Total PERA	47,711	\$1,607,838,715	42.6	7.9	\$ 33,700

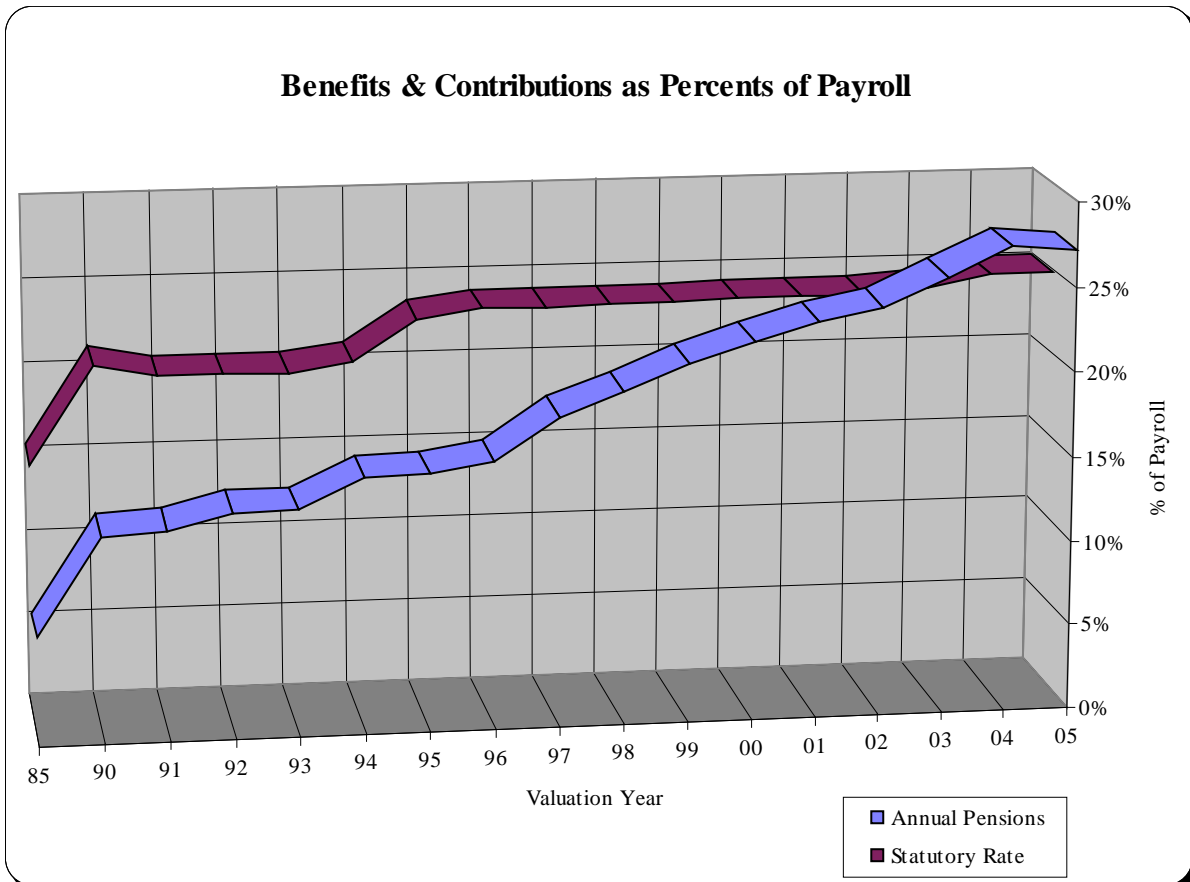
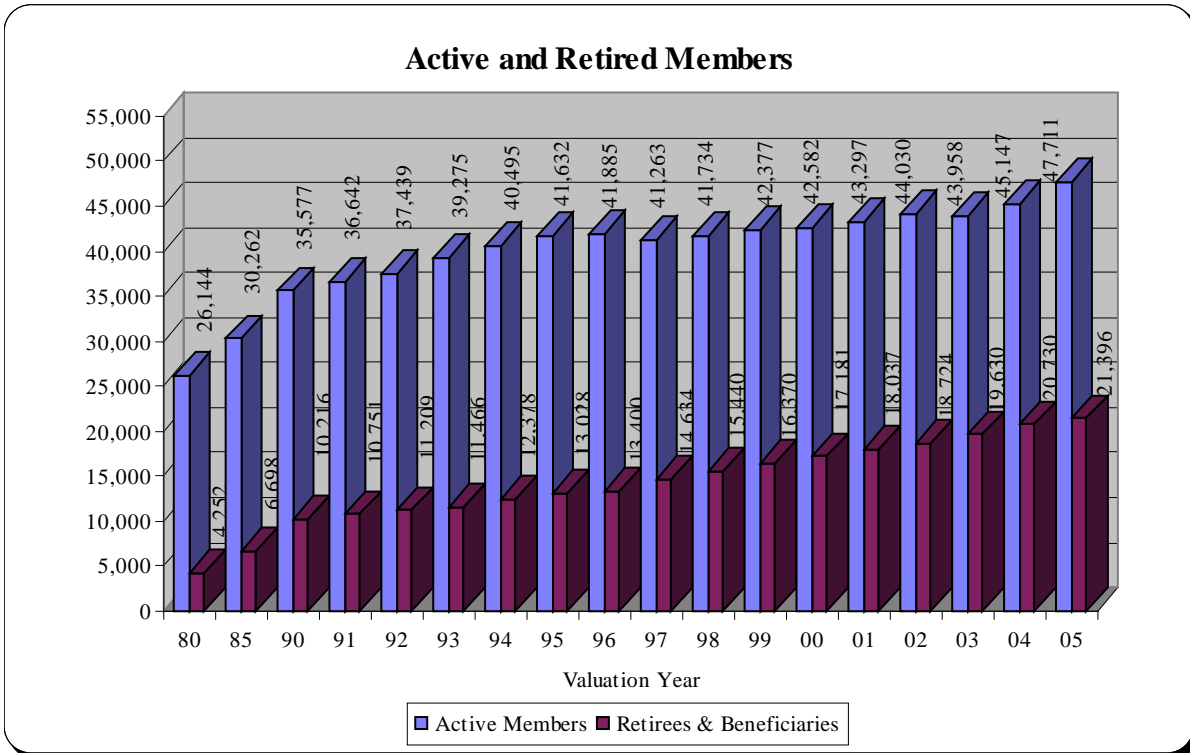
* Averages are shown because of general interest. The valuation process utilizes individual information.

ACTIVE MEMBERS -- HISTORICAL DEVELOPMENT

June 30	Number	Payroll	Averages*		
			Age	Service	Pay
1972	18,148	\$ 127,685,808	n.a.	n.a.	\$ 7,036
1976	24,713	208,275,180	n.a.	n.a.	8,428
1980	26,144	317,301,000	39.2	6.9	12,137
1981	27,499	375,226,000	39.1	7.0	13,645
1982	27,251	416,655,000	39.6	7.4	15,290
1983	28,232	465,053,000	39.4	7.3	16,473
1984	28,071	485,408,000	39.2	7.4	17,292
1985	30,262	584,280,000	39.2	7.5	19,307
1986	31,092	572,685,000	39.9	7.5	18,419
1987#					
1988	32,620	644,663,769	39.3	7.2	19,763
1989	33,400	682,244,826	39.4	7.2	20,426
1990	35,577	760,639,320	39.6	7.4	21,380
1991	36,642	825,005,795	39.8	7.5	22,515
1992	37,439	843,978,100	39.9	7.5	22,543
1993	39,275	909,241,989	40.5	7.6	23,151
1994	40,495	943,330,328	40.6	7.7	23,295
1995	41,632	1,043,574,707	40.7	7.9	25,067
1996	41,885	1,098,635,667	41.1	8.3	26,230
1997	41,263	1,102,082,081	41.2	8.3	26,708
1998	41,692	1,146,991,018	41.3	8.2	27,511
1999	42,377	1,200,564,605	41.4	8.2	28,331
2000	42,582	1,253,305,021	41.6	8.3	29,433
2001	43,297	1,318,274,516	41.8	8.3	30,447
2002	44,030	1,396,209,000	42.1	8.4	31,710
2003	43,958	1,437,357,206	42.4	8.6	32,698
2004	45,147	1,499,069,439	42.6	8.5	33,204
2005	47,711	1,607,838,716	42.6	7.9	33,700

* Averages are shown because of general interest. The valuation process utilizes individual information.

No actuarial valuation was performed.



ACTIVE MEMBERS
STATE DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2005

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	56	-	-	-	-	-	-	56	\$ 871,378
20-24	780	18	-	-	-	-	-	798	16,380,584
25-29	1,357	404	8	-	-	-	-	1,769	46,280,196
30-34	1,328	848	296	13	-	-	-	2,485	76,696,156
35-39	1,652	752	676	300	12	-	-	3,392	108,480,507
40-44	1,068	701	693	690	336	9	-	3,497	127,210,626
45-49	1,059	632	640	587	521	87	3	3,529	134,083,506
50-54	918	614	611	550	422	76	22	3,213	124,912,011
55-59	682	461	525	455	311	52	20	2,506	100,011,017
60	68	57	71	70	35	7	-	308	12,137,030
61	70	60	59	50	34	6	3	282	11,632,704
62	62	51	51	51	31	1	4	251	9,813,388
63	44	36	55	32	16	3	6	192	7,049,130
64	38	25	25	24	9	2	2	125	5,209,794
65	26	21	19	13	3	-	-	82	3,080,833
66	12	13	13	8	4	1	-	51	2,094,452
67	9	12	15	4	3	-	1	44	1,594,405
68	12	8	9	6	5	-	1	41	1,638,030
69	5	7	5	4	1	-	-	22	842,034
70	7	2	5	2	1	-	1	18	719,423
71	4	3	1	3	1	-	-	12	595,962
72	2	-	1	-	3	1	-	7	268,673
73	-	2	1	-	-	-	-	3	106,052
74	5	1	-	1	-	-	-	7	290,413
75	2	1	4	-	-	-	-	7	247,579
76	-	2	1	-	-	-	-	3	63,218
77	1	1	2	2	-	-	1	7	269,107
78	2	-	-	1	-	-	2	5	231,103
79	2	1	2	-	1	-	-	6	248,523
Totals	9,271	4,733	3,788	2,866	1,749	245	66	22,718	\$ 793,057,834

**ACTIVE MEMBERS STATE DIVISION
JUNE 30, 2005**

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	990	1,729	2,719	\$ 64,951,623	\$23,888
1	756	1,229	1,985	59,324,108	29,886
2	750	937	1,687	55,462,742	32,877
3	692	839	1,531	47,836,161	31,245
4	621	728	1,349	43,919,881	32,557
5	565	701	1,266	42,143,686	33,289
6	552	611	1,163	39,315,183	33,805
7	409	546	955	32,933,162	34,485
8	328	405	733	27,298,390	37,242
9	297	319	616	22,593,762	36,678
10	370	433	803	29,757,637	37,058
11	408	425	833	31,573,445	37,903
12	341	398	739	28,744,324	38,896
13	345	336	681	27,433,966	40,285
14	360	372	732	29,723,888	40,606
15 & Up	2,554	2,372	4,926	210,045,878	42,640
Totals	10,338	12,380	22,718	\$793,057,836	\$34,909

ACTIVE MEMBERS
MUNICIPAL DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2005

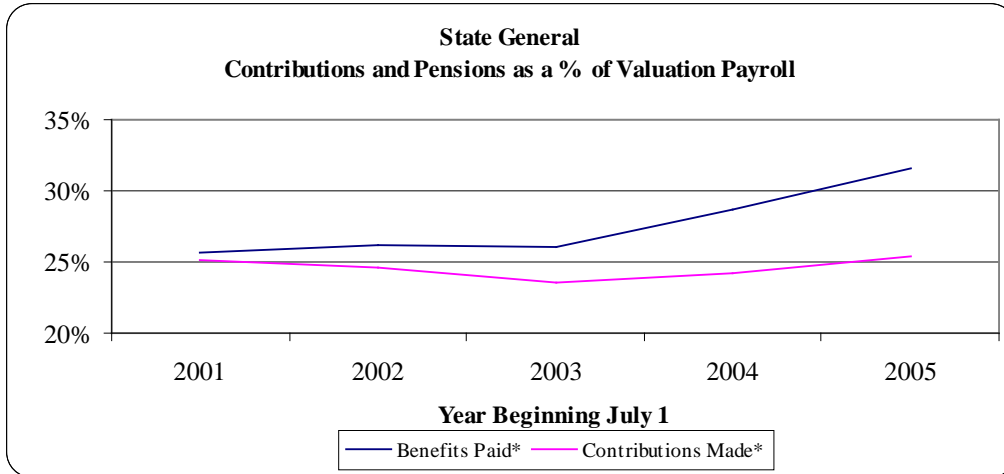
Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	107	-	-	-	-	-	-	107	\$ 1,167,353
20-24	1,136	23	-	-	-	-	-	1,159	24,954,871
25-29	1,877	523	12	-	-	-	-	2,412	66,751,867
30-34	1,597	1,047	432	14	-	-	-	3,090	98,973,389
35-39	2,147	953	830	469	21	-	-	4,420	137,654,593
40-44	1,251	772	665	843	347	13	-	3,891	139,517,793
45-49	1,068	678	604	683	464	72	6	3,575	128,038,009
50-54	846	515	460	480	348	80	16	2,745	98,562,777
55-59	613	380	396	381	264	66	14	2,114	74,780,625
60	75	31	53	42	32	8	7	248	8,490,305
61	88	47	44	54	20	10	4	267	8,670,985
62	57	44	48	39	14	6	2	210	6,897,853
63	48	43	33	29	14	3	4	174	5,918,807
64	43	30	28	7	10	3	1	122	3,601,370
65	39	21	16	10	7	1	1	95	2,805,668
66	20	19	11	10	7	1	-	68	1,845,191
67	19	10	8	3	2	1	1	44	944,108
68	13	12	6	5	3	1	1	41	987,754
69	15	11	4	1	2	1	1	35	703,347
70	9	6	10	6	1	1	-	33	845,534
71	12	2	4	4	2	-	-	24	589,167
72	8	4	2	3	1	-	-	18	371,922
73	6	6	5	-	-	-	1	18	303,968
74	9	2	-	1	3	1	1	17	405,562
75	7	2	2	2	-	1	-	14	194,044
76	5	2	3	-	-	-	1	11	242,449
77	1	5	4	2	-	-	-	12	140,983
78	5	3	2	-	-	1	-	11	145,044
79	5	6	5	-	-	-	2	18	275,541
Totals	11,126	5,197	3,687	3,088	1,562	270	63	24,993	\$814,780,879

ACTIVE MEMBERS MUNICIPAL DIVISION
JUNE 30, 2005

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	1,962	2,214	4,176	\$ 80,008,724	\$ 19,159
1	1,311	1,008	2,319	59,897,131	25,829
2	1,067	644	1,711	48,121,891	28,125
3	907	534	1,441	42,476,721	29,477
4	938	541	1,479	45,986,065	31,093
5	784	482	1,266	39,781,821	31,423
6	741	357	1,098	36,293,944	33,055
7	692	350	1,042	36,087,976	34,633
8	625	297	922	31,729,225	34,413
9	612	257	869	31,392,941	36,125
10	584	306	890	32,879,260	36,943
11	540	263	803	30,533,817	38,025
12	489	232	721	27,338,843	37,918
13	453	185	638	26,364,853	41,324
14	442	193	635	25,588,915	40,298
15 & Up	3,475	1,508	4,983	220,298,752	44,210
Totals	15,622	9,371	24,993	\$814,780,879	\$32,600

State General Division

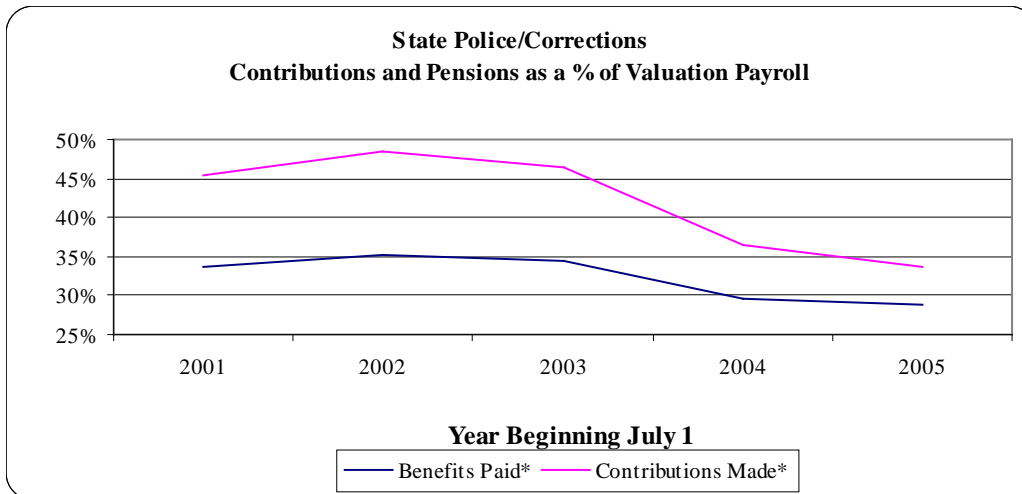
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$607,374,322	\$155,937,504	25.67%	\$152,849,983	25.17%
2002	642,701,705	168,692,266	26.25%	158,412,415	24.65%
2003	698,626,579	181,992,344	26.05%	164,948,041	23.61%
2004	704,491,713	201,855,101	28.65%	170,732,489	24.23%
2005	693,532,722	218,761,852	31.54%	176,158,121	25.40%



*Benefits paid include refunds. Contributions made include service purchases.

State Police/Corrections Division

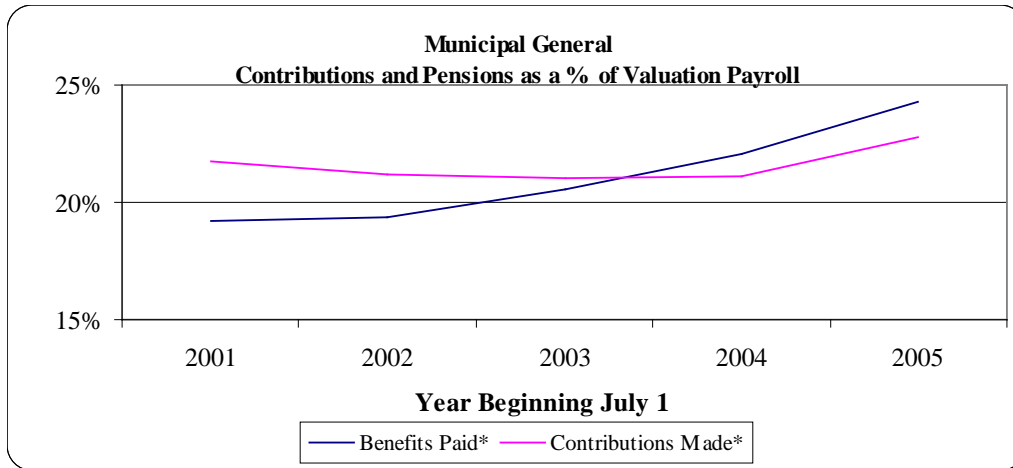
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$39,215,882	\$13,180,233	33.61%	\$17,852,316	45.52%
2002	40,399,940	14,197,401	35.14%	19,589,208	48.49%
2003	44,346,818	15,266,699	34.43%	20,537,182	46.31%
2004	57,130,556	16,889,948	29.56%	20,856,272	36.51%
2005	63,863,426	18,347,735	28.73%	21,498,902	33.66%



*Benefits paid include refunds. Contributions made include service purchases.

Municipal General Division

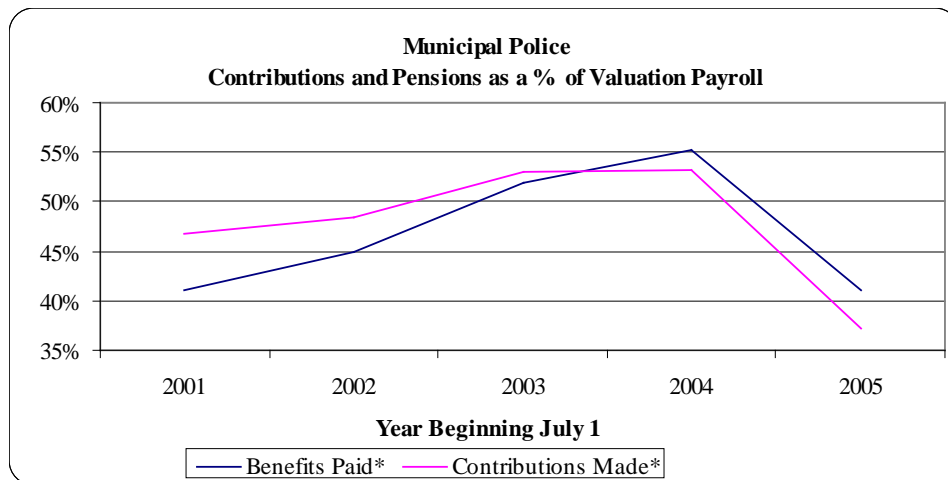
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$475,745,977	\$ 91,318,357	19.19%	\$ 103,481,792	21.75%
2002	506,026,384	97,877,822	19.34%	107,160,858	21.18%
2003	527,857,221	108,367,775	20.53%	111,157,484	21.06%
2004	543,994,722	119,879,152	22.04%	114,719,362	21.09%
2005	548,960,756	133,443,529	24.31%	125,084,256	22.79%



*Benefits paid include refunds. Contributions made include service purchases.

Municipal Police Division

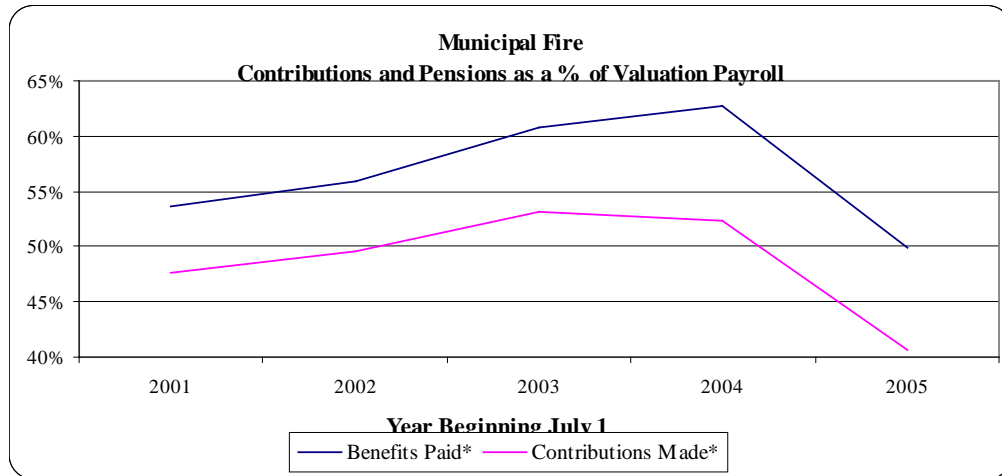
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$81,903,288	\$33,605,401	41.03%	\$38,248,938	46.70%
2002	83,409,907	37,407,611	44.85%	40,347,363	48.37%
2003	80,091,903	41,619,437	51.96%	42,518,040	53.09%
2004	83,789,775	46,268,096	55.22%	44,517,533	53.13%
2005	126,208,845	51,914,495	41.13%	47,013,031	37.25%



*Benefits paid include refunds. Contributions made include service purchases.

Municipal Fire Division

Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$45,065,551	\$24,175,958	53.65%	\$21,458,884	47.62%
2002	45,736,582	25,609,513	55.99%	22,645,384	49.51%
2003	45,386,480	27,617,507	60.85%	24,123,863	53.15%
2004	47,950,440	30,059,862	62.69%	25,060,585	52.26%
2005	66,503,690	33,239,561	49.98%	26,982,626	40.57%



**Benefits paid include refunds. Contributions made include service purchases.*

Section 3

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS - - JUNE 30, 2005

NORMAL RETIREMENT ELIGIBILITY CONDITIONS

Applicable to all members:

- Any age with 25 or more years of credited service; or
- Age 60 or older with 20 or more years of credited service; or
- Age 61 or older with 17 or more years of credited service; or
- Age 62 or older with 14 or more years of credited service; or
- Age 63 or older with 11 or more years of credited service; or
- Age 64 or older with 8 or more years of credited service; or
- Age 65 or older with 5 or more years of credited service.

Applicable to police and fire members under one of the following coverage plans:

- Municipal Police Coverage Plan 3
- Municipal Police Coverage Plan 4
- Municipal Police Coverage Plan 5
- Municipal Fire Coverage Plan 3
- Municipal Fire Coverage Plan 4
- Municipal Fire Coverage Plan 5

Any age with 20 or more years of credited service.

NORMAL RETIREMENT PENSION AMOUNT

The amount of normal retirement pension is based on:

- Final average salary, which is the average of salary for the 36 consecutive months of credited service producing the largest average;
- Credited service (years and months); and the
- Coverage plan.

The pension accrual factor and maximum pension, as a percent of final average salary, under each coverage plan are:

Coverage Plan	Pension Factor Per Year of Credited Service	Maximum Pension as Percent of Final Average Salary
State General Member Coverage Plan 3	3.0%	80%
State Police and Adult Corrections Officers Member Coverage Plan 1	3.0	80
Hazardous Duty (Juvenile Corrections Officer) Coverage Plan 2	3.0	100
Municipal General Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	75
Coverage Plan 3	3.0	80
Coverage Plan 4	3.0	80
Municipal Detention Officer Coverage Plan 1	3.0	80
Municipal Police Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	100
Coverage Plan 3	2.5	100
Coverage Plan 4	3.0	80
Coverage Plan 5	3.5	80
Municipal Fire Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	100
Coverage Plan 3	2.5	100
Coverage Plan 4	3.0	80
Coverage Plan 5	3.5	80

VESTED TERMINATION OF MEMBERSHIP (EMPLOYMENT)

Termination of employment and membership with at least 5 years of credited service. Accumulated member contributions must be left on deposit. Payment of the pension is available upon eligibility for normal retirement. In addition, certain disability and survivor pension provisions apply.

NORMAL AND OPTIONAL FORMS OF PAYMENT

The normal form of payment is for life. Optional contingent survivor beneficiary forms of payment are available on an actuarial equivalent basis. Pension payments can never aggregate less than the member's accumulated contributions.

SURVIVOR PENSIONS - DEATH IN THE LINE OF DUTY

Pensions are paid to the eligible spouse and eligible children if survivor coverage has not been elected under the Elective Survivor Pension Beneficiary provision. The amount of pension payable for life to an eligible spouse is 50% of final average salary, or, if larger, 80% of the accrued normal retirement pension. The amount of pension payable to each eligible child is an equal share of 25% of final average salary. If there is not an eligible spouse or the eligible spouse dies, and if there are 2 or more eligible children, the amount of pension payable to each eligible child is an equal share of 50% of final average salary. An eligible child is an unmarried natural or adopted child who is under age 18 years. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.

DEATH NOT IN THE LINE OF DUTY

Requires 5 years of credited service. Benefit applies to members and vested former members who have not elected coverage under the Elective Survivor Pension Beneficiary provision. Pensions are paid to an eligible spouse OR eligible children. The amount of pension payable for the life of an eligible spouse is 30% of final average salary, or if larger, 80% of accrued normal retirement pension. An eligible child pension is paid if there is not an eligible spouse or following the death of an eligible spouse. The amount of pension payable to each eligible child is an equal share, with each other child, of 25% of final average salary, or, if greater, 50% of accrued normal retirement pension. An eligible child is an unmarried natural or adopted child who is under age 18 years. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.

ELECTIVE SURVIVOR BENEFICIARY PENSION

Applicable to members with 5 or more years of credited service and vested former members who have elected option B and designated a survivor pension beneficiary who has an insurable interest. The amount of pension is the amount of accrued normal retirement pension under optional form of payment B (100% continuation to beneficiary).

DISABILITY RETIREMENT

Applicable to members and vested former members with 5 or more years of credited service. The 5 year credited service requirement is waived if the disability is incurred in line of duty. The amount of disability pension is the accrued normal retirement pension at time of disability retirement. If the disability is in line of duty, the credited service used is the amount that would have been acquired when first eligible for normal retirement.

COST-OF-LIVING INCREASES

Pensions are increased each July 1 by 3% if retirement has been in effect for at least 2 full calendar years. If retired on account of disability or if at least age 65, the 2 calendar year waiting period is reduced to 1 full calendar year.

SERVICE CREDIT

Members in the State Police and Adult Corrections Officers Coverage Plan and members in the Municipal Detention Officers Coverage Plan receive 1.2 years of credited service for each year of service rendered.

CONTRIBUTIONS BY MEMBERS AND EMPLOYERS

Contributions by members and affiliated public employers are at the following rates.

	Percent of Salary Member	Contribution Rate Employer
State General Member Coverage Plan 3	7.42%	16.59%
State Police Member and Adult Correctional Officer Member Coverage Plan 1	7.60	25.10
Hazardous Duty (Juvenile Corrections) Member Coverage Plan 2	4.78	25.72
Municipal General Member Coverage Plan 1	7.00	7.00
Municipal General Member Coverage Plan 2	9.15	9.15
Municipal General Member Coverage Plan 3	13.15	9.15
Municipal General Member Coverage Plan 4	15.65	11.65
Municipal Detention Officer Member Coverage Plan 1	16.65	16.65
Municipal Police Member Coverage Plan 1	7.00	10.00
Municipal Police Member Coverage Plan 2	7.00	15.00
Municipal Police Member Coverage Plan 3	7.00	18.50
Municipal Police Member Coverage Plan 4	12.35	18.50
Municipal Police Member Coverage Plan 5	16.30	18.50
Municipal Fire Member Coverage Plan 1	8.00	11.00
Municipal Fire Member Coverage Plan 2	8.00	17.50
Municipal Fire Member Coverage Plan 3	8.00	21.25
Municipal Fire Member Coverage Plan 4	12.80	21.25
Municipal Fire Member Coverage Plan 5	16.20	21.25

Interest is credited to member contributions, on each June 30, at the rates set annually by the Retirement Board. The current rate is 5.25%.

Section 4

Description of Actuarial Cost Methods
Summary of Estimates of Future
Experience Used for the Valuation
Definitions of Technical Terms

ACTUARIAL COST METHODS USED FOR THE VALUATION

An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for the PERA valuation is known as the individual entry-age actuarial cost method, and has the following characteristics:

- (i) The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the member's year-by-year projected pensionable compensation.

The individual entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the pattern of projected exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. The period of time needed to finance the unfunded actuarial accrued liability with current statutory contribution rates is determined using a level percent of payroll amortization technique.

Active member payroll was projected to increase 4.5% a year for the purpose of determining the financing period. This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values.

ESTIMATES FOR FUTURE PERA EXPERIENCE USED FOR THE VALUATION

Funding objective contribution requirements and actuarial present values are calculated by applying estimates of future plan activities (actuarial assumptions) to the benefit provisions and people information of PERA, using the actuarial cost methods described on the previous page.

The principal areas of activity which require estimates are:

- (i) long-term rates of investment return to be generated by the assets of PERA.
- (ii) patterns of pay increases to members.
- (iii) rates of mortality among members, retired members, and beneficiaries.
- (iv) rates of withdrawal of active members.
- (v) rates of disability among active members.
- (vi) the age patterns of actual retirements.

In making a valuation, the monetary effect of each activity is calculated for as long as a present covered person survives - - - a period of time which can be as long as a century.

Actual activities of PERA will not coincide exactly with estimated activities, due to the nature of the activities. Each valuation provides a complete recalculation of estimated future activities and takes into account the effect of past differences between estimated and actual activities. The result is a continual series of adjustments (usually small). From time to time one or more of the estimates are modified to reflect experience trends (but not random or temporary year-to-year fluctuations).

The estimates of future INFLATION, REAL INVESTMENT RETURN in excess of inflation and SALARY INCREASES were first used for the June 30, 2005 actuarial valuation. The fiscal estimates are used in combination with the demographic estimates to determine the present value of amounts expected to be paid in the future.

Price Inflation. Four percent per annum, compounded annually. This is the rate at which growth in the supply of money and credit is assumed to exceed growth in the supply of goods and services. It may be thought of as the rate of depreciation of the purchasing power of the dollar. There are a number of indices for measuring the inflation rate. The recent inflation rate, as measured by the Consumer Price Index, has been:

Year Ended June 30					Average for		
2005	2004	2003	2002	2001	Last 5 Yrs.	Last 10 Yrs.	Last 30 Yrs.
2.5%	3.3%	2.1%	1.1%	3.2%	2.4%	2.5%	4.4%

Real Investment Return. Four percent over price inflation (3.5% over wage growth). This is the rate of return (net of administrative and investment expenses) to be produced by investing a pool of assets in an inflation-free environment.

Salary Increases. Salary increases occur in recognition of (i) individual merit and longevity, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) and other factors such as productivity gains and competition from other employers for personnel. A schedule of long-term rates of increase is used to project salaries from valuation salaries to final average salaries upon which pensions are based. Sample rates follow:

Attributable to:	Annual Rates of Salary Increase for Sample Years of Service					Ref
	1	5	10	15	20	
General Increase in Wage Level Due to:						
Inflation	4.0%	4.0%	4.0%	4.0%	4.0%	
Other Factors	0.5	0.5	0.5	0.5	0.5	
State General	8.5	2.5	1.3	0.5	0.0	147
State Police	14.5	5.5	3.5	2.5	1.3	148
State Corrections	10.5	1.5	1.8	1.0	0.0	149
Municipal General	8.0	4.0	1.8	1.0	0.5	57
Municipal Police	9.5	4.0	2.8	2.0	1.8	318
Municipal Fire	10.0	5.5	2.7	1.3	1.5	319

In the following schedules, State Corrections includes Adult Corrections Officers and Juvenile Corrections Officers. Municipal General includes Municipal Detention Officers.

Mortality Table. The 2000 Group Annuity Mortality Table (1971 GAM projected), set back 2 years for men and 7 years for women for healthy lives. Special disabled mortality is used for disabled lives.

Present values and life expectancies are shown for sample ages in the following schedule. Note that sex distinct mortality rates are used solely for determining PERA funded status and contribution rate adequacy. All benefit amounts are based on merged gender mortality rates.

Retired Life Non-Disabled Mortality Table						
Sample Ages	Present Value of \$1 Monthly for Life		Present Value of \$1.00/Mo. for Two Years Increasing 3%/Yr. Thereafter		Future Life Expectancy Years	
	Men	Women	Men	Women	Men	Women
40	\$143.69	\$147.07	\$197.99	\$206.58	39.41	44.22
45	139.09	143.69	187.52	197.99	34.67	39.41
50	133.15	139.09	175.25	187.52	30.06	34.67
55	125.85	133.15	161.34	175.25	25.67	30.06
60	116.89	125.85	145.67	161.34	21.50	25.67
65	105.91	116.89	128.13	145.67	17.57	21.50
70	93.21	105.91	109.43	128.13	13.99	17.57
75	79.97	93.21	91.19	109.43	10.91	13.99
80	66.37	79.97	73.63	91.19	8.29	10.91
85	53.86	66.37	58.33	73.63	6.23	8.29
Ref	168	x 1 SB	2	169	x 1 SB	1

Retired Life Disabled Mortality Table						
Sample Ages	Present Value of \$1 Monthly for Life		Present Value of \$1.00/Mo. for Two Years Increasing 3%/Yr. Thereafter		Future Life Expectancy Years	
	Men	Women	Men	Women	Men	Women
40	\$118.90	\$118.93	\$154.36	\$156.55	26.19	28.52
45	115.65	117.01	147.56	152.22	23.65	26.48
50	110.58	113.71	138.32	145.93	20.89	24.18
55	104.12	109.63	127.39	138.62	18.11	21.85
60	96.18	105.28	114.90	130.98	15.36	19.61
65	86.79	100.60	101.11	122.91	12.71	17.45
70	76.18	95.11	86.48	113.80	10.25	15.26
75	64.75	88.02	71.65	102.78	8.02	12.98
80	53.12	77.97	57.36	88.61	6.09	10.52
85	41.98	65.22	44.34	72.12	4.48	8.06
Ref	116	x 1 SB	0	59	x 1 SB	6

Rates of Retirement. These rates are used to measure the probability of an eligible member retiring at the indicated ages or indicated service.

Percents Retiring at Indicated Ages (by Coverage Plan)															
Retirement Ages	State General			State Police	State Corrections	Municipal General			Municipal Police	Municipal Fire					
	Male	Female				Male	Female								
60	35%	35%		50%	20%	30%	20%		40%	20%					
61	35	35		50	20	30	25		25	15					
62	50	45		50	20	35	35		20	55					
63	40	35		75	30	30	25		20	50					
64	20	30		Percents Retiring at Indicated Ages (by Coverage Plan)			23		25	50					
65	50	50		100	50	50	50		50	100					
66	25	30		Police*	Corrections	50	20		Plans 1, 2	Plans 3, 4, 5					
67	30	35				50	20		18						
68	20	15		10%			14		30%	20%					
69	21	35		10			14		15	25					
70	22	40		10			15		25	20					
71	23	40		10			10		20	20					
72	24	30		10			15		30	20					
73	25	20	45%	25	40%	40%	20		75	20					
74	26	20	35	25	60	25	30		75	75					
75	27	40	25	25	50	20	40		100	75					
Ref	28	961	15	963	15	909	50	993	15	970	972	20	982	75	994
* Includes Corrections	29	20	20	50	50	15	25			30	100		15		
	30	20	10	50	50	15	20			75			15		
	31	15	15	50	50	20	10			75			15		
	32	10	10	50	50	20	10			100			55		
	33	10	10	100	50	30	50						75		
	34	15	30		100	30	75						100		
	35	20	30			30	75								
	36	20	50			30	75								
	37	20	50			30	75								
	38	50	50			30	75								
Gabriel Roeder Smith & Company	39	50	50			30	75								
	40	100	100			100	100								
Ref	960	962		1010	708	973	974		1007	981	1008		995		

Adult Officers.

Rates of Separation From Active Membership. The rates are used to measure probabilities of active members terminating that status for a reason other than disability or death. The rates do not apply to members who are within the retirement rate range. Separation rates are presumed to be service related during the first 5 to 7 years of employment and age related thereafter.

Percents of Active Members Terminating During Year												
Sample Ages	Years of Service	State General		State Police	State Corrections		Municipal General		Municipal Police		Municipal Fire	
		Men	Women		Men	Women	Men	Women	Men	Women	Men	Women
All	0	40.0%	40.0%	11.5%	35.0%	25.0%	40.0%	42.0%	33.0%	35.0%	20.0%	20.0%
	1	20.0	20.0	7.0	25.0	40.0	20.0	20.0	12.5	12.0	9.5	30.0
	2	12.0	12.0	3.0	15.0	11.0	12.0	13.0	9.0	10.0	5.5	15.0
	3	10.0	10.0	6.0	9.0	10.0	10.5	11.0	8.0	9.0	4.3	7.5
	4	7.0	7.0	3.0	5.0	13.0	7.0	8.0	7.5	6.0	3.2	7.0
	5	n/a	6.0	0.0		13.0	6.0	6.5				
	6			0.0		13.0						
	7					10.0						
	Over Select Period											
20		20.3	8.0	3.3	9.6	9.5	4.4	14.0	3.6	1.9	3.5	3.5
25		20.3	5.2	3.9	9.6	9.5	4.4	9.1	3.6	1.9	3.5	3.5
30		17.5	3.4	3.4	7.5	8.1	4.4	5.9	3.6	1.9	3.0	3.0
35		13.3	2.3	2.6	5.1	6.6	3.5	4.0	2.8	1.9	2.2	2.2
40		9.7	1.8	2.3	3.5	6.2	2.5	3.1	2.0	1.9	1.7	1.7
45		6.7	1.6	2.1	2.4	5.8	2.2	2.8	1.8	1.9	1.5	1.5
50		4.5	1.5	2.1	1.9	5.0	2.2	2.6	1.8	1.9	1.5	1.5
55		2.9	1.2	1.3	1.9	0.0	2.2	2.2	1.8	1.9	1.5	1.5
60		2.1	1.2	1.2	1.9	0.0	2.2	2.1	1.8	1.9	1.5	1.5
65		2.0	1.2	1.2	1.9	0.0	2.2	2.1	1.8	1.9	1.5	1.5
Service	Ref	360	362	495	361	363	494	377	470	471	475	476
Age	Ref	57	79	15	31	277	123	79	123	61	133	133
Multiplier		1.60	0.40	0.40	1.60	1.75	0.55	0.70	0.45	0.95	0.50	0.50

Rates of Disability. The rates are used to measure the probabilities of active members becoming disabled. Rates for sample ages follow.

Percents Becoming Disabled at Indicated Ages (by Coverage Plan)								
Sample Ages	State General		State	State	Municipal General		Municipal	Municipal
	Male	Female	Police	Corrections	Male	Female	Police	Fire
20	0.02%	0.02%	0.08%	0.06%	0.00%	0.00%	0.10%	0.04%
25	0.03%	0.02%	0.08%	0.10%	0.03%	0.02%	0.13%	0.04%
30	0.05%	0.04%	0.16%	0.15%	0.04%	0.03%	0.14%	0.04%
35	0.08%	0.07%	0.25%	0.27%	0.10%	0.07%	0.21%	0.04%
40	0.14%	0.10%	0.63%	0.38%	0.15%	0.11%	0.30%	0.14%
45	0.22%	0.21%	0.75%	0.57%	0.24%	0.17%	0.46%	0.14%
50	0.47%	0.42%	1.23%	0.91%	0.49%	0.35%	0.74%	0.60%
55	0.68%	0.57%	2.83%	1.54%	0.69%	0.49%	1.29%	0.60%
60	0.63%	0.73%	0.00%	2.21%	0.74%	0.53%	2.14%	2.15%
65	0.29%	0.50%	0.00%	1.97%	0.00%	0.00%	2.31%	0.00%
ref	320	321	74	17	112	112	16	28
mult	1.00	1.00	4.00	1.00	1.40	1.00	0.70	0.55

Administrative and Investment Expenses. All expenses are deducted from gross investment income.

Active Member Group Size. The valuation is based on a stationary group size.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS
JUNE 30, 2005

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing:	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Retirements are assumed to occur at the beginning of the fiscal year. All other decrements are assumed to occur at the end of the fiscal year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and mortality decrements do not operate during the first 5 years of service. Neither disability nor withdrawal decrements operate during retirement eligibility.
Loads:	Active member liabilities were increased by 4% for data uncertainties. Retiree liabilities were increased by 1% to account for the pop-up provision.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
Normal Form of Benefit:	A straight life payment is the assumed normal form of benefit.
Benefit Service:	Exact Fractional service is used to determine the amount of benefit payable.

DEFINITIONS OF TECHNICAL TERMS

Accrued Service. Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between the actuarial present value of future benefits payments and the actuarial present value of future normal costs. Also referred to as “accrued liability” or “prior service liability.”

Actuarial Experience Estimates. Estimates of expected future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Demographic estimates (rates of mortality, disability, turnover and retirement) are generally based on past experience, modified for projected changes in conditions. Fiscal estimates (salary increases, inflation and real investment return) consist of the underlying rates in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liability. Sometimes referred to as the “actuarial valuation cost method.”

Actuarial Equivalent. A single amount or series of amounts of equal actuarial present value to another single amount or series of amounts, computed on the basis of appropriate actuarial experience estimates.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment. Also referred to as “present value.”

Actuary. A person who is trained in the applications of probability and compound interest to problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and principal - - as opposed to paying off with a lump sum payment.

Experience Gain (Loss). The difference between actual actuarial costs and anticipated actuarial costs -- during the period between two valuation dates.

Normal Cost. The actuarial cost allocated to the current year by the actuarial cost method. Sometimes referred to as “current service cost.”

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and the funding value of assets. Sometimes referred to as “unfunded past service liability,” “unfunded accrued liability” or “unfunded supplemental present value.”

Most retirement systems have an unfunded actuarial accrued liability. An amount arises each time new benefits are added, an affiliated public employer adopts a new coverage plan, and an experience loss occurs.

The existence of an unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. An unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is control of the amount of unfunded actuarial accrued liability and the trend in the amount (after due allowance for devaluation of the dollar from inflation and deliberate actions affecting the amount).

Section 5

**Disclosures and Supplementary
Information Required by
Statements No. 25
of the Governmental
Accounting Standards Board**

Actuarial Accrued Liability

The actuarial accrued liability is a measure intended to help users assess (i) a pension fund's funded status on a going concern basis, and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the individual entry-age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the System's level percent of payroll annual required contribution between entry-age and assumed exit age. Entry-age was established by subtracting credited service from current age on the valuation date.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2005. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.00% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually (4.0% attributable to inflation and 0.5% attributable to productivity), and (c) additional projected salary increases of 0.0% to 14.5% per year attributable to seniority/merit.

Actuarial Accrued Liability:

Active members	\$ 4,770,964,842
Retired members and beneficiaries currently receiving benefits	5,916,796,608
Vested terminated members not yet receiving benefits	<u>215,007,326</u>
Total Actuarial Accrued Liability	10,902,768,775
Actuarial Value of Assets (market value was \$10,120,102,418)	<u>9,997,484,610</u>
Actuarial Accrued Liability in Excess of Assets in Excess	\$ 905,284,165

During the year ended June 30, 2005, the Plan experienced a net change of \$1,104,879,912 in the actuarial accrued liability. Of that amount \$0 was due to plan changes. Of that, \$263 million was due to changes in actuarial assumptions during the year.

@ Currently the market value of assets exceeds the actuarial value (AV) by \$111,509,929. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a four year period (see page 16).

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year ended June 30,	Actuarial Valuation Date	Annual Required Contribution
1997	6/30/1996	\$162,495,955
1998	6/30/1997	165,248,661
1999	6/30/1998	174,324,518
2000	6/30/1999	182,000,473
2001	6/30/2000	196,544,110
2002	6/30/2001	204,734,125
2003	6/30/2002	213,712,566
2004	6/30/2003	206,835,702
2005	6/30/2004	219,163,952
2006	6/30/2005*	235,066,020

* *Projected amount: Actual required contribution dollar amount will be based on the statutory contribution rate and the actual pensionable payroll for the period.*

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-EA	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
6/30/1996	\$3,845,137,772	\$ 5,054,258,029	\$1,209,120,257	76.1%	\$1,098,635,667	110.1%
6/30/1997	4,560,312,444	5,558,679,193	998,366,749	82.0%	1,102,082,081	90.6%
6/30/1998	5,487,475,524	6,000,438,884	512,963,360	91.5%	1,146,991,018	44.7%
6/30/1999	6,490,295,227	6,548,102,870	57,807,643	99.1%	1,146,991,019	5.0%
6/30/2000	7,522,348,007	7,112,379,662	(409,968,345)	105.8%	1,253,305,021	-
6/30/2001	8,302,819,833	7,876,574,893	(426,244,939)	105.4%	1,318,274,517	-
6/30/2002	8,763,443,681	8,498,751,682	(264,691,999)	103.1%	1,396,209,000	-
6/30/2003*	8,971,080,804	9,215,945,484	244,864,680	97.3%	1,437,357,206	17.0%
6/30/2004	9,267,268,071	9,950,224,296	682,956,225	93.1%	1,499,069,439	45.6%
6/30/2005	9,798,338,986	10,639,907,533	841,568,547	92.1%	1,607,838,716	52.3%
6/30/2005#	9,997,484,609 @	10,902,768,775	905,284,166	91.7%	1,607,838,716	56.3%

* *Plan Change.*

Assumption Changes.

@ *Currently, the market value of assets exceeds the actuarial value (AV) by \$111,509,929. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a four year period (see page 16).*

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS**

Valuation Date	June 30, 2005
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll, open
Remaining Amortization Period	16 years
Asset Valuation Method	4-year smoothed market

Actuarial Assumptions:

Investment Rate of Return*	8.00%
Projected Salary Increases*	4.50% - 19.00%
*Includes Inflation at	4.00%
Cost-of-Living Adjustments	3.00%

December 16, 2005 FX

Mr. Terry Slattery, Executive Director
New Mexico PERA
1120 Paseo de Peralta
Santa Fe, New Mexico 87501

Dear Mr. Slattery:

Enclosed are 25 copies of the final June 30, 2005 actuarial valuation report of PERA New Mexico.

Sincerely yours,

Kenneth G. Alberts

KGA:lr
Enclosures

cc: Mr. Kurt Weber, Deputy Executive Secretary
Ms. Mary Frederick, Deputy Executive Secretary
Ms. Lee Ann Rael, Comptroller
Ms. Susan Pittard, General Council
Neff & Ricci LLP (+ 1 report copy)
Attn: Mr. Scott Eliason
6100 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110