



PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION
OF NEW MEXICO

ANNUAL ACTUARIAL VALUATION
JUNE 30, 2006

GRS

Gabriel Roeder Smith & Company

November 8, 2006

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, 2006 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 Statement No. 25

CERTIFICATION: To the best of our knowledge and belief, the actuarial valuation is complete and accurate and the techniques and assumptions used are reasonable. Several inconsistencies with the data provided this year compared to previous years' data were identified. System staff is continuing to work to resolve these inconsistencies. All significant benefits and expenses expected to be paid from Fund assets are included in the actuarial present values and contribution requirements. The estimates of future Fund activities (actuarial assumptions) take into account the net effect of all known events and trends which would, if ignored, have a material effect on future contribution requirements.

One or more of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

 
Kenneth G. Alberts David Kausch, FSA, EA, MAAA

KGA:lr

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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 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, 2006

The statutory obligations of PERA were calculated to have an actuarial present value of \$15,065,070,626 on June 30, 2006. The funding value of PERA assets available to meet these obligations totaled \$10,850,217,103.

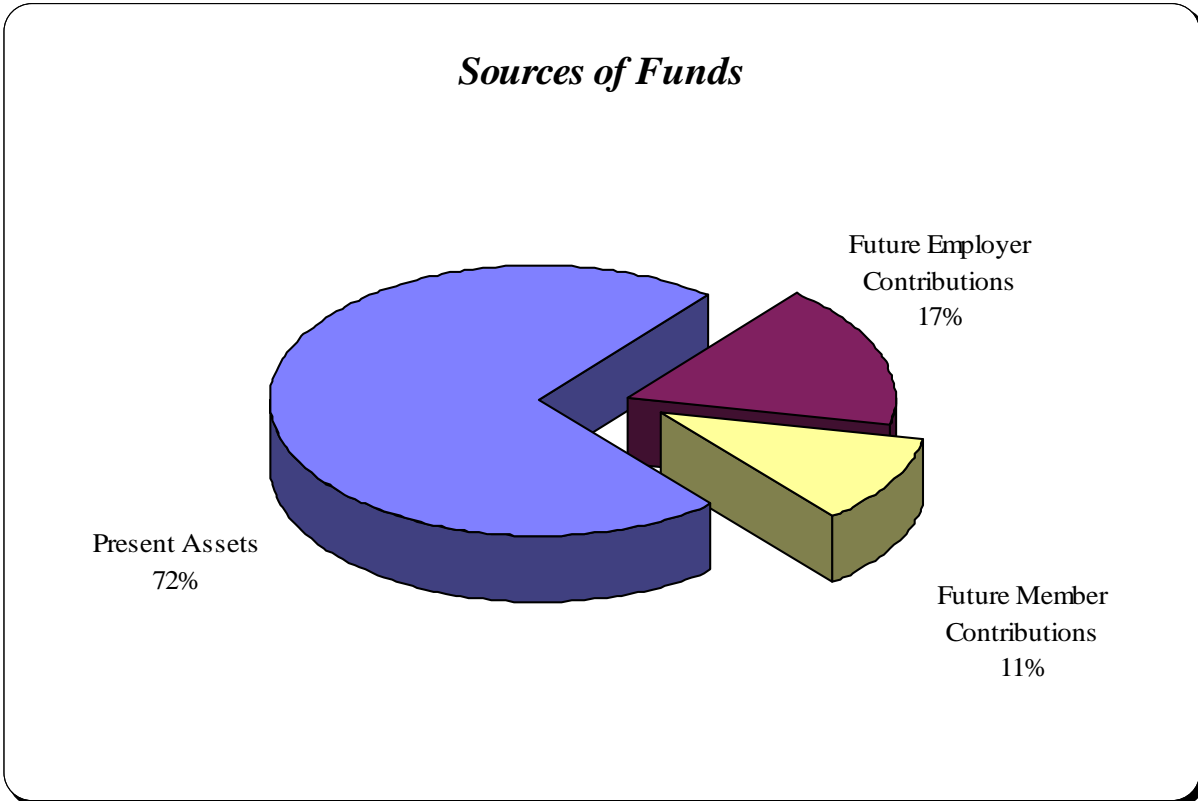
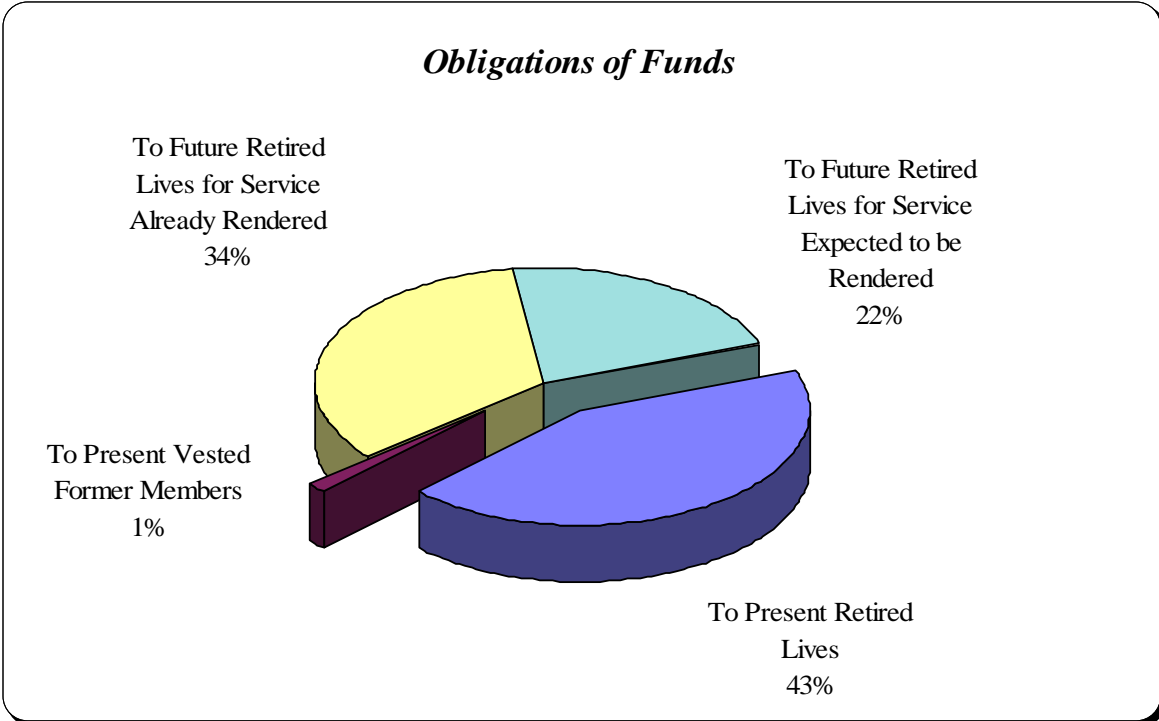
	Actuarial Accrued Liability	Present Value of Future Normal Cost	Actuarial Present Value of Statutory Obligations
Retired Members	\$ 6,498,048,083	none	\$ 6,498,048,083
Vested Former Members	185,042,135	none	185,042,135
Active Members	5,098,336,980	\$3,283,643,428	8,381,980,408
Total Actuarial Obligation	\$ 11,781,427,198	\$3,283,643,428	\$15,065,070,626
Less Funding Value of Assets @	\$ 10,850,217,103		
Unfunded Actuarial Accrued Liability	\$ 931,210,095		

@ Currently, the market value of assets exceeds the actuarial value (AV) by \$351,121,165. 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).

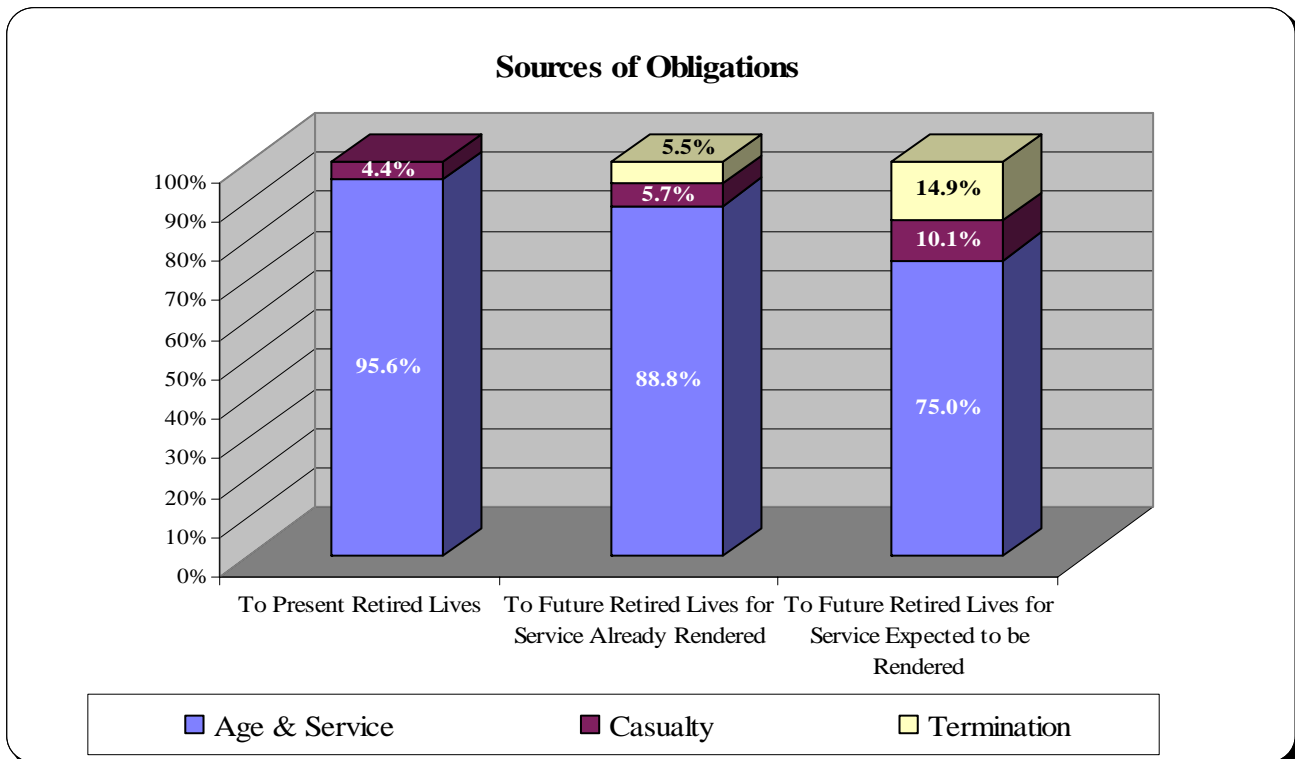
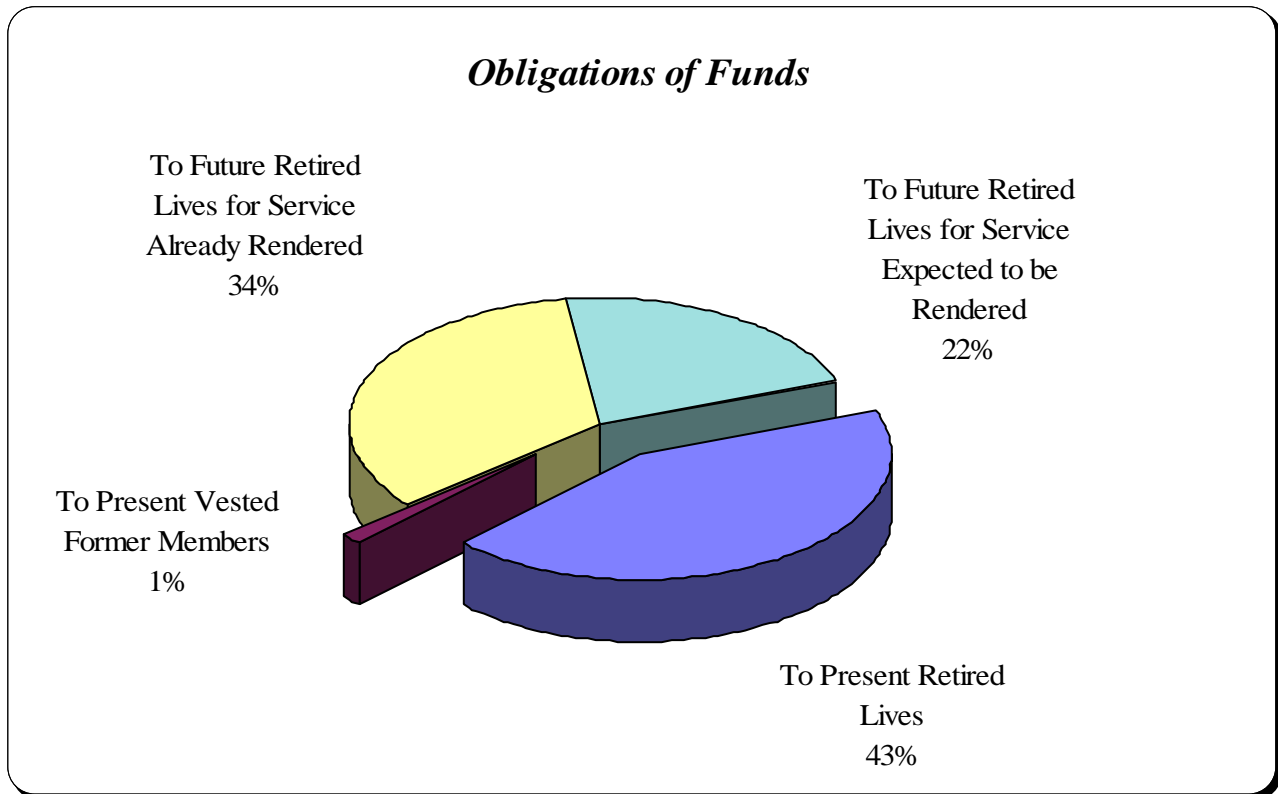
Derivation of the funding value of assets (actuarial value of assets) is shown on page 16.

The report excludes reported Legislative Division assets of \$14,119,916 (\$13,677,848 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, 2006



STATUTORY OBLIGATIONS JUNE 30, 2006



ACTUARIAL PRESENT VALUE OF STATUTORY OBLIGATIONS BY DIVISION JUNE 30, 2006

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*			
STATEDIVISION					
General coverage plan	\$ 2,990,413,402	\$ 2,319,194,725	\$ 1,266,215,428	\$ 6,575,823,555	\$ 4,518,903,504
Less Funding Value of Assets	<u>2,990,413,402</u>	<u>1,528,490,102</u>			
Unfunded Act. Accr. Liab	none	790,704,623			
Police/Corrections coverage plan	320,946,819	243,286,752	132,790,623	697,024,194	775,889,322
Less Funding Value of Assets	<u>320,946,819</u>	<u>454,942,503</u>			
Unfunded Act. Accr. Liab	none	(211,655,751)			
MUNICIPAL DIVISION					
General coverage plan	1,801,463,475	1,765,678,952	1,112,897,296	4,680,039,723	3,477,139,848
Less Funding Value of Assets	<u>1,801,463,475</u>	<u>1,675,676,373</u>			
Unfunded Act. Accr. Liab	none	90,002,579			
Police coverage plan	858,760,869	669,809,584	519,163,011	2,047,733,464	1,393,242,801
Less Funding Value of Assets	<u>858,760,869</u>	<u>534,481,932</u>			
Unfunded Act. Accr. Liab	none	135,327,652			
Fire coverage plan	526,463,519	285,704,141	252,577,070	1,064,744,730	685,041,627
Less Funding Value of Assets	<u>526,463,519</u>	<u>158,578,108</u>			
Unfunded Act. Accr. Liab	none	127,126,033			
PERA TOTALS					
All coverage plans	\$ 6,498,048,084	\$ 5,283,674,154	\$ 3,283,643,428	\$ 15,065,365,666	\$ 10,850,217,102
Less Funding Value of Assets	<u>6,498,048,084</u>	<u>4,352,169,018</u>			
Unfunded Act. Accr. Liab	none	\$ 931,505,136			

* Including vested former members.

@ Currently, the market value of assets exceeds the actuarial value (AV) by \$351,121,165. 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, 2006:

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 Officers) Plan 2	4.78	25.72
Weighted average for Police/Corrections*	7.17	25.20
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 Officers Plan 1	16.65	16.65
Weighted average*	11.96	9.18
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*	15.43	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*	16.10	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. Contribution rates are weighted by payroll.*

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

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2006 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%	7.17%
Affiliated Public Employers	16.59%	25.20%
Total Funding Resource (Weighted Average)	24.01%	32.37%
UTILIZATION OF FUNDING RESOURCE		
Normal Cost:		
Age & Service	15.91%	19.53%
Disability	0.80%	2.06%
Pre-Retirement Survivors	1.09%	1.10%
Refunds	1.03%	0.73%
Total Normal Cost	18.83%	23.42%
Unfunded Actuarial Accrued Liability	5.18%	8.95%
Total Utilized	24.01%	32.37%

UNFUNDED ACTUARIAL ACCRUED LIABILITY

FINANCING PERIOD*

Current Valuation	29 years	# years
Last Year's Valuation	35 years	# years
From 6/30/1990 Valuation	65 years	20 years
Change Since Last Year's Valuation	-6 years	+ years**

FUNDING POLICY OBJECTIVE@

0.00%

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, 2006 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	11.96%	15.43%	16.10%
Affiliated Public Employers	9.18%	18.12%	21.18%
Total Funding Resource (Weighted Average)	21.14%	33.55%	37.28%
UTILIZATION OF FUNDING RESOURCE			
Normal Cost:			
Age & Service	15.12%	26.04%	27.11%
Disability	0.82%	1.52%	0.87%
Pre-Retirement Survivors	1.26%	1.15%	1.31%
Refunds	1.58%	1.20%	0.64%
Total Normal Cost	18.78%	29.91%	29.93%
Unfunded Actuarial Accrued Liability	2.36%	3.64%	7.35%
Total Utilized	21.14%	33.55%	37.28%
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
FINANCING PERIOD*			
Current Valuation	6 years	35 years	40 years
Last Year's Valuation	6 years	16 years	58 years
From 6/30/1990 Valuation	43 years	91 years	90 years
Change Since Last Year's Valuation	0 years	19 years	-18 years
FUNDING POLICY OBJECTIVE@	0.00%	0.36%	1.25%

* 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.

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 is used for funding purposes 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	SECOND INDICATOR			THIRD INDICATOR	FOURTH INDICATOR	
	Financing Period #	of Assets	AAL@	Percent Funded	UAAL	Valuation Payroll	Payroll Ratio	Experience Gain (Loss)
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***	16	9,997,485	10,902,769	92	905,284	1,607,839	56	0.3
2006	16	10,850,217@@	11,781,722	92	931,505	1,774,918	52	(0.5)

* 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 \$351,121,165. 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 – EXPERIENCE

In aggregate, fund experience was less favorable than expected, producing an experience loss for the year ending June 30, 2006. The primary sources of losses were data changes and more retirements than expected. Losses were partially offset by gains due to investment return in excess of assumed (9.3% vs. 8.0%) and lower than assumed pay increases.

In aggregate, the system had an experience loss of \$54 million (or approximately (0.5%) of beginning of year accrued liability).

COMMENT B – LOOK AHEAD

Looking ahead to next year we can see we have a net gain of \$129 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, 2007 valuation results will show a gain of approximately \$129 million. This will have an upward impact on the funded status of the fund in the next valuation.

COMMENT C – DATA

Due to system changes and data cleansing, we introduced a 4% of accrued liability load effective with the June 30, 2005 valuation. This year we saw losses related to the data cleansing efforts. We are therefore lowering the load to 3% to recognize 1) that the data cleansing is still on-going and 2) that much of the cleansing's impact has been seen in this year's reported data.

Reported data was significantly different for the Municipal Police and Municipal Fire divisions. Reported actives for Municipal Police increased by 10% while reported actives for Municipal Fire decreased by 12%. Since this activity was not strictly related to new hires, this caused a significant loss in the Municipal Police division and a significant gain in the Municipal Fire division.

COMMENT D – DIVISIONAL ASSETS

This year the market rate of return was not uniform across the divisions. This can occur if statutory interest is credited to reserve balances before earnings are allocated to divisions. We recommend that PERA staff review these procedures to ensure that no unintentional inter-divisional subsidy is occurring.

COMMENT E – REMAINING AMORTIZATION PERIOD FOR ALL PERA

This calculation was changed this year to calculate the period that would be needed for the total PERA contributions to pay off the total unfunded liabilities. Prior valuations indicated what the period would be for total contributions to pay off the sum of the divisional unfunded liabilities that were not negative. This measure is less conservative, but more in line with GASB No. 25 parameters.

RECOMMENDATION

We recommend that PERA continue its data cleansing efforts to ensure that accurate information is reported to the actuary for use in the valuation process.

CONCLUSIONS

Our conclusions based on the June 30, 2006 annual actuarial valuation of PERA are as follows:

- PERA funding status remained strong during the year ended June 30, 2006, 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 maintain 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*	\$ 625,760,105		
EAF	828,955,716		\$0
RRF	3,210,238,678	\$ 2,990,413,402	0
STATE POLICE/CORRECTIONS			
MCF	44,180,688		
EAF	320,322,966		0
RRF	436,462,417	320,946,819	0
MUNICIPAL GENERAL			
MCF	746,704,453		
EAF	755,106,645		0
RRF	2,087,709,936	1,801,463,475	0
MUNICIPAL POLICE			
MCF	206,888,487		
EAF	305,326,823		0
RRF	926,057,109	858,760,869	0
MUNICIPAL FIRE			
MCF	117,907,283		
EAF	46,036,626		0
RRF	543,238,268	526,463,519	0
TOTAL	\$ 11,200,896,200		

* *Members contribution fund.*

** *At market value.*

EXPERIENCE GAIN (LOSS) -- YEAR ENDED JUNE 30, 2006
(DOLLAR AMOUNTS IN THOUSANDS)

DERIVATION	State Division		Municipal Division			Totals
	General	Pol / H.D.	General	Police	Fire	
(1) UAAL at start of year	\$ 817,188	\$(209,633)	\$ 82,441	\$ 68,484	\$ 146,803	\$ 905,283
(2) Normal Cost for year (NC x Pays from 2005 val'n x 1.045)	142,192	15,976	116,949	45,525	23,819	344,461
(3) EE and ER contributions (net of refunds)	(182,633)	(20,789)	(114,957)	(47,539)	(27,872)	(393,790)
(4) Interest Accrual	63,757	(16,963)	6,675	5,398	11,582	70,449
(5) Expected UAAL before changes	840,504	(231,409)	91,108	71,868	154,332	926,403
(6) Effect of assumption changes	(21,456)	(2,322)	(16,556)	(6,422)	(2,741)	(49,497)
(7) Effect of benefit changes	0	0	0	0	0	0
(8) Effect Asset Method Restart	0	0	0	0	0	0
(9) Expected UAAL after changes	819,048	(233,731)	74,552	65,446	151,591	876,906
(10) Actual UAAL	790,705	(211,656)	90,003	135,328	127,126	931,506
(11) Gain/(Loss)	28,343	(22,075)	(15,451)	(69,882)	24,465	(54,600)
(12) As % of beginning of year AAL	0.57%	(4.39%)	(0.47%)	(5.17%)	3.14%	(0.50%)

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

	6-30-06	6-30-05
Fund balance beginning of year	\$ 10,120,102,418	\$ 9,287,742,499
Post valuation audit adjustment	(1,032,550)	0
Revised balance beginning of year	10,119,069,868	9,287,742,499
Revenues		
a. Member contributions	169,801,721	160,793,676
b. Employer contributions	249,740,237	234,582,546
c. Purchases of service	6,936,077	3,963,956
d. Investment Income		
1. Adjustments of inv to market value	237,937,986	177,349,583
2. Interest, dividends, etc.	332,509,954	290,129,689
3. Realized gains/(losses)	616,140,115	452,542,510
e. Other Income	13,973,743	2,636,293 #
f. Total revenues	\$ 1,627,039,833	1,321,998,253
Expenditures		
a. Pensions paid	467,102,032	427,084,483
b. Refunds of member contributions	30,245,512	29,416,644
c. Administrative and investment expenses	33,746,041	33,137,207
d. Total expenditures	531,093,585	489,638,334
Fund balance end of year (Market value)	\$ 11,215,016,116	\$ 10,120,102,418
ASSETS AND LIABILITIES	2,006	2,005
Cash & Receivables	\$ 32,419,420	36,286,455
Property & Equipment	1,134,619	1,325,157
Building	23,500,000	23,500,000
Short Terms & Accruals	183,833,508	31,164,795
US Gov't & Agency Securities	2,204,330,759	2,053,166,960
Corporate Bonds	4,569,061,098	4,566,447,832
Corporate Stocks	1,083,825,443	1,068,577,491
International Stocks	3,116,911,269	2,339,633,728
Other Investments	0	0
Net Assets	\$ 11,215,016,116	\$ 10,120,102,418

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

Amount reported for 2005 valuation before audit adjustment.

DERIVATION OF FUNDING VALUE OF RETIREMENT SYSTEM ASSETS

	Fiscal Years Ending June 30,				
	2002	2003	2004	2005	2006
A. Funding Value Beginning of Year	\$8,308,210,019	\$8,725,679,753	\$8,976,907,422	\$9,287,742,499	\$10,008,511,489
B. Market Value End of Year	7,650,611,843	8,084,949,036	9,287,742,499	10,120,102,418	11,215,016,116
C. Market Value Beginning of Year	7,999,047,423	7,650,611,843	8,084,949,036	9,287,742,499	10,119,069,868
D. Non-Investment Net Cash Flow	4,501,228	(11,637,540)	(36,969,960)	(57,160,949)	(70,869,509)
E. Investment Income					
E1. Market Total: B - C - D	(352,936,808)	445,974,733	1,239,763,423	889,520,868	1,166,815,757
E2. Amount for Immediate Recognition	664,836,851	697,588,879	716,673,795	740,732,962	797,846,139
E3. Amount for Phased-In Recognition E1-E2	(1,017,773,659)	(251,614,146)	523,089,628	148,787,906	368,969,618
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	(254,443,415)	(62,903,537)	130,772,407	37,196,977	92,242,405
F2. First Prior Year	(194,360,938)	(254,443,415)	(62,903,537)	-	37,196,977
F3. Second Prior Year	76,984,220	(194,360,938)	(254,443,415)	-	-
F4. Third Prior Year	119,951,788	76,984,220	(194,360,939)	-	-
F5. Total Recogn. Phased-In Investment Gain	(251,868,345)	(434,723,670)	380,935,484	37,196,977	129,439,382
G. Audit Adjustment	-	-	-	-	(1,032,550)
H. Funding Value End of Year: A + D + E2 + F5 +G	8,725,679,753	8,976,907,422	9,275,675,773	10,008,511,489	10,863,894,951
Difference between Market & Funding Value	(1,075,067,910)	(891,958,386)	12,066,726	111,590,929	351,121,165
I. Recognized Rate of Return	4.97%	3.01%	3.75%	8.40%	9.29%

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, 2006

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	\$ 625,760,105	\$ 44,180,688	\$ 641,965	\$ 746,704,453	\$ 206,888,487	\$ 117,907,283	\$ 1,742,082,981	\$ 1,741,441,016
Employer Accumulation Fund	828,955,716	320,322,966	9,884,724	755,106,645	305,326,823	46,036,626	2,265,633,500	2,255,748,776
Retirement Reserve Fund	3,210,238,678	436,462,417	3,593,227	2,087,709,936	926,057,109	543,238,268	7,207,299,635	7,203,706,408
Total Fund Balances	4,664,954,499	800,966,071	14,119,916	3,589,521,034	1,438,272,419	707,182,177	11,215,016,116	11,200,896,200
Funding Value Adjustment	(146,050,995)	(25,076,749)	(442,068)	(112,381,186)	(45,029,618)	(22,140,550)	(351,121,165)	(350,679,097)
Total Funding Value of Assets	\$4,518,903,504	\$775,889,322	\$13,677,848	\$3,477,139,848	\$1,393,242,801	\$685,041,627	\$10,863,894,951	\$10,850,217,103

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 19,561 retired members and 3,001 survivor beneficiaries reported for the June 30, 2006 valuation, involving an annual pension payroll of \$480,396,949. 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	9,808	\$214,983,530	66.8	1,461	\$16,754,742	69.3
Police/Haz Duty	779	20,600,277	61.0	106	1,686,310	59.5
Totals	10,587	235,583,807	66.4	1,567	18,441,052	68.6
MUNICIPAL DIVISION						
General	6,171	123,031,975	66.3	1,117	12,034,548	68.5
Police	1,708	52,523,578	56.9	198	3,210,188	62.9
Fire	1,095	33,222,893	59.0	119	2,348,908	67.9
Totals	8,974	208,778,446	63.6	1,434	17,593,644	67.7
PERA TOTALS	19,561	\$444,362,253	65.1	3,001	\$36,034,696	68.2

Retired member and survivor pension beneficiaries added during the year ended June 30, 2006 and included in the preceding schedule totaled 1,419 with an annualized pension payroll of \$35,476,926. 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	579	\$14,242,361	57.8	20	\$310,507	53.4
Police/Haz Duty	156	4,047,580	52.5	3	40,795	40.8
Totals	735	18,289,941	56.7	23	351,302	51.8
MUNICIPAL DIVISION						
General	465	10,765,603	57.9	14	162,963	45.3
Police	125	3,946,939	48.5	0	0	0.0
Fire	57	1,960,177	48.9	0	0	0.0
Totals	647	16,672,719	55.3	14	162,963	45.3
PERA TOTALS	1,382	\$34,962,660		37	\$514,266	

**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
2006	22,562	4.6	480,396,949	9.2	21,292

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

**RETIRED MEMBERS AND SURVIVOR PENSION BENEFICIARIES
DISPLAYED BY TYPE OF PENSION BEING PAID -- JUNE 30, 2006**

Type of Pension	Number	Pension	Average
<i>Normal Retirement Pensions</i>			
Single life pension terminating on death	8,249	\$186,197,403	\$22,572
Two life 100% survivor pension			
Retired member recipient	7,528	175,405,858	23,300
Survivor recipient	1,400	19,744,391	14,103
Two life 50% survivor pension			
Retired member recipient	2,905	69,679,202	23,986
Survivor recipient	590	5,003,999	8,481
Single life with temporary child survivor pension			
Retired member recipient	143	3,977,578	27,815
Child recipient	2	36,170	18,085
Total Normal Retirement Pensions	20,817	\$460,044,601	\$22,099
<i>Disability Retirement Pensions</i>			
Single life pension terminating on death	200	\$ 2,508,606	\$12,543
Two life 100% survivor pension			
Retired member recipient	438	5,270,099	12,032
Survivor recipient	132	1,530,565	11,595
Two life 50% survivor pension			
Retired member recipient	86	1,207,013	14,035
Survivor recipient	22	120,314	5,469
Single life with temporary child survivor pension			
Retired member recipient	13	125,484	9,653
Child recipient	5	50,252	-
Total Disability Retirement Pensions	896	10,812,333	12,067
<i>Pre-retirement Survivor Pensions</i>			
Spouse recipient	816	9,356,212	11,466
Child recipient	33	183,803	5,570
Total Pre-retirement Survivor Pensions	849	9,540,015	17,036
Total Pensions Being Paid	22,562	\$480,396,949	\$21,292

**RETIRED MEMBERS AND SURVIVOR BENEFICIARIES
DISPLAYED BY ATTAINED AGE - JUNE 30, 2006**

Attained Ages	State Division		Municipal Division		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
Under 20	24	\$ 138,413	26	\$ 205,338	50	\$ 343,751
20-24	12	136,140	7	87,523	19	223,663
25-29	8	61,426	10	126,723	18	188,149
30-34	23	250,241	16	166,975	39	417,216
35-39	41	472,943	40	567,009	81	1,039,952
40-44	118	2,299,969	292	8,136,669	410	10,436,638
45-49	529	13,483,337	838	23,959,535	1,367	37,442,872
50-54	1,117	30,190,577	1,236	35,080,470	2,353	65,271,047
55-59	1,815	50,589,035	1,559	42,838,634	3,374	93,427,669
60-64	1,848	45,102,233	1,519	37,735,699	3,367	82,837,932
65-69	2,040	40,377,547	1,561	29,563,552	3,601	69,941,099
70-74	1,639	29,734,932	1,313	23,120,063	2,952	52,854,995
75-79	1,270	20,743,699	965	14,121,231	2,235	34,864,930
80-84	923	13,180,666	608	7,094,712	1,531	20,275,378
85-89	478	5,179,610	280	2,572,017	758	7,751,627
90-94	200	1,628,549	104	796,004	304	2,424,553
95 - 99	43	272,530	17	66,659	60	339,189
100 & Over	26	183,014	17	133,275	43	316,289
Grand Total	12,154	\$254,024,861	10,408	\$226,372,088	22,562	\$480,396,949

**FORMER MEMBERS DISPLAYED BY DIVISION
JUNE 30, 2006**

Division	Number	Average (in years)	
		Age	Service
State Division			
General	1,872	50.8	9.7
Police/Corrections	77	46.8	10.5
Total State Division	1,949	50.6	9.7
Municipal Division			
General	1,098	50.8	10.2
Police	107	45.4	10.8
Fire	27	43.7	10.3
Total Municipal Division	1,232	50.2	10.2
Total PERA	3,181	50.5	9.9

ACTIVE MEMBERS DISPLAYED BY DIVISION AND COVERAGE PLAN
JUNE 30, 2006

Divisions/Coverage Plan	Number			Payroll		Averages*						
	2006	2005	Increase	2006	2005	Age		Service		Pay		
						2006	2005	2006	2005	2006	2005	Increase
State Division												
General	23,080	20,647	11.8 %	\$ 795,195,389	\$ 728,031,257	43.5	44.0	7.5	8.2	\$ 34,454	\$ 35,261	(2.3)%
Police	522	538	(3.0)%	21,659,124	21,345,255	36.7	36.4	10.5	10.0	41,493	39,675	4.6%
Adult Corrections	1,101	1,220	(9.8)%	30,326,476	34,714,136	36.7	38.1	9.2	9.0	27,544	28,454	(3.2)%
Juvenile Corrections	328	313	4.8 %	9,437,260	8,967,185	41.2	40.8	6.9	6.7	28,772	28,649	0.4%
Total State Division	25,031	22,718	10.2 %	856,618,249	793,057,833	43.0	43.4	7.6	8.2	34,222	34,909	(2.0)%
Municipal Division												
General Cov. Plan 1	1,339	1,573	(14.9)%	28,015,844	34,769,463	42.9	43.1	3.6	4.4	20,923	22,104	(5.3)%
General Cov. Plan 2	6,005	5,035	19.3 %	172,378,768	134,809,400	43.3	43.7	6.3	6.7	28,706	26,774	7.2%
General Cov. Plan 3	12,970	11,839	9.6 %	441,656,435	384,413,664	42.5	43.0	7.9	8.2	34,052	32,470	4.9%
General Cov. Plan 4	810	748	8.3 %	23,844,012	20,317,563	43.6	43.7	6.4	6.4	29,437	27,163	8.4%
Detention Officers Plan 1	121	610	(80.2)%	2,737,450	18,135,606	32.7	38.3	1.3	6.4	22,624	29,731	(23.9)%
Total General	21,245	19,805	7.3 %	668,632,509	592,445,696	42.7	43.0	7.1	7.4	31,472	29,914	5.2%
Police Cov. Plan 1	204	177	15.3 %	6,475,365	5,077,327	42.7	39.2	7.1	4.9	31,742	28,685	10.7%
Police Cov. Plan 2	103	97	6.2 %	3,031,595	2,737,471	39.2	38.1	6.3	6.5	29,433	28,221	4.3%
Police Cov. Plan 3	87	114	(23.7)%	3,203,473	3,964,782	37.1	37.5	7.0	6.7	36,822	34,779	5.9%
Police Cov. Plan 4	205	170	20.6 %	8,399,099	6,990,967	39.3	38.5	9.2	8.3	40,971	41,123	(0.4)%
Police Cov. Plan 5	3,160	2,842	11.2 %	152,724,464	127,078,933	37.1	36.8	8.5	8.7	48,331	44,715	8.1%
Total Police	3,759	3,400	10.6 %	173,833,996	145,849,480	37.6	37.1	8.4	8.3	46,245	42,897	7.8%
Fire Cov. Plan 1	17	33	(48.5)%	420,084	1,041,943	33.1	36.2	3.6	5.4	24,711	31,574	(21.7)%
Fire Cov. Plan 2	8	10	(20.0)%	253,663	303,984	29.7	32.3	6.5	8.0	31,708	30,398	4.3%
Fire Cov. Plan 3	9	38	(76.3)%	242,644	720,648	33.5	38.7	3.8	1.4	26,960	18,964	42.2%
Fire Cov. Plan 4	3	4	(25.0)%	105,014	155,284	45.4	40.0	23.0	16.8	35,005	38,821	(9.8)%
Fire Cov. Plan 5	1,534	1,703	(9.9)%	74,812,287	74,263,849	36.7	36.7	9.0	9.0	48,769	43,608	11.8%
Total Fire	1,571	1,788	(12.1)%	75,833,692	76,485,708	36.6	36.7	8.9	8.8	48,271	42,777	12.8%
Total Municipal Division	26,575	24,993	6.3 %	918,300,197	814,780,884	41.7	41.8	7.4	7.6	34,555	32,600	6.0%
Total PERA	51,606	47,711	8.2 %	\$1,774,918,446	\$1,607,838,717	42.3	42.6	7.5	7.9	\$ 34,394	\$33,700	2.1%

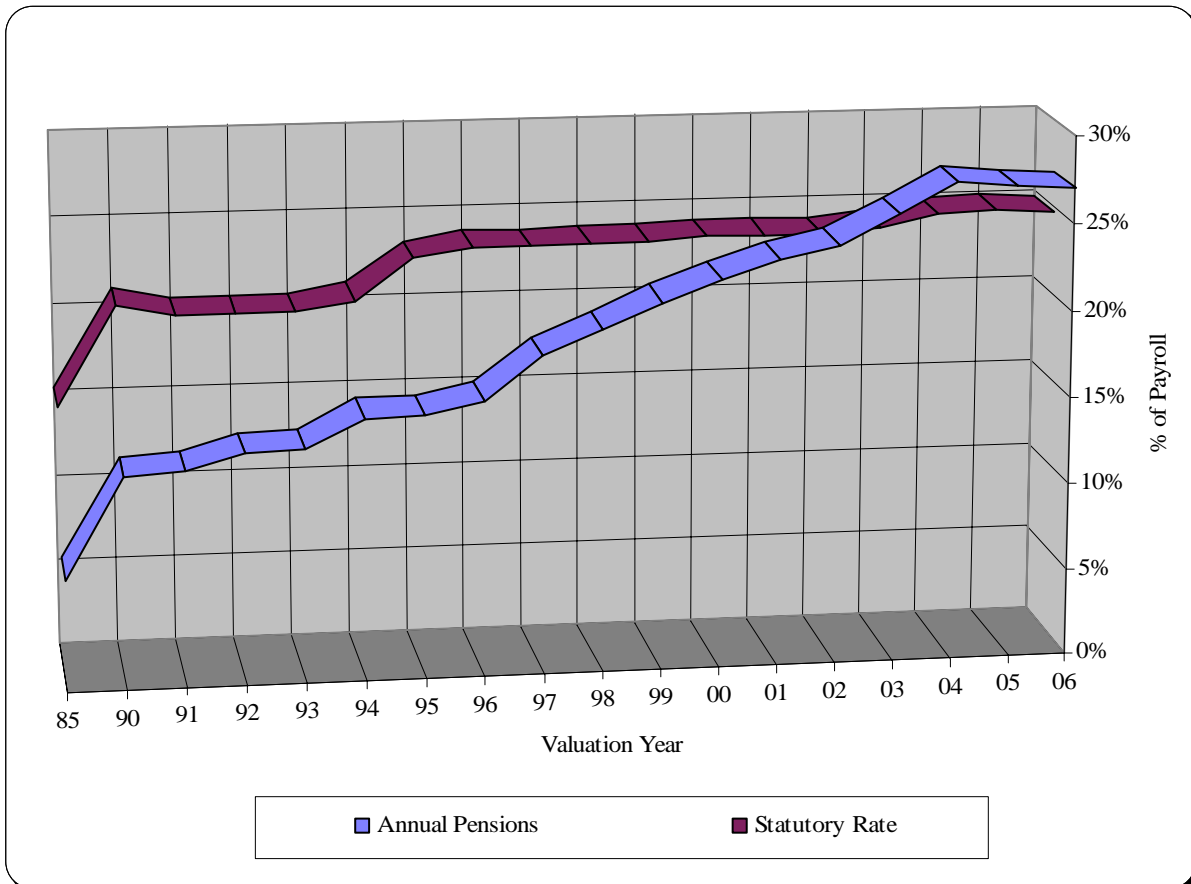
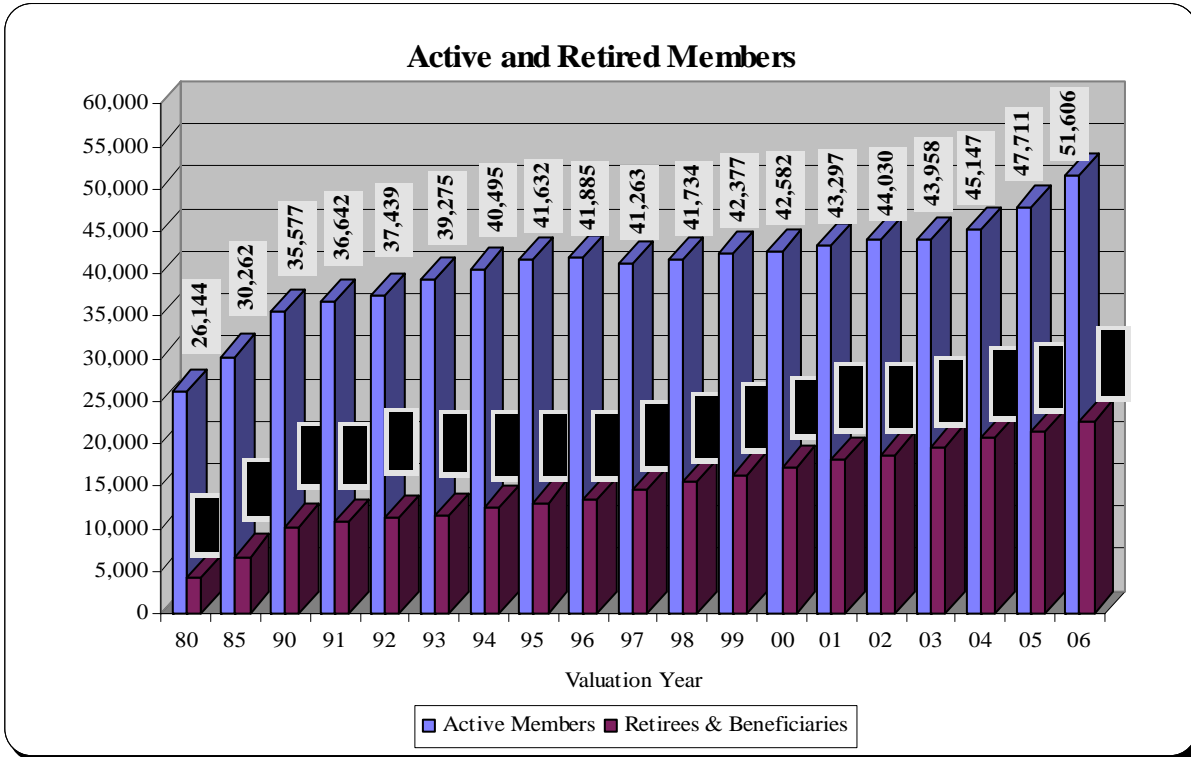
* Averages are shown because of general interest. The valuation process utilizes individual information.

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
2006	51,606	1,774,918,446	42.3	7.5	34,394

* 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, 2006

Nearest 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	81	-	-	-	-	-	-	81	\$ 963,536
20-24	926	34	-	-	-	-	-	960	18,750,783
25-29	1,459	453	18	-	-	-	-	1,930	49,905,822
30-34	1,349	814	279	17	-	-	-	2,459	76,755,375
35-39	3,020	877	601	309	26	-	-	4,833	137,228,440
40-44	1,082	733	652	628	338	11	-	3,444	126,907,555
45-49	1,111	743	585	624	541	99	5	3,708	143,053,116
50-54	1,001	660	559	562	425	103	17	3,327	130,353,869
55-59	754	513	484	481	328	61	12	2,633	106,648,339
60	110	80	77	69	48	12	8	404	16,251,302
61	69	54	69	45	40	5	-	282	11,226,700
62	62	53	53	46	24	8	2	248	10,548,753
63	48	54	39	24	14	4	2	185	7,354,832
64	43	32	36	30	10	5	6	162	6,062,047
65	32	23	14	21	8	4	1	103	4,247,858
66	22	17	16	10	7	-	-	72	2,714,487
67	9	11	8	6	3	-	-	37	1,451,279
68	9	9	8	3	2	2	1	34	1,201,295
69	12	10	5	1	7	-	1	36	1,414,254
70	8	5	6	2	1	-	-	22	773,128
71	7	3	4	2	-	-	1	17	721,300
72	3	4	1	2	2	-	-	12	612,176
73	4	-	-	-	2	1	-	7	158,587
74	-	2	-	-	-	-	-	2	78,356
75	3	3	-	-	-	-	-	6	277,573
76	2	1	2	1	-	-	-	6	213,917
77	1	2	1	-	-	-	-	4	84,041
78	2	2	1	1	1	-	1	8	275,972
79	5	-	-	1	-	1	2	9	383,557
Totals	11,234	5,192	3,518	2,885	1,827	316	59	25,031	\$ 856,618,249

**ACTIVE MEMBERS STATE DIVISION
JUNE 30, 2006**

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	1,240	3,204	4,444	\$ 91,350,301	\$20,556
1	869	1,308	2,177	65,726,266	30,191
2	667	1,070	1,737	55,324,309	31,850
3	663	850	1,513	51,706,748	34,175
4	605	758	1,363	44,879,290	32,927
5	566	701	1,267	43,246,404	34,133
6	560	639	1,199	41,534,771	34,641
7	515	584	1,099	39,168,999	35,641
8	394	528	922	33,145,913	35,950
9	310	395	705	27,122,885	38,472
10	269	305	574	22,187,348	38,654
11	357	412	769	29,770,167	38,713
12	395	418	813	32,219,064	39,630
13	331	377	708	28,848,409	40,746
14	329	325	654	27,482,252	42,022
15 & Up	2,589	2,498	5,087	222,905,123	43,819
Totals	10,659	14,372	25,031	\$856,618,249	\$34,222

ACTIVE MEMBERS
MUNICIPAL DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2006

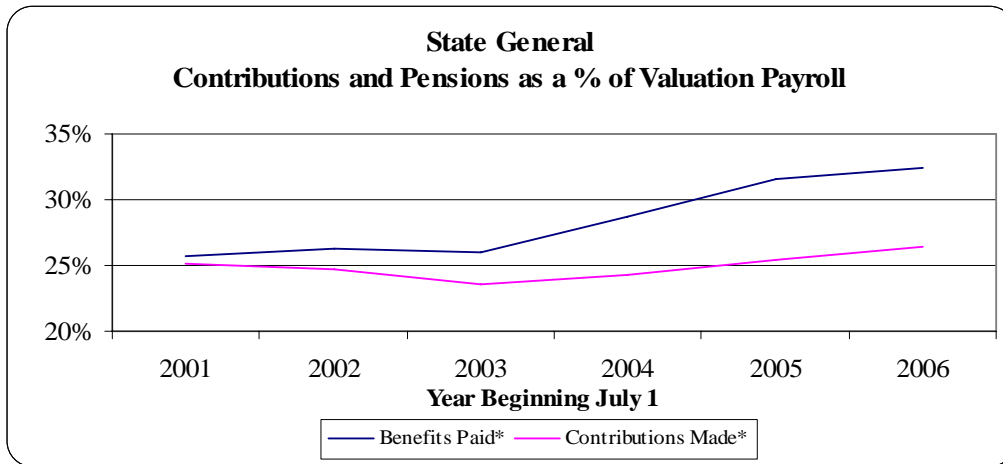
Nearest Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	206	-	-	-	-	-	-	206	\$ 2,454,848
20-24	1,266	30	-	-	-	-	-	1,296	29,942,848
25-29	2,001	558	15	-	-	-	-	2,574	76,910,947
30-34	1,598	1,022	420	12	-	-	-	3,052	106,492,409
35-39	2,802	993	932	434	23	-	-	5,184	162,973,354
40-44	1,198	767	660	814	356	11	-	3,806	149,869,931
45-49	1,096	717	562	695	508	79	4	3,661	140,704,493
50-54	878	578	488	460	388	88	20	2,900	110,318,304
55-59	670	442	376	380	288	65	18	2,239	85,218,797
60	100	47	69	71	56	6	5	354	12,817,049
61	65	39	43	35	25	6	7	220	7,703,001
62	74	51	37	31	24	7	7	231	8,114,865
63	53	34	43	24	8	5	1	168	6,224,780
64	37	39	28	21	11	3	4	143	5,006,366
65	35	33	23	7	5	3	-	106	3,239,633
66	36	15	15	5	6	2	-	79	2,331,982
67	26	18	9	8	7	1	-	69	1,893,016
68	21	9	7	2	-	2	1	42	832,141
69	18	11	7	4	3	1	1	45	1,001,102
70	17	9	3	2	1	1	-	33	713,583
71	12	6	9	7	1	1	-	36	1,044,034
72	7	4	4	1	3	-	-	19	464,862
73	11	6	1	4	-	-	-	22	465,755
74	5	6	4	-	-	-	1	16	330,530
75	10	2	1	-	2	2	1	18	345,910
76	10	3	2	-	-	1	-	16	294,332
77	5	2	2	1	-	-	1	11	245,735
78	-	4	4	-	-	-	-	8	70,496
79	5	8	6	-	1	1	-	21	275,094
Totals	12,262	5,453	3,770	3,018	1,716	285	71	26,575	\$ 918,300,197

ACTIVE MEMBERS MUNICIPAL DIVISION
JUNE 30, 2006

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	2,209	2,842	5,051	\$ 94,681,618	\$ 18,745
1	1,458	1,071	2,529	72,740,071	28,762
2	1,170	779	1,949	59,542,739	30,550
3	957	526	1,483	48,001,703	32,368
4	783	467	1,250	42,597,763	34,078
5	876	492	1,368	48,774,293	35,654
6	732	427	1,159	41,451,181	35,765
7	706	342	1,048	38,683,188	36,911
8	667	325	992	38,117,260	38,425
9	599	287	886	33,960,880	38,331
10	573	247	820	33,121,048	40,392
11	578	287	865	35,773,886	41,357
12	537	249	786	33,177,935	42,211
13	462	218	680	29,437,167	43,290
14	433	186	619	27,952,563	45,158
15 & Up	3,544	1,546	5,090	240,286,902	47,208
Totals	16,284	10,291	26,575	\$918,300,197	\$34,555

State General Division

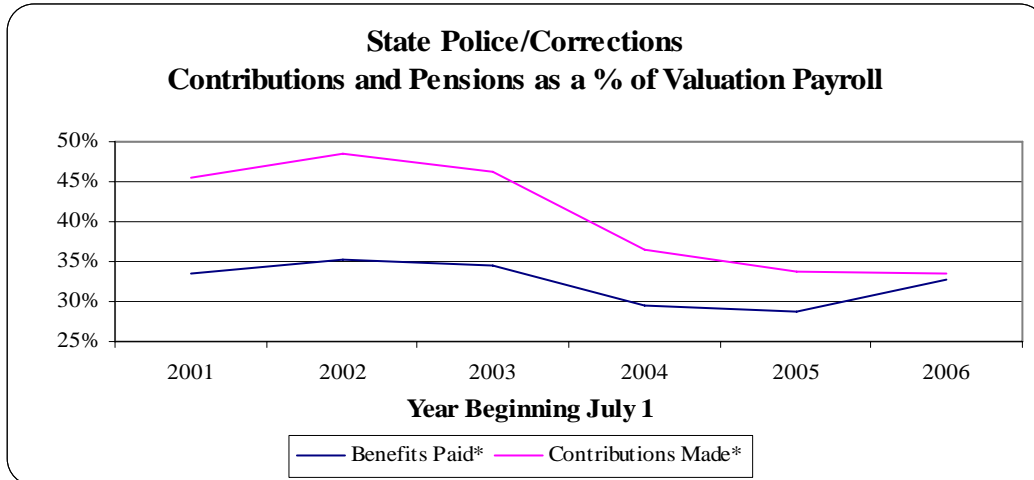
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$607,374,322	\$155,937,504	25.67%	\$152,849,983	25.17%
2002	642,701,705	168,692,266	26.25%	158,412,415	24.65%
2003	698,626,579	181,992,344	26.05%	164,948,041	23.61%
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%
2006	728,031,257	236,545,725	32.49%	192,756,943	26.48%



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

State Police/Corrections Division

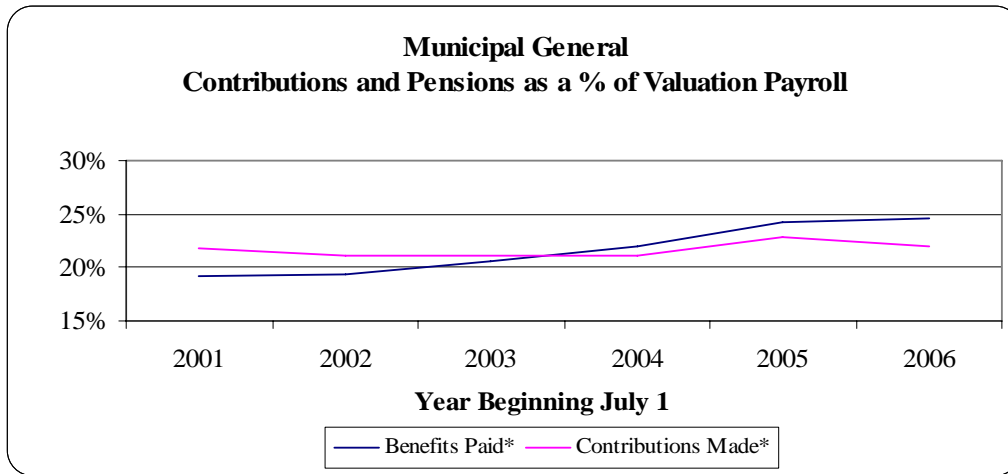
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$39,215,882	\$13,180,233	33.61%	\$17,852,316	45.52%
2002	40,399,940	14,197,401	35.14%	19,589,208	48.49%
2003	44,346,818	15,266,699	34.43%	20,537,182	46.31%
2004	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%
2006	65,026,576	21,278,852	32.72%	21,845,988	33.60%



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

Municipal General Division

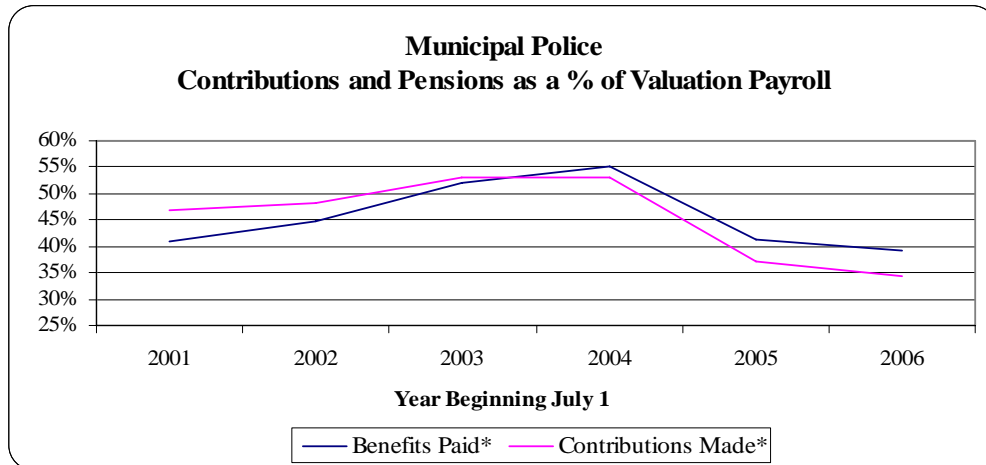
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$ 475,745,977	\$ 91,318,357	19.19%	\$ 103,481,792	21.75%
2002	506,026,384	97,877,822	19.34%	107,160,858	21.18%
2003	527,857,221	108,367,775	20.53%	111,157,484	21.06%
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%
2006	592,445,696	146,094,158	24.66%	130,559,843	22.04%



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

Municipal Police Division

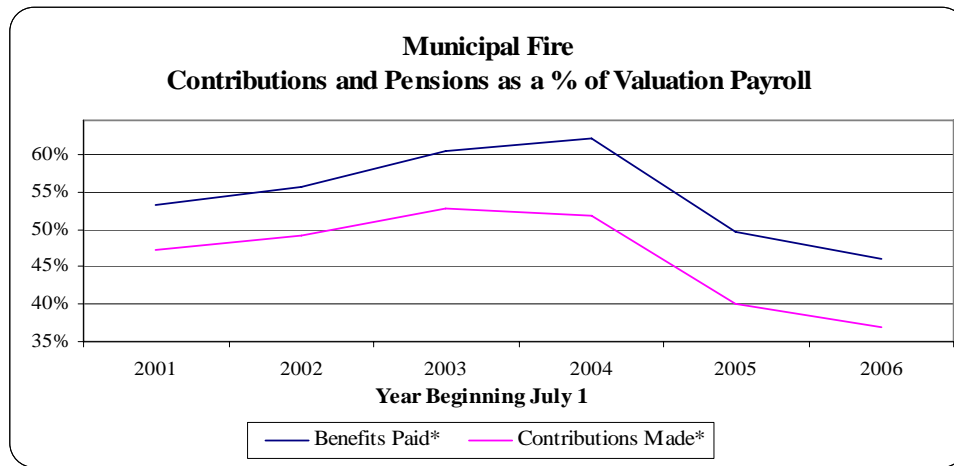
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2001	\$ 81,903,288	\$ 33,605,401	41.03%	\$ 38,248,938	46.70%
2002	83,409,907	37,407,611	44.85%	40,347,363	48.37%
2003	80,091,903	41,619,437	51.96%	42,518,040	53.09%
2004	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%
2006	145,849,480	56,943,806	39.04%	50,235,313	34.44%



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

Municipal Fire Division

Year Ending June 30,	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%
2006	76,485,708	35,617,457	46.57%	28,637,643	37.44%



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

SECTION 3

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS - - JUNE 30, 2006

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.

The valuation assets used for funding purposes is derived as follows: prior year valuation assets are increased by contributions and expected investment income and reduced by refunds, benefit payments and expenses. To this amount 25% of the difference between expected and actual investment income net of expenses for each of the previous four years is added. The funding value of assets for each division is allocated in proportion to the total fund balances.

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).

Assumed Rate of Investment Return. 8% of net administrative and investment expenses.

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. 4% 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		
2006	2005	2004	2003	2002	Last 5 Yrs.	Last 10 Yrs.	Last 30 Yrs.
4.3%	2.5%	3.3%	2.1%	1.1%	2.7%	2.6%	4.3%

Real Investment Return. 4% 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) 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	
Increase Due to Merit/Longevity:						
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	7.5	3.5	1.3	0.5	0.0	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 and 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
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
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	State	Municipal General		Municipal	Municipal
	Male	Female	Police	Corrections	Male	Female	Police	Fire
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	75	40	30	23	25	50
65	50	40	100	50	35	40	50	100
66	25	30		50	20	23	50	
67	30	35		50	20	18	50	
68	30	15		50	14	20	50	
69	25	35		50	14	25	50	
70	30	40		100	15	20	100	
71	15	40			10	20		
72	20	30			15	20		
73	15	20			20	20		
74	15	20			40	75		
75	50	40			40	75		
76	50	50			40	75		
77	60	50			40	75		
78	60	75			50	75		
79	60	75			50	100		
80	100	100			100			
Ref	961	963	1009	993	971	972	982	994

Percents Retiring at Indicated Service (by Coverage Plan)										
Service	State General		State Police*	State Corrections	Municipal General		Municipal Police		Municipal Fire	
	Male	Female			Male	Female	Plans 1, 2	Plans 3, 4, 5	Plans 1, 2	Plans 3, 4, 5
20			10%					30%		20%
21			10					25		15
22			10					30		25
23			10					20		25
24			10					10		12
25	45%	45%	25	40%	40%	40%	30%	30	15%	15
26	35	35	25	60	25	30	15	15	10	10
27	25	25	25	50	20	15	25	25	15	15
28	15	15	25	50	15	20	20	20	15	15
29	20	20	50	50	15	25	30	30	15	15
30	20	10	50	50	15	20	75	75	15	15
31	15	15	50	50	20	10	75	75	15	15
32	10	10	50	50	20	10	100	100	55	55
33	10	10	100	50	30	50			75	75
34	15	30		100	30	75			100	100
35	20	30			30	75				
36	20	50			30	75				
37	20	50			30	75				
38	50	50			30	75				
39	50	50			30	75				
40	100	100			100	100				
Ref	960	962	1010	708	973	974	1007	981	1008	995

* Includes Adult Corrections 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, 2006

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 3% 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.
Optional Forms of Payment:	Based on valuation interest and a unisex blend of valuation mortality.

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
STATEMENT 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, 2006. 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	\$ 5,098,336,980
Retired members and beneficiaries currently receiving benefits	6,498,048,083
Vested terminated members not yet receiving benefits	<u>185,337,175</u>
Total Actuarial Accrued Liability	11,781,722,238
Actuarial Value of Assets (market value was \$11,215,016,116)	<u>10,850,217,102</u>
Actuarial Accrued Liability in Excess of Assets in Excess	\$ 931,505,136

During the year ended June 30, 2006, the Plan experienced a net change of \$878,658,424 in the actuarial accrued liability. There were no changes in actuarial assumptions or plan changes during the year.

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
2007	6/30/2006*	256,298,224

* *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%
6/30/2006	10,850,217,103	11,781,722,238	931,505,135	92.1%	1,774,918,446	52.5%

* *Plan Change.*

Assumption Changes.

@ *Currently, the market value of assets exceeds the actuarial value (AV) by \$351,121,167. 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, 2006
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 Price Inflation at	4.00%
Cost-of-Living Adjustments	3.00%

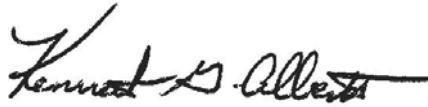
November 8, 2006

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, 2006 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
Mr. George Emkes, Comptroller
Ms. Susan Pittard, General Council
Moss Adams LLP (+ 1 report copy)
Attn: Ms. Julie Alliman
6100 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110