

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO**  
**ANNUAL ACTUARIAL VALUATION**  
**JUNE 30, 2008**

October 22, 2008

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, 2008 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. 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 American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

Kenneth G. Alberts

David Kausch, FSA, EA, MAAA

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## **SECTION 1**

**PURPOSE OF VALUATION, VALUATION RESULTS,  
COMMENTS AND CONCLUSIONS**

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## 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, 2008

The statutory obligations of PERA were calculated to have an actuarial present value of \$17,351,958,655 on June 30, 2008. The funding value of PERA assets available to meet these obligations totaled \$12,816,218,012.

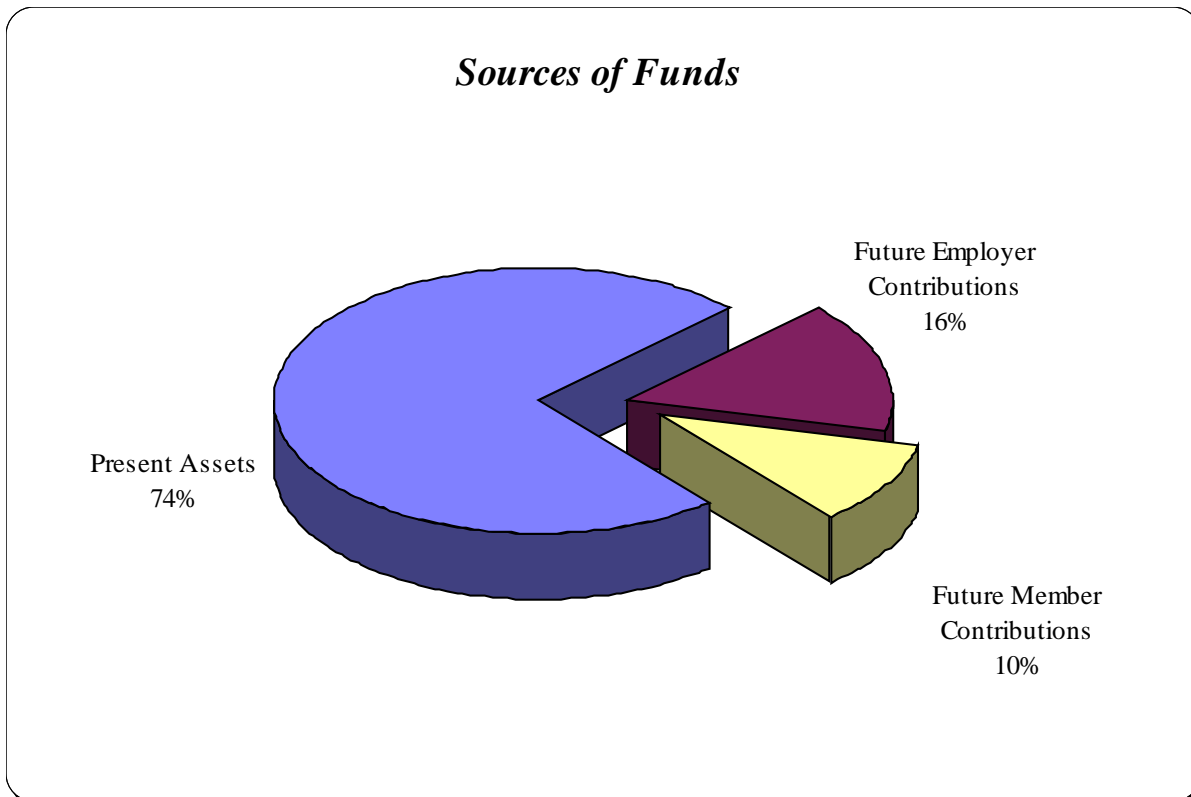
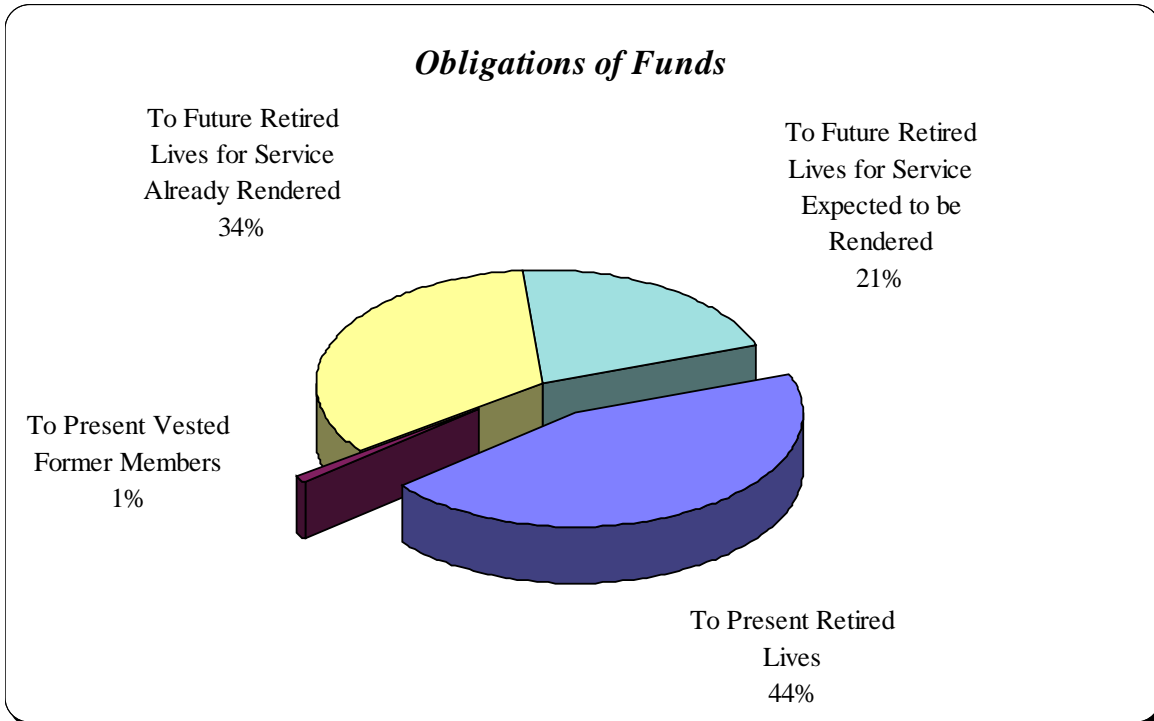
	Actuarial Accrued Liability	Present Value of Future Normal Cost	Actuarial Present Value of Statutory Obligations
Retired Members	\$ 7,711,735,449	none	\$ 7,711,735,449
Vested Former Members	208,298,669	none	208,298,669
Active Members	5,820,301,203	\$3,611,623,334	9,431,924,537
<b>Total Actuarial Obligation</b>	<b>\$ 13,740,335,321</b>	<b>\$3,611,623,334</b>	<b>\$17,351,958,655</b>
Less Funding Value of Assets @	\$ 12,816,218,012		
Unfunded Actuarial Accrued Liability	\$ 924,117,309		

@ Currently, the actuarial value (AV) of assets exceeds the market value by \$874,665,927. 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 17).

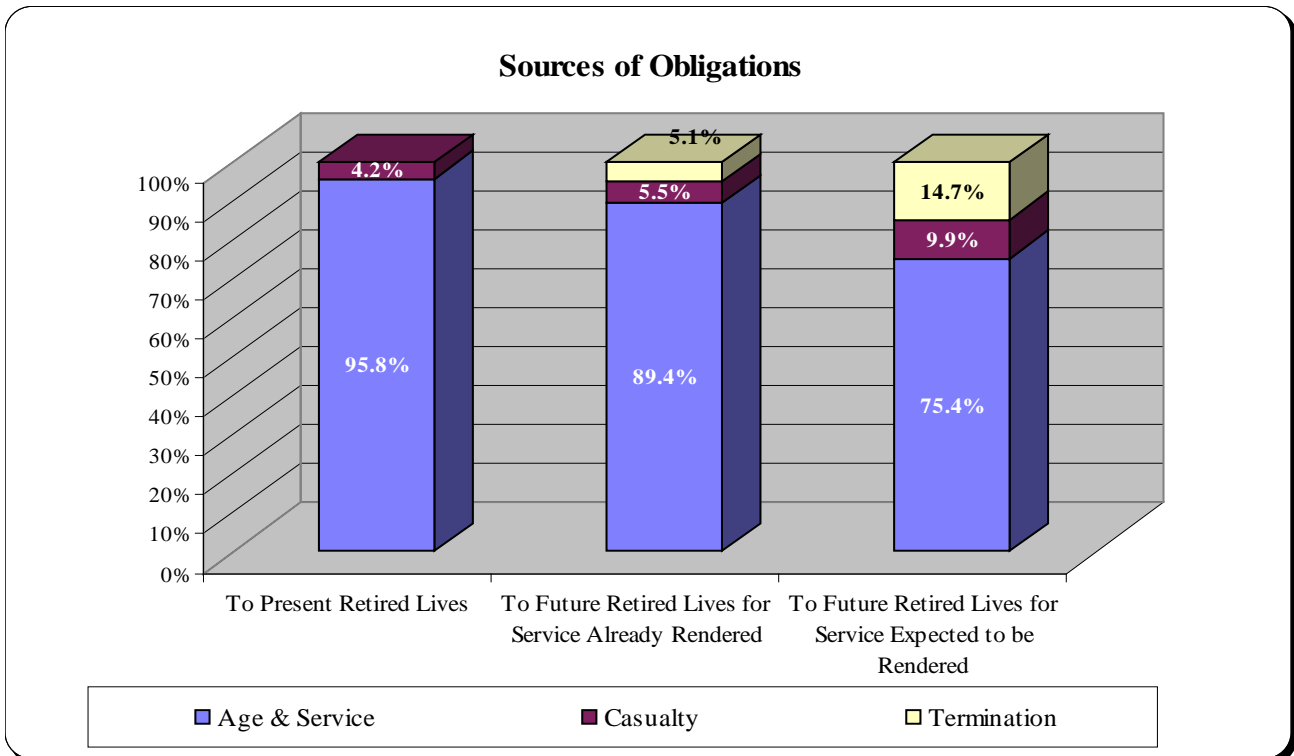
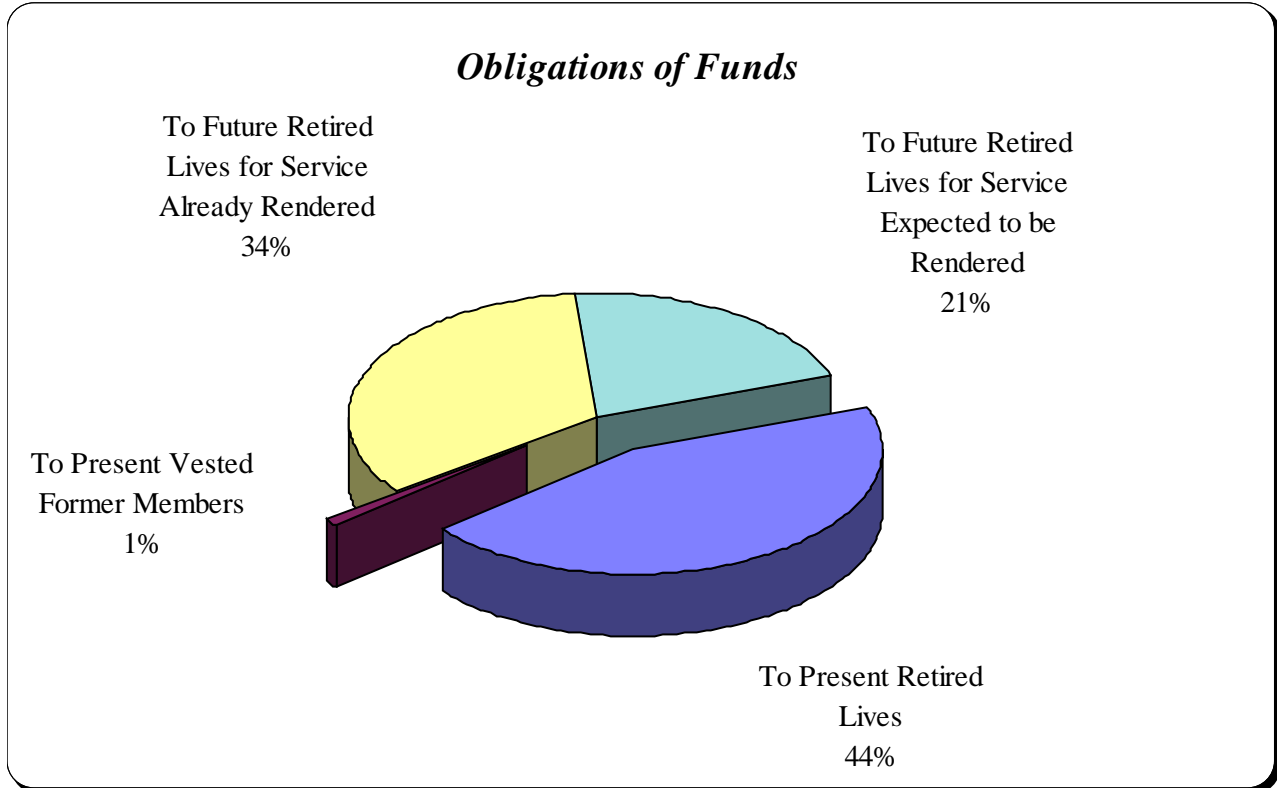
Derivation of the funding value of assets (actuarial value of assets) is shown on page 17.

The report excludes reported Legislative Division assets of \$18,634,537 (\$19,999,435 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, 2008



## STATUTORY OBLIGATIONS JUNE 30, 2008





**ACTUARIAL PRESENT VALUE OF STATUTORY OBLIGATIONS BY DIVISION  
JUNE 30, 2008**

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	Funded Percent
	Retired	Active*	Total			
<b>STATE DIVISION</b>						
General coverage plan	\$ 3,493,601,370	\$ 2,724,006,373	\$ 6,217,607,743	\$ 1,408,595,501	\$ 7,626,203,244	85.47%
Less Funding Value of Assets	3,493,601,370	1,820,505,277	5,314,106,647			
Unfunded Act. Accr. Liab	none	903,501,096	903,501,096			
Police/Corrections coverage plan	383,471,230	360,878,728	744,349,958	184,095,815	928,445,773	124.13%
Less Funding Value of Assets	383,471,230	540,474,434	923,945,664			
Unfunded Act. Accr. Liab	none	(179,595,706)	(179,595,706)			
<b>MUNICIPAL DIVISION</b>						
General coverage plan	2,174,339,402	1,926,387,740	4,100,727,142	1,196,568,360	5,297,295,502	100.57%
Less Funding Value of Assets	2,174,339,402	1,949,960,426	4,124,299,828			
Unfunded Act. Accr. Liab	none	(23,572,686)	(23,572,686)			
Police coverage plan	1,033,269,134	674,841,666	1,708,110,800	511,012,023	2,219,122,823	96.41%
Less Funding Value of Assets	1,033,269,134	613,555,279	1,646,824,413			
Unfunded Act. Accr. Liab	none	61,286,387	61,286,387			
Fire coverage plan	627,054,313	342,485,365	969,539,678	311,351,635	1,280,891,313	83.24%
Less Funding Value of Assets	627,054,313	179,987,147	807,041,460			
Unfunded Act. Accr. Liab	none	162,498,218	162,498,218			
<b>PERA TOTALS</b>						
All coverage plans	\$ 7,711,735,449	\$ 6,028,599,872	\$ 13,740,335,321	\$ 3,611,623,334	\$ 17,351,958,655	93.27%
Less Funding Value of Assets	7,711,735,449	5,104,482,563	12,816,218,012			
Unfunded Act. Accr. Liab	none	\$ 924,117,309	\$ 924,117,309			

\* Including vested former members.

@ Currently, the actuarial value (AV) of assets exceeds the market value by \$869,080,374. 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 17).

## 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, 2008:

Division and Coverage Plan	Contribution Rates	
	Member	Employer
<b>STATE DIVISION</b>		
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*	7.26	25.17
<b>MUNICIPAL DIVISION</b>		
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*	11.99	9.37
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*	15.52	18.16
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*	15.96	21.04

\* 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, 2008 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
<b>FUNDING RESOURCE</b>		
<b>Members</b>	<b>7.42%</b>	<b>7.26%</b>
<b>Affiliated Public Employers</b>	<b>16.59%</b>	<b>25.17%</b>
<b>Total Funding Resource (Weighted Average)</b>	<b>24.01%</b>	<b>32.43%</b>
<b>UTILIZATION OF FUNDING RESOURCE</b>		
<b>Normal Cost:</b>		
<b>Age &amp; Service</b>	<b>15.84%</b>	<b>19.59%</b>
<b>Disability</b>	<b>0.78%</b>	<b>1.98%</b>
<b>Pre-Retirement Survivors</b>	<b>1.07%</b>	<b>1.05%</b>
<b>Refunds</b>	<b>1.02%</b>	<b>0.75%</b>
<b>Total Normal Cost</b>	<b>18.71%</b>	<b>23.37%</b>
<b>Unfunded Actuarial Accrued Liability</b>	<b>5.30%</b>	<b>9.06%</b>
<b>Total Utilized</b>	<b>24.01%</b>	<b>32.43%</b>
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>		
<b>FINANCING PERIOD*</b>		
<b>Current Valuation</b>	<b>29 years</b>	<b># years</b>
<b>Last Year's Valuation</b>	<b>29 years</b>	<b># years</b>
<b>From 6/30/1990 Valuation</b>	<b>65 years</b>	<b>20 years</b>
<b>Change Since Last Year's Valuation</b>	<b>0 years</b>	<b>+ years**</b>
<b>FUNDING POLICY OBJECTIVE@</b>	<b>0.00%</b>	<b>0.00%</b>

\* 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, 2008 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
<b>FUNDING RESOURCE</b>			
Members	11.99%	15.52%	15.96%
Affiliated Public Employers	9.37%	18.16%	21.04%
<b>Total Funding Resource (Weighted Average)</b>	<b>21.36%</b>	<b>33.68%</b>	<b>37.00%</b>
<b>UTILIZATION OF FUNDING RESOURCE</b>			
<b>Normal Cost:</b>			
Age & Service	15.24%	26.29%	27.15%
Disability	0.81%	1.48%	0.85%
Pre-Retirement Survivors	1.25%	1.13%	1.27%
Refunds	1.56%	1.19%	0.64%
<b>Total Normal Cost</b>	<b>18.86%</b>	<b>30.09%</b>	<b>29.91%</b>
<b>Unfunded Actuarial Accrued Liability</b>	<b>2.50%</b>	<b>3.59%</b>	<b>7.09%</b>
<b>Total Utilized</b>	<b>21.36%</b>	<b>33.68%</b>	<b>37.00%</b>

### UNFUNDED ACTUARIAL ACCRUED LIABILITY

#### FINANCING PERIOD\*

Current Valuation	# years	12 years	47 years
Last Year's Valuation	<1	13 years	43 years
From 6/30/1990 Valuation	43 years	91 years	90 years
Change Since Last Year's Valuation	- years**	-1 years	4 years

<b>FUNDING POLICY OBJECTIVE@</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.82%</b>
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\* 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 General division.

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

## 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 supersedes 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)
2007	13	12,032,215	12,962,480	93	930,265	1,908,520	49	0.3
<b>2008</b>	<b>13</b>	<b>12,816,218@@</b>	<b>13,740,335</b>	<b>93</b>	<b>924,117</b>	<b>1,965,064</b>	<b>47</b>	<b>0.1</b>

\* 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 actuarial value (AV) of assets exceeds the market value by \$869,080,374. 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 17).

**COMMENT A – EXPERIENCE**

In aggregate, fund experience was slightly more favorable than expected, producing a small experience gain for the year ending June 30, 2008. The primary sources of gains were due to lower than assumed pay increases. Gains were slightly offset by losses due to investment return less than assumed (7.2% vs. 8.0%).

In aggregate, the system had an experience gain of \$15.7 million (or approximately 0.12% of beginning of year accrued liability).

**COMMENT B – GENERAL LOOK AHEAD**

Looking ahead to next year we can see we have a net loss of \$137 million for past investment losses 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 2007/2008 fiscal year and incurs no other liability gains or losses (an unlikely situation) then the June 30, 2009 valuation results will show a loss of approximately \$137 million. This will have a downward impact on the funded status of the fund and lengthen the amortization period in the next valuation.

**COMMENT C – DATA**

Reported data remained consistent with last year. Reported actives increased by 1.7%.

**COMMENT D – FUNDING POLICY**

The Board is currently considering lowering the funding policy amortization period from 30 years to 25 years. The Board is also considering applying this policy to each division, as well as PERA, in total. The table below indicates which divisions would require an increase in contributions to meet the proposed policy as of June 30, 2008.

	% of Pay Increase Needed to Meet	
	Current Policy (30 years)	Proposed Policy (25 years)
State General	0.00%	0.50%
State Police/Hazardous Duty	0.00%	0.00%
Municipal General	0.00%	0.00%
Municipal Police	0.00%	0.00%
Municipal Fire	1.82%	2.88%

**COMMENT E – LOOK AHEAD SPECIFICALLY FOCUSED ON RECENT MARKET PERFORMANCE**

Market performance for the first quarter of FY 2009 has been at record lows. PERA still has 3 quarters to recover from this performance and by June 30, 2009 may have recovered to a point that the FY 09 becomes a typical down year instead of an extraordinary down year. However, if performance during the next 3 quarters does not improve, it may be necessary to recommend (to the legislature) an increase in the statutory rates after the June 30, 2009 valuation.

Recent negative market experience may put additional strain on the future funded status of the plan. A reasonable indicator of future funding status and amortization period is to compare what this year's valuation results would have been using market value of assets.

With market value of assets, the June 30, 2008 funded status would decrease from 93% to 87% and the remaining amortization period for PERA as a whole would increase from 13 to 34 years.

**COMMENT F – STATE DIVISION**

If the State Division is combined into a single funding group, then the aggregate amortization period for this group, as of June 30, 2008, would be 21 years. In addition, if the divisions were kept separate employer contributions could be changed in the State division without affecting the overall state budget. For example, 5% of Police/Hazardous Duty payroll is approximately the same as 0.5% of State General payroll. If the State Police contributions were reduced and the State General contributions were increased (by the same dollar amount), both divisions could be brought under the proposed funding policy, based on the June 30, 2008 valuation results. This is information only, not a recommendation. Before making a recommendation, we believe the following should be considered:

- FY09 investment performance;
- Results of the 4-year experience study (due to be completed – Spring '09);
- The proposed funding policy; and
- Results of the cash-flow projections discussed at the Board retreat in July '08.

**COMMENT G – ASSETS**

GRS recently received revised assets (just prior to the production of the draft report). Since the change in assets was less than 0.5%, we decided (after consulting with the Executive Director) that this change would be treated as a post valuation audit adjustment and included in the June 30, 2009 actuarial valuation.



**RECOMMENDATIONS**

GRS recommends that PERA have a cash-flow projection performed, following the completion of the 4-year experience study. The purpose of this projection would be to estimate near future funding status and remaining amortization periods under different short-term investment results.

**CONCLUSIONS**

Our conclusions based on the June 30, 2008 annual actuarial valuation of PERA are as follows:

- PERA funding status remained strong during the year ended June 30, 2008, with the aggregate funding ratio of accrued valuation assets to accrued liabilities at 93%. 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, preserving continued contributions and the continued appropriateness of assumptions, on average.
- 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.

## 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
<b>STATE GENERAL</b>			
MCF*	\$ 718,880,705		
EAF	1,131,606,333		\$ (392,652,559)
RRF	3,100,948,811	\$ 3,493,601,370	392,652,559
<b>STATE POLICE/CORRECTIONS</b>			
MCF	49,630,203		
EAF	357,295,781		0
RRF	453,963,341	383,471,230	0
<b>MUNICIPAL GENERAL</b>			
MCF	856,928,133		
EAF	886,560,992		(74,998,984)
RRF	2,099,340,418	2,174,339,402	74,998,984
<b>MUNICIPAL POLICE</b>			
MCF	206,646,279		
EAF	366,117,602		(71,599,106)
RRF	961,670,028	1,033,269,134	71,599,106
<b>MUNICIPAL FIRE</b>			
MCF	131,275,953		
EAF	84,344,586		(90,711,393)
RRF	536,342,920	627,054,313	90,711,393
<b>TOTAL</b>	<b>\$ 11,941,552,085</b>		

\* *Members contribution fund.*

\*\* *At market value.*

**EXPERIENCE GAIN (LOSS) -- YEAR ENDED JUNE 30, 2008**  
**(DOLLAR AMOUNTS IN THOUSANDS)**

DERIVATION	State Division		Municipal Division			Totals
	General	Pol / H.D.	General	Police	Fire	
<b>(1) UAAL at start of year</b>	<b>\$ 875,218</b>	<b>\$(173,861)</b>	<b>\$ 3,776</b>	<b>\$ 68,126</b>	<b>\$ 157,006</b>	<b>\$ 930,265</b>
<b>(2) Normal Cost for year (NC x Pays from 2007 valn x 1.045)</b>	<b>166,547</b>	<b>20,531</b>	<b>138,801</b>	<b>54,008</b>	<b>29,214</b>	<b>409,101</b>
<b>(3) EE and ER contributions (net of refunds)</b>	<b>(217,774)</b>	<b>(24,460)</b>	<b>(141,475)</b>	<b>(54,081)</b>	<b>(33,696)</b>	<b>(471,486)</b>
<b>(4) Interest Accrual</b>	<b>67,968</b>	<b>(14,066)</b>	<b>195</b>	<b>5,447</b>	<b>12,381</b>	<b>71,925</b>
<b>(5) Expected UAAL before changes</b>	<b>891,959</b>	<b>(191,856)</b>	<b>1,297</b>	<b>73,500</b>	<b>164,905</b>	<b>939,805</b>
<b>(6) Effect of assumption changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(7) Effect of benefit changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(8) Effect Asset Method Restart</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(9) Expected UAAL after changes</b>	<b>891,959</b>	<b>(191,856)</b>	<b>1,297</b>	<b>73,500</b>	<b>164,905</b>	<b>939,805</b>
<b>(10) Actual UAAL</b>	<b>903,501</b>	<b>(179,596)</b>	<b>(23,573)</b>	<b>61,286</b>	<b>162,498</b>	<b>924,116</b>
<b>(11) Gain/(Loss)</b>	<b>(11,542)</b>	<b>(12,260)</b>	<b>24,870</b>	<b>12,214</b>	<b>2,407</b>	<b>15,689</b>
<b>(12) As % of beginning of year AAL</b>	<b>(0.20%)</b>	<b>(1.78%)</b>	<b>0.64%</b>	<b>0.76%</b>	<b>0.26%</b>	<b>0.12%</b>

AAL represents actuarial accrued liability.

UAAL represents unfunded actuarial accrued liability.

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

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## **SECTION 2**

### **SUMMARY OF FINANCIAL AND PEOPLE INFORMATION USED FOR THE VALUATION**

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## SUMMARY OF FISCAL INFORMATION FURNISHED FOR THE VALUATION

	6-30-08	6-30-07
Fund balance beginning of year	\$ 13,111,049,064	\$ 11,215,016,116
Post valuation audit adjustment	9,267,269	0
Revised balance beginning of year	13,120,316,333	11,215,016,116
<b>Revenues</b>		
a. Member contributions	196,144,985	179,316,868
b. Employer contributions	302,447,063	269,570,849
c. Purchases of service	6,952,520	7,900,091
d. Investment Income		
1. Adjustments of inv. to market value	(2,362,316,383)	0
2. Interest, dividends, etc.	349,056,090	373,674,921
3. Realized gains/(losses)	1,037,733,034	1,639,745,726
e. Other Income	(65,846,981)	10,495,639
f. Total revenues	(535,829,672)	2,480,704,094
<b>Expenditures</b>		
a. Pensions paid	557,190,284	511,709,032
b. Refunds of member contributions	31,404,570	34,589,597
c. Administrative and investment expenses	35,705,184	38,372,517
d. Total expenditures	624,300,038	584,671,146
Fund balance end of year (Market value)	\$ 11,960,186,623	\$ 13,111,049,064
<b>ASSETS AND LIABILITIES</b>	<b>6-30-08</b>	
Cash & Receivables	4,048,186,821	
Property & Equipment	7,903,195	
Building	23,500,000	
Short Terms & Accruals	248,732,026	
US Gov't. & Agency Securities	1,607,983,568	
Corporate Bonds	1,590,376,207	
Corporate Stocks	4,433,096,079	
International Stocks	3,212,462,912	
Venture Capital and Partnerships	978,977,215	
Alternatives	283,439,294	
Other Investments	(6,796,120)	
CIP	4,472,879	
Accounts Payable	4,472,147,453	
Net Assets	<b>\$11,960,186,623</b>	

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,				
	2004	2005	2006	2007	2008
A. Funding Value Beginning of Year	\$ 8,976,907,422	\$ 9,287,742,499	\$ 10,008,511,489	\$ 10,863,894,951	\$ 12,049,357,827
B. Market Value End of Year	9,287,742,499	10,120,102,418	11,215,016,116	13,111,049,064	11,960,186,623
C. Market Value Beginning of Year	8,084,949,036	9,287,742,499	10,119,069,868	11,215,016,116	13,120,316,333
D. Non-Investment Net Cash Flow	(36,969,960)	(57,160,949)	(70,869,509)	(89,510,821)	(83,050,286)
E. Investment Income					
E1. Market Total: B - C - D	1,239,763,423	889,520,868	1,166,815,757	1,985,543,769	(1,077,079,424)
E2. Amount for Immediate Recognition	716,673,795	740,732,962	797,846,139	865,531,163	960,626,615
E3. Amount for Phased-In Recognition E1-E2	523,089,628	148,787,906	368,969,618	1,120,012,606	(2,037,706,039)
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	130,772,407	37,196,977	92,242,405	280,003,152	(509,426,510)
F2. First Prior Year	(62,903,537)	-	37,196,977	92,242,405	280,003,152
F3. Second Prior Year	(254,443,415)	-	-	37,196,977	92,242,405
F4. Third Prior Year	(194,360,939)	-	-	-	37,196,975
F5. Total Recogn. Phased-In Investment Gain	380,935,484	37,196,977	129,439,382	409,442,534	(99,983,978)
G. Audit Adjustment	-	-	(1,032,550)		9,267,269
H. Funding Value End of Year: A + D + E2 + F5 +G	9,275,675,773	10,008,511,489	10,863,894,951	12,049,357,827	12,836,217,447
Difference between Market & Funding Value	12,066,726	111,590,929	351,121,165	1,061,691,237	(876,030,824)
I. Recognized Rate of Return	3.75%	8.40%	9.29%	11.78%	7.24%

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, 2008

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	\$ 718,880,705	\$ 49,630,203	\$ 673,492	\$ 856,928,133	\$ 206,646,279	\$131,275,953	\$ 1,964,034,765	\$ 1,963,361,273
Employer Accumulation Fund	1,131,606,333	357,295,781	14,884,724	886,560,992	366,117,602	84,344,586	2,840,810,018	2,825,925,294
Retirement Reserve Fund	3,100,948,811	453,963,341	3,076,321	2,099,340,418	961,670,028	536,342,920	7,155,341,839	7,152,265,518
<b>Total Fund Balances</b>	<b>4,951,435,849</b>	<b>860,889,325</b>	<b>18,634,537</b>	<b>3,842,829,543</b>	<b>1,534,433,909</b>	<b>751,963,459</b>	<b>11,960,186,622</b>	<b>11,941,552,085</b>
Funding Value Adjustment	362,670,798	63,056,339	1,364,898	281,470,285	112,390,504	55,078,001	876,030,825	874,665,927
<b>Total Funding Value of Assets</b>	<b>\$5,314,106,647</b>	<b>\$923,945,664</b>	<b>\$19,999,435</b>	<b>\$4,124,299,828</b>	<b>\$1,646,824,413</b>	<b>\$807,041,460</b>	<b>\$12,836,217,447</b>	<b>\$12,816,218,012</b>

*The funding value adjustment is the difference between the funding value of assets derived on page 17 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 21,480 retired members and 3,283 survivor beneficiaries reported for the June 30, 2008 valuation, involving an annual pension payroll of \$570,001,781. 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	10,498	\$249,301,600	67.0	1,545	\$19,922,498	69.3
Police/Haz Duty	912	24,800,710	61.0	126	2,146,870	59.7
<b>Totals</b>	<b>11,410</b>	<b>274,102,310</b>	<b>66.5</b>	<b>1,671</b>	<b>22,069,368</b>	<b>68.6</b>
<b>MUNICIPAL DIVISION</b>						
General	6,867	148,132,778	66.3	1,268	14,834,399	68.7
Police	1,972	64,314,654	57.1	213	3,763,570	62.6
Fire	1,231	39,895,236	59.2	131	2,889,467	67.0
<b>Totals</b>	<b>10,070</b>	<b>252,342,667</b>	<b>63.6</b>	<b>1,612</b>	<b>21,487,436</b>	<b>67.8</b>
<b>PERA TOTALS</b>	<b>21,480</b>	<b>\$526,444,977</b>	<b>65.2</b>	<b>3,283</b>	<b>\$43,556,804</b>	<b>68.2</b>

Retired member and survivor pension beneficiaries added during the year ended June 30, 2008 and included in the preceding schedule totaled 1,427 with an annualized pension payroll of \$36,506,870. 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	575	\$14,826,097	58.0	17	\$297,743	53.9
Police/Haz Duty	75	1,897,968	51.6	7	84,773	30.3
<b>Totals</b>	<b>650</b>	<b>16,724,065</b>	<b>57.3</b>	<b>24</b>	<b>382,516</b>	<b>47.0</b>
<b>MUNICIPAL DIVISION</b>						
General	515	11,713,214	58.4	19	243,957	51.4
Police	134	4,494,904	48.0	3	53,287	30.5
Fire	80	2,857,310	48.0	2	37,617	49.9
<b>Totals</b>	<b>729</b>	<b>19,065,428</b>	<b>55.3</b>	<b>24</b>	<b>334,861</b>	<b>48.7</b>
<b>PERA TOTALS</b>	<b>1,379</b>	<b>\$35,789,493</b>		<b>48</b>	<b>\$717,378</b>	



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

June 30	Pension Recipients		Pension Payroll		
	Number	Percent Increase <sup>(1)</sup>	Annual Amount	Percent Increase <sup>(1)</sup>	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
2007	23,700	4.8	525,546,474	9.3	22,175
<b>2008</b>	<b>24,763</b>	<b>4.8</b>	<b>570,001,781</b>	<b>9.0</b>	<b>23,018</b>

(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, 2008**

Type of Pension	Number	Pension	Average
<b><i>Normal Retirement Pensions</i></b>			
Single life pension terminating on death	8,999	\$219,599,550	\$24,403
Two life 100% survivor pension			
Retired member recipient	8,471	212,371,483	25,070
Survivor recipient	1,553	24,333,333	15,669
Two life 50% survivor pension			
Retired member recipient	3,117	80,237,878	25,742
Survivor recipient	631	5,928,417	9,395
Single life with temporary child survivor pension			
Retired member recipient	145	4,383,050	30,228
Child recipient	2	38,372	19,186
<b>Total Normal Retirement Pensions</b>	<b>22,918</b>	<b>\$546,892,083</b>	<b>\$23,863</b>
<b><i>Disability Retirement Pensions</i></b>			
Single life pension terminating on death	205	\$ 2,585,787	\$12,614
Two life 100% survivor pension			
Retired member recipient	445	5,875,375	13,203
Survivor recipient	160	1,986,401	12,415
Two life 50% survivor pension			
Retired member recipient	86	1,251,852	14,556
Survivor recipient	22	132,744	6,034
Single life with temporary child survivor pension			
Retired member recipient	12	140,003	11,667
Child recipient	5	53,313	10,663
<b>Total Disability Retirement Pensions</b>	<b>935</b>	<b>12,025,475</b>	<b>12,861</b>
<b><i>Pre-retirement Survivor Pensions</i></b>			
Spouse recipient	872	10,835,671	12,426
Child recipient	38	248,552	6,541
<b>Total Pre-retirement Survivor Pensions</b>	<b>910</b>	<b>11,084,223</b>	<b>18,967</b>
<b>Total Pensions Being Paid</b>	<b>24,763</b>	<b>\$570,001,781</b>	<b>\$23,018</b>

**RETIRED MEMBERS AND SURVIVOR BENEFICIARIES  
DISPLAYED BY ATTAINED AGE - JUNE 30, 2008**

Attained Ages	State Division		Municipal Division		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
Under 20	24	\$ 201,235	32	\$ 264,050	56	\$ 465,285
20-24	9	121,868	10	129,690	19	251,558
25-29	20	255,837	12	145,753	32	401,590
30-34	21	219,146	15	180,219	36	399,365
35-39	42	525,365	59	1,110,082	101	1,635,447
40-44	106	2,302,317	311	9,289,785	417	11,592,102
45-49	599	16,272,118	938	28,665,513	1,537	44,937,631
50-54	1,111	31,046,624	1,349	40,268,357	2,460	71,314,981
55-59	1,716	50,591,309	1,627	47,105,548	3,343	97,696,857
60-64	2,253	60,665,829	1,818	49,064,983	4,071	109,730,812
65-69	2,249	48,134,819	1,834	38,436,127	4,083	86,570,946
70-74	1,801	36,194,611	1,402	26,623,041	3,203	62,817,652
75-79	1,327	24,216,261	1,061	17,447,125	2,388	41,663,386
80-84	991	15,855,414	735	10,447,393	1,726	26,302,807
85-89	546	7,351,824	324	3,399,630	870	10,751,454
90-94	211	1,838,253	118	980,240	329	2,818,493
95-99	42	349,753	25	170,648	67	520,401
100 & Over	13	29,094	12	101,920	25	131,014
<b>Grand Total</b>	<b>13,081</b>	<b>\$296,171,677</b>	<b>11,682</b>	<b>\$273,830,104</b>	<b>24,763</b>	<b>\$570,001,781</b>

**FORMER MEMBERS DISPLAYED BY DIVISION  
JUNE 30, 2008**

<b>Division</b>	<b>Number</b>	<b>Average (in years)</b>	
		<b>Age</b>	<b>Service</b>
<b>State Division</b>			
General	1,819	51.7	9.5
Police/Corrections	73	49.7	11.8
<b>Total State Division</b>	<b>1,892</b>	<b>51.7</b>	<b>9.6</b>
<b>Municipal Division</b>			
General	1,115	51.9	10.2
Police	100	45.2	10.4
Fire	31	45.8	11.1
<b>Total Municipal Division</b>	<b>1,246</b>	<b>51.2</b>	<b>10.2</b>
<b>Total PERA</b>	<b>3,138</b>	<b>51.5</b>	<b>9.9</b>

## ACTIVE MEMBERS DISPLAYED BY DIVISION AND COVERAGE PLAN JUNE 30, 2008

Divisions/Coverage Plan	Number			Payroll		Averages*						
	2008	2007	Increase	2008	2007	Age		Service		Pay		
						2008	2007	2008	2007	2008	2007	Increase
<b>State Division</b>												
General	22,237	21,783	2.1 %	\$ 894,630,779	\$ 854,098,264	44.2	44.1	8.5	8.4	\$ 40,232	\$ 39,209	2.6%
Police	474	510	(7.1)%	32,016,804	31,070,196	38.3	37.5	12.6	11.8	67,546	60,922	10.9%
Adult Corrections	1,203	1,097	9.7 %	47,161,012	42,078,296	36.5	36.6	8.8	9.5	39,203	38,358	2.2%
Juvenile Corrections	296	296	0.0 %	10,834,085	10,312,352	40.0	41.2	6.6	7.5	36,602	34,839	5.1%
<b>Total State Division</b>	<b>24,210</b>	<b>23,686</b>	<b>2.2 %</b>	<b>984,642,680</b>	<b>937,559,108</b>	<b>43.7</b>	<b>43.6</b>	<b>8.5</b>	<b>8.5</b>	<b>40,671</b>	<b>39,583</b>	<b>2.7%</b>
<b>Municipal Division</b>												
General Cov. Plan 1	1,871	1,860	0.6 %	34,969,045	36,587,797	39.0	38.5	3.7	3.6	18,690	19,671	(5.0)%
General Cov. Plan 2	6,194	6,123	1.2 %	187,887,940	187,881,939	43.4	43.2	6.6	6.4	30,334	30,685	(1.1)%
General Cov. Plan 3	13,145	12,984	1.2 %	446,220,449	433,990,360	42.8	42.6	8.2	8.2	33,946	33,425	1.6%
General Cov. Plan 4	803	788	1.9 %	21,392,986	21,242,925	43.3	43.8	6.7	6.6	26,641	26,958	(1.2)%
Detention Officers Plan 1	619	620	(0.2)%	23,794,112	26,059,159	37.5	37.1	6.2	6.0	38,440	42,031	(8.5)%
<b>Total General</b>	<b>22,632</b>	<b>22,375</b>	<b>1.1 %</b>	<b>714,264,532</b>	<b>705,762,180</b>	<b>42.5</b>	<b>42.3</b>	<b>7.3</b>	<b>7.2</b>	<b>31,560</b>	<b>31,542</b>	<b>0.1%</b>
Police Cov. Plan 1	159	151	5.3 %	5,611,118	5,057,831	38.5	38.8	5.3	5.5	35,290	33,496	5.4%
Police Cov. Plan 2	91	93	(2.2)%	3,039,656	2,637,290	38.1	37.7	6.3	6.3	33,403	28,358	17.8%
Police Cov. Plan 3	78	93	(16.1)%	3,170,777	3,972,068	37.6	37.4	6.6	7.5	40,651	42,710	(4.8)%
Police Cov. Plan 4	151	130	16.2 %	6,297,338	5,264,045	39.2	38.3	8.4	8.1	41,704	40,493	3.0%
Police Cov. Plan 5	3,102	3,057	1.5 %	154,464,690	154,770,158	37.1	37.1	9.0	9.0	49,795	50,628	(1.6)%
<b>Total Police</b>	<b>3,581</b>	<b>3,524</b>	<b>1.6 %</b>	<b>172,583,579</b>	<b>171,701,392</b>	<b>37.3</b>	<b>37.2</b>	<b>8.6</b>	<b>8.7</b>	<b>48,194</b>	<b>48,723</b>	<b>(1.1)%</b>
Fire Cov. Plan 1	55	56	(1.8)%	1,764,409	1,623,829	33.6	32.4	2.9	2.3	32,080	28,997	10.6%
Fire Cov. Plan 2	9	9	0.0 %	354,530	452,869	26.9	32.3	5.2	7.5	39,392	50,319	(21.7)%
Fire Cov. Plan 3	11	16	(31.3)%	497,540	372,130	35.8	30.5	5.4	4.0	45,231	23,258	94.5%
Fire Cov. Plan 4	8	8	0.0 %	236,924	152,554	36.0	33.5	8.4	7.3	29,616	19,069	55.3%
Fire Cov. Plan 5	1,895	1,873	1.2 %	90,719,966	90,895,553	36.3	36.4	8.9	9.0	47,873	48,529	(1.4)%
<b>Total Fire</b>	<b>1,978</b>	<b>1,962</b>	<b>0.8 %</b>	<b>93,573,369</b>	<b>93,496,935</b>	<b>36.1</b>	<b>36.2</b>	<b>8.7</b>	<b>8.8</b>	<b>47,307</b>	<b>47,654</b>	<b>(0.7)%</b>
<b>Total Municipal Division</b>	<b>28,191</b>	<b>27,861</b>	<b>1.2 %</b>	<b>980,421,480</b>	<b>970,960,507</b>	<b>41.4</b>	<b>41.3</b>	<b>7.6</b>	<b>7.5</b>	<b>34,778</b>	<b>34,850</b>	<b>(0.2)%</b>
<b>Total PERA</b>	<b>52,401</b>	<b>51,547</b>	<b>1.7 %</b>	<b>\$1,965,064,160</b>	<b>\$1,908,519,615</b>	<b>42.5</b>	<b>42.3</b>	<b>8.0</b>	<b>8.0</b>	<b>\$37,501</b>	<b>\$37,025</b>	<b>1.3%</b>

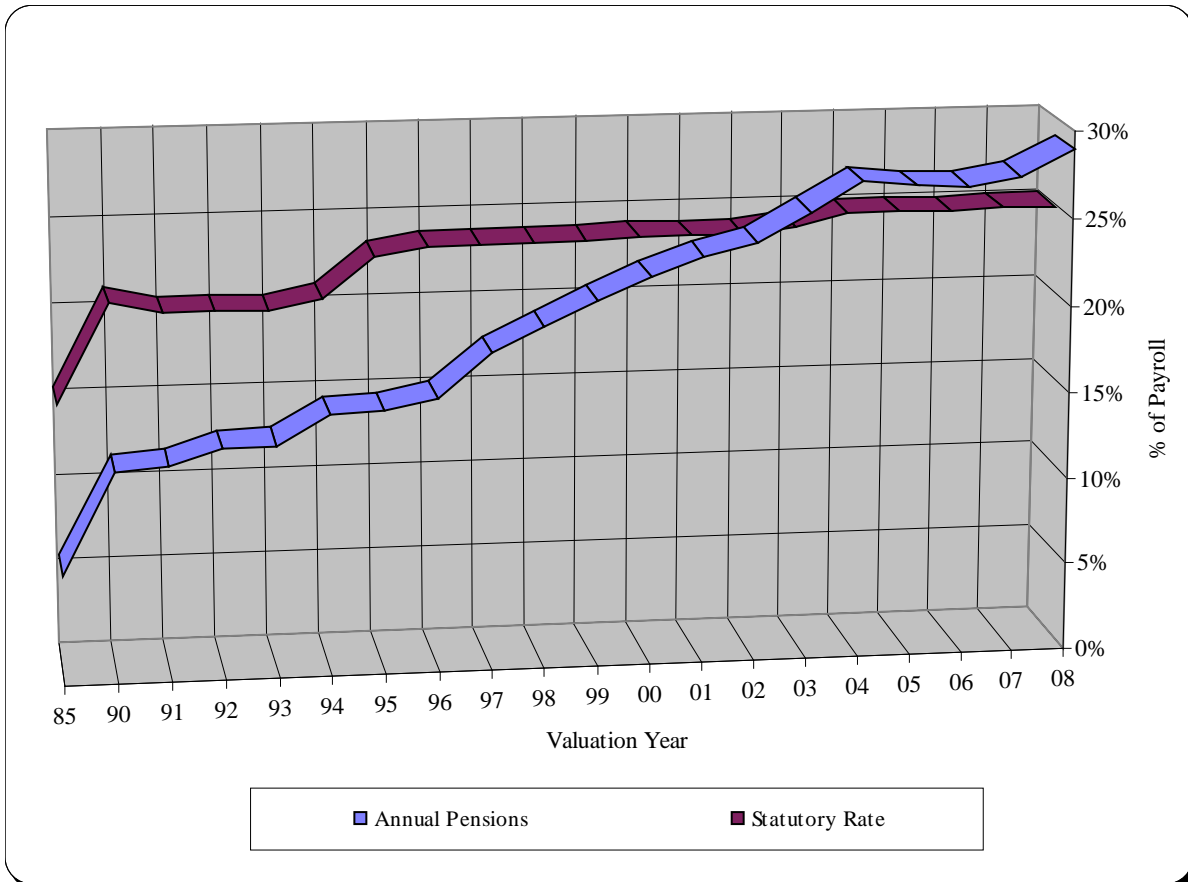
\* Averages are shown because of general interest. The valuation process utilizes individual information.

**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
2007	51,547	1,908,519,615	42.3	8.0	37,025
<b>2008</b>	<b>52,401</b>	<b>1,965,064,160</b>	<b>42.5</b>	<b>8.0</b>	<b>37,501</b>

\* 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, 2008**

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	54	-	-	-	-	-	-	54	\$ 1,153,499
20-24	903	25	-	-	-	-	-	928	22,621,980
25-29	1,636	434	27	-	-	-	-	2,097	65,855,714
30-34	1,364	795	268	23	-	-	-	2,450	90,323,640
35-39	1,885	882	633	298	26	-	-	3,724	145,292,425
40-44	1,028	750	545	597	297	16	-	3,233	137,750,544
45-49	1,066	792	599	622	543	101	3	3,726	162,922,958
50-54	963	689	515	552	455	90	18	3,282	145,240,647
55-59	711	593	426	526	378	63	14	2,711	122,234,360
60	104	99	76	75	45	10	3	412	18,564,575
61	117	96	60	99	54	8	1	435	19,936,895
62	93	66	60	66	24	8	3	320	14,446,582
63	52	44	43	23	24	6	-	192	8,770,799
64	40	47	26	25	13	3	2	156	7,721,821
65	39	38	20	18	13	2	1	131	6,016,265
66	23	29	19	19	11	4	4	109	4,720,160
67	20	15	6	5	5	4	1	56	2,588,634
68	13	13	12	3	7	-	-	48	2,166,944
69	9	4	8	3	-	1	-	25	1,081,749
70	8	7	4	4	4	1	1	29	1,238,971
71	7	7	3	2	4	-	1	24	1,123,447
72	7	3	4	1	2	-	-	17	601,948
73	5	4	1	3	-	-	1	14	599,394
74	3	3	1	2	1	-	-	10	659,371
75	1	-	-	-	-	1	-	2	77,299
76	2	2	-	-	-	-	-	4	134,351
77	-	2	-	-	-	-	-	2	94,814
78	-	1	1	3	-	-	-	5	221,538
79	5	4	1	1	1	1	1	14	481,357
<b>Totals</b>	<b>10,158</b>	<b>5,444</b>	<b>3,358</b>	<b>2,970</b>	<b>1,907</b>	<b>319</b>	<b>54</b>	<b>24,210</b>	<b>\$ 984,642,681</b>

**ACTIVE MEMBERS STATE DIVISION**  
**JUNE 30, 2008**

<b>Service Years</b>	<b>Active Member Count</b>			<b>Active Member Pays</b>	
	<b>Males</b>	<b>Females</b>	<b>Total</b>	<b>Total</b>	<b>Average</b>
0	1,132	2,035	3,167	\$ 85,932,273	\$27,134
1	841	1,370	2,211	74,687,968	33,780
2	708	1,180	1,888	67,213,743	35,600
3	638	931	1,569	60,029,879	38,260
4	512	811	1,323	51,844,435	39,187
5	549	705	1,254	52,083,391	41,534
6	495	648	1,143	45,002,668	39,372
7	492	549	1,041	43,672,969	41,953
8	488	548	1,036	44,635,268	43,084
9	444	526	970	42,008,015	43,307
10	343	453	796	34,229,312	43,002
11	277	352	629	29,146,557	46,338
12	256	288	544	24,897,333	45,767
13	330	369	699	31,654,751	45,286
14	336	354	690	32,397,374	46,953
15 & Up	2,643	2,607	5,250	265,206,745	50,516
<b>Totals</b>	<b>10,484</b>	<b>13,726</b>	<b>24,210</b>	<b>\$984,642,681</b>	<b>\$40,671</b>

**ACTIVE MEMBERS**  
**MUNICIPAL DIVISION BY ATTAINED AGE AND YEARS OF SERVICE**  
**JUNE 30, 2008**

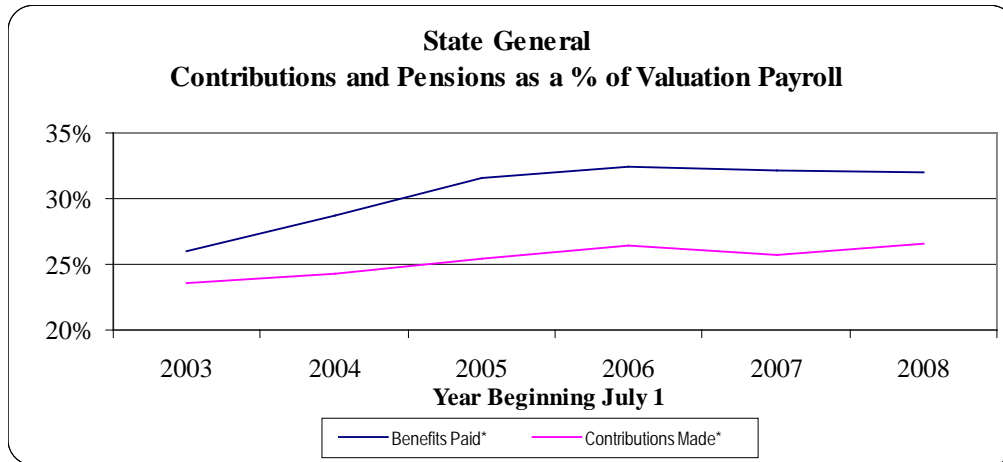
Nearest Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	410	-	-	-	-	-	-	410	\$ 3,299,799
20-24	1,728	28	-	-	-	-	-	1,756	37,911,288
25-29	2,378	540	19	-	-	-	-	2,937	89,004,055
30-34	1,867	949	376	16	-	-	-	3,208	111,471,319
35-39	2,572	928	971	386	11	-	-	4,868	163,308,569
40-44	1,267	739	717	709	325	7	-	3,764	149,234,957
45-49	1,188	714	590	711	498	92	3	3,796	148,522,364
50-54	1,026	560	487	523	377	89	15	3,077	118,062,402
55-59	751	464	376	380	317	68	35	2,391	91,438,980
60	115	76	69	76	55	19	3	413	16,407,819
61	112	79	60	65	44	12	4	376	14,305,172
62	77	47	50	56	33	10	3	276	9,961,275
63	54	29	24	23	13	3	4	150	5,098,117
64	55	40	33	19	6	2	5	160	5,451,111
65	51	24	28	15	7	2	1	128	4,034,897
66	30	13	20	17	5	2	1	88	3,093,512
67	25	23	17	6	2	1	-	74	2,251,119
68	27	13	11	6	3	2	1	63	1,827,110
69	18	11	6	2	6	-	1	44	1,064,919
70	14	7	7	1	1	1	-	31	626,407
71	17	6	7	3	5	1	-	39	1,105,696
72	15	4	3	2	-	1	-	25	487,835
73	12	1	3	3	2	2	-	23	575,846
74	10	4	2	1	2	-	-	19	431,056
75	11	7	1	1	-	-	-	20	355,956
76	1	3	1	2	-	-	-	7	132,747
77	8	4	-	-	1	1	1	15	287,772
78	7	2	1	-	-	-	-	10	261,471
79	6	8	5	3	-	-	1	23	407,909
<b>Totals</b>	<b>13,852</b>	<b>5,323</b>	<b>3,884</b>	<b>3,026</b>	<b>1,713</b>	<b>315</b>	<b>78</b>	<b>28,191</b>	<b>\$ 980,421,479</b>

**ACTIVE MEMBERS MUNICIPAL DIVISION**  
**JUNE 30, 2008**

<b>Service Years</b>	<b>Active Member Count</b>			<b>Active Member Pays</b>	
	<b>Males</b>	<b>Females</b>	<b>Total</b>	<b>Total</b>	<b>Average</b>
0	2,684	2,829	5,513	\$ 96,030,127	\$ 17,419
1	1,664	1,175	2,839	82,579,174	29,087
2	1,295	857	2,152	69,671,044	32,375
3	1,117	731	1,848	62,679,743	33,918
4	933	567	1,500	52,193,717	34,796
5	764	401	1,165	41,652,096	35,753
6	678	376	1,054	39,815,113	37,775
7	760	406	1,166	45,247,838	38,806
8	676	366	1,042	40,580,420	38,945
9	626	270	896	36,377,261	40,600
10	587	283	870	36,353,713	41,786
11	543	245	788	32,887,660	41,736
12	540	226	766	33,438,932	43,654
13	512	263	775	33,608,156	43,365
14	469	216	685	30,529,018	44,568
15 & Up	3,495	1,637	5,132	246,777,467	48,086
<b>Totals</b>	<b>17,343</b>	<b>10,848</b>	<b>28,191</b>	<b>\$ 980,421,479</b>	<b>\$34,778</b>

**State General Division**

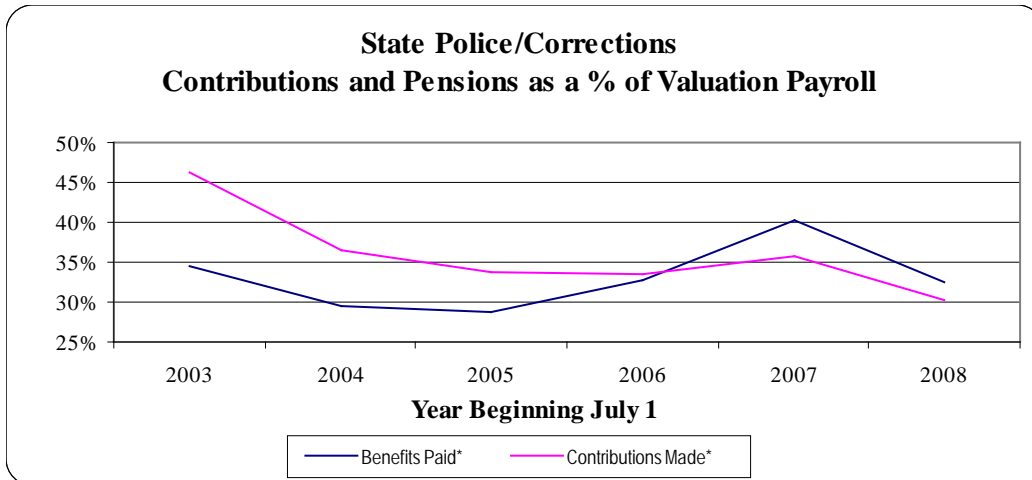
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2003	\$698,626,579	\$181,992,344	26.05%	\$164,948,041	23.61%
2004	704,491,713	201,855,101	28.65%	170,732,489	24.23%
2005	693,532,722	218,761,852	31.54%	176,158,121	25.40%
2006	728,031,257	236,545,725	32.49%	192,756,943	26.48%
2007	795,195,389	255,716,706	32.16%	204,694,020	25.74%
<b>2008</b>	<b>854,098,263</b>	<b>273,306,882</b>	<b>32.00%</b>	<b>227,167,817</b>	<b>26.60%</b>



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

**State Police/Corrections Division**

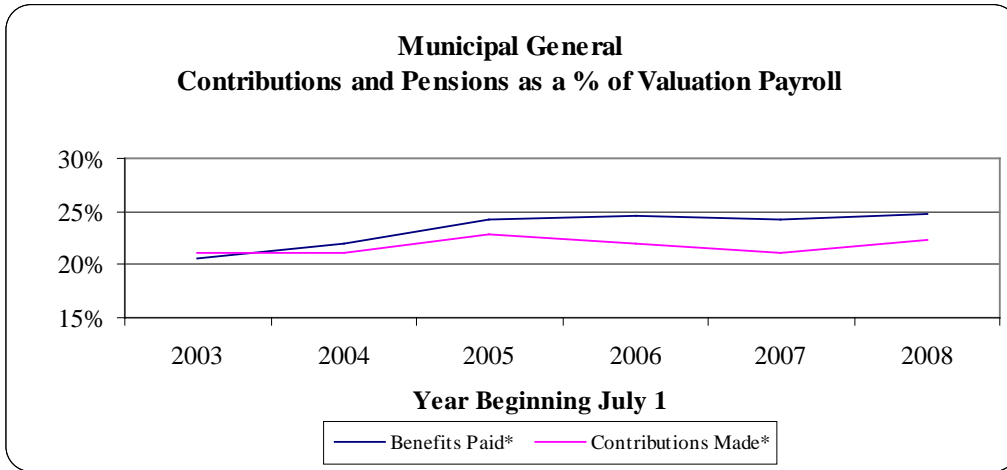
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2003	\$44,346,818	\$15,266,699	34.43%	\$20,537,182	46.31%
2004	57,130,556	16,889,948	29.56%	20,856,272	36.51%
2005	63,863,426	18,347,735	28.73%	21,498,902	33.66%
2006	65,026,576	21,278,852	32.72%	21,845,988	33.60%
2007	61,422,860	24,779,624	40.34%	21,997,235	35.81%
<b>2008</b>	<b>83,460,844</b>	<b>27,040,920</b>	<b>32.40%</b>	<b>25,246,160</b>	<b>30.25%</b>



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

**Municipal General Division**

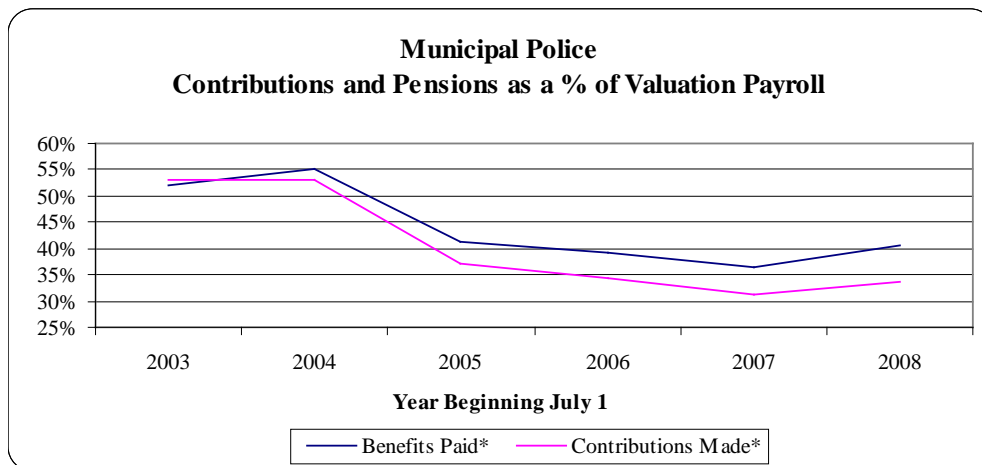
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2003	\$ 527,857,221	\$ 108,367,775	20.53%	\$ 111,157,484	21.06%
2004	543,994,722	119,879,152	22.04%	114,719,362	21.09%
2005	548,960,756	133,443,529	24.31%	125,084,256	22.79%
2006	592,445,696	146,094,158	24.66%	130,559,843	22.04%
2007	668,632,511	162,599,178	24.32%	140,623,460	21.03%
<b>2008</b>	<b>705,762,182</b>	<b>174,616,388</b>	<b>24.74%</b>	<b>157,950,875</b>	<b>22.38%</b>



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

**Municipal Police Division**

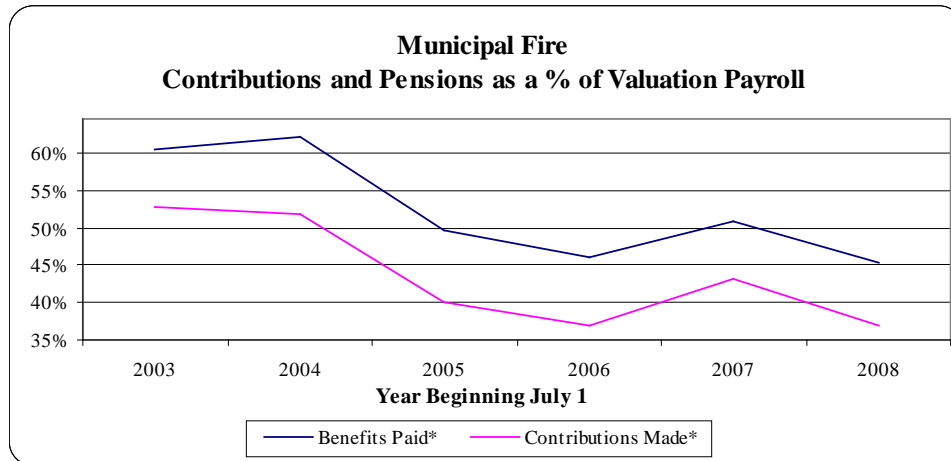
Year Ending June 30,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2003	\$ 80,091,903	\$ 41,619,437	51.96%	\$ 42,518,040	53.09%
2004	83,789,775	46,268,096	55.22%	44,517,533	53.13%
2005	126,208,845	51,914,495	41.13%	47,013,031	37.25%
2006	145,849,480	56,943,806	39.04%	50,235,313	34.44%
2007	173,833,995	63,345,737	36.44%	54,038,433	31.09%
<b>2008</b>	<b>171,701,391</b>	<b>69,806,457</b>	<b>40.66%</b>	<b>57,658,395</b>	<b>33.58%</b>



\*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
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%
2007	75,833,692	38,927,897	51.33%	32,992,754	43.51%
<b>2008</b>	<b>93,496,935</b>	<b>42,817,036</b>	<b>45.80%</b>	<b>34,867,718</b>	<b>37.29%</b>



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

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## **SECTION 3**

### **SUMMARY OF BENEFIT PROVISIONS**

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## **SUMMARY OF BENEFIT PROVISIONS - - JUNE 30, 2008**

### **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:

<b>Coverage Plan</b>	<b>Pension Factor Per Year of Credited Service</b>	<b>Maximum Pension as Percent of Final Average Salary</b>
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%.

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## **SECTION 4**

DESCRIPTION OF ACTUARIAL COST METHODS  
SUMMARY OF ESTIMATES OF FUTURE EXPERIENCE  
USED FOR THE VALUATION AND DEFINITIONS OF  
TECHNICAL TERMS

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## 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.

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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		
2008	2007	2006	2005	2004	Last 5 Yrs.	Last 10 Yrs.	Last 30 Yrs.
5.0%	2.7%	4.3%	2.5%	3.3%	3.6%	3.0%	4.1%

**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. All deaths-in-service are assumed to be non-duty.

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.

<b>Retired Life Non-Disabled Mortality Table</b>							
<b>Sample Ages</b>	<b>Present Value of</b>		<b>Present Value of</b>		<b>Future Life</b>		
	<b>\$1 Monthly for Life</b>		<b>\$1.00/Mo. for Two Years</b>		<b>Expectancy Years</b>		
	<b>Men</b>	<b>Women</b>	<b>Increasing 3%/Yr. Thereafter</b>	<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
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

<b>Retired Life Disabled Mortality Table</b>							
<b>Sample Ages</b>	<b>Present Value of</b>		<b>Present Value of</b>		<b>Future Life</b>		
	<b>\$1 Monthly for Life</b>		<b>\$1.00/Mo. for Two Years</b>		<b>Expectancy Years</b>		
	<b>Men</b>	<b>Women</b>	<b>Increasing 3%/Yr. Thereafter</b>	<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
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	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 and Municipal Detention 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. All disabilities are assumed to be non-duty.

Percents Becoming Disabled at Indicated Ages (by Coverage Plan)								
Sample Ages	State General		State Police	State Corrections	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
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.

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**MISCELLANEOUS AND TECHNICAL ASSUMPTIONS**  
**JUNE 30, 2008**

<b>Marriage Assumption:</b>	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.
<b>Pay Increase Timing:</b>	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.
<b>Decrement Timing:</b>	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.
<b>Eligibility Testing:</b>	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.
<b>Decrement Relativity:</b>	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
<b>Decrement Operation:</b>	Disability and mortality decrements do not operate during the first 5 years of service. Neither disability nor withdrawal decrements operate during retirement eligibility.
<b>Loads:</b>	Retiree liabilities were increased by 1% to account for the pop-up provision.
<b>Incidence of Contributions:</b>	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.
<b>Normal Form of Benefit:</b>	A straight life payment is the assumed normal form of benefit.
<b>Benefit Service:</b>	Exact fractional service is used to determine the amount of benefit payable.
<b>Optional Forms of Payment:</b>	Based on valuation interest and a unisex blend of valuation mortality.
<b>Data Changes:</b>	For missing dates of birth for active members, the member was assumed to enter the system at the average entry age. For retiree records with a joint and survivor option and a missing beneficiary date of birth, the beneficiary was assumed to be 3 years younger if the member was male and 3 years older if the member was female.



## 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).

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## **SECTION 5**

### **DISCLOSURES AND SUPPLEMENTARY INFORMATION REQUIRED BY STATEMENT NO. 25 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

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**This information is presented in draft form for review by the Plan's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan's financial statements.**

## 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, 2008. 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	\$ 5,820,301,203
Retired members and beneficiaries currently receiving benefits	7,711,735,449
Vested terminated members not yet receiving benefits	<u>208,298,669</u>
Total Actuarial Accrued Liability	13,740,335,321
Actuarial Value of Assets (market value was \$11,941,552,085)	<u>12,816,218,012</u>
Actuarial Accrued Liability in excess of Assets	\$ 924,117,309

During the year ended June 30, 2008, the Plan experienced a net change of \$777,855,092 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
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
2008	6/30/2007	292,578,920
<b>2009</b>	<b>6/30/2008*</b>	<b>302,068,680</b>

\* *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 Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
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%
6/30/2007	12,032,214,874	12,962,480,229	930,265,355	92.8%	1,908,519,615	48.7%
<b>6/30/2008</b>	<b>12,816,218,012</b>	<b>13,740,335,321</b>	<b>924,117,309</b>	<b>93.3%</b>	<b>1,965,064,160</b>	<b>47.0%</b>

\* *Plan Change.*

# *Assumption Changes.*

@ *Currently, the actuarial value (AV) of assets exceeds the market value by \$869,080,374. 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 17).*

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

Valuation Date	June 30, 2008
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	13 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%

October 22, 2008

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

Dear Mr. Slattery:

Enclosed are 30 copies of the following June 30, 2008 actuarial valuation reports:

Public Employees Retirement Association (PERA)  
Judicial Retirement Fund (JRF)  
Magistrate Retirement Fund (MRF)  
Volunteer Firefighters Retirement Fund (VFRF)  
Legislative Retirement Fund (LRF)

Sincerely yours,

Kenneth G. Alberts

KGA:bd  
Enclosures

cc: Mr. Kurt Weber, Deputy Executive Secretary (+ 1 report copy)  
Ms. Mary Frederick, Deputy Executive Secretary (+ 1 report copy)  
Ms. Susan Pittard, General Council (+ 1 report copy)  
Moss Adams LLP (+ 1 report copy)  
Attn: Ms. Julie Alliman  
6100 Uptown Blvd., NE, Suite 400  
Albuquerque, NM 87110