

**THE PUBLIC SCHOOL EMPLOYEES'
RETIREMENT SYSTEM OF PENNSYLVANIA**

**ACTUARIAL VALUATION
JUNE 30, 2008**

February 6, 2009

The Retirement Board
Public School Employees'
Retirement System of Pennsylvania
P.O. Box 125
Harrisburg, Pennsylvania 17108

Ladies and Gentlemen:

This report presents the results of the annual actuarial valuation of the Public School Employees' Retirement System of Pennsylvania (Retirement System or PSERS) as of June 30, 2008.

The valuation takes into account all of the promised benefits to which members are entitled as of June 30, 2008, including pension and survivor benefits, and as required by the Public School Employees' Retirement Code, 24 Pa. C.S. §8101 et. seq. (Retirement Code) is the basis for the contribution rate for fiscal year 2009/2010.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees. As adopted by the Board of Trustees at their January 2009 meeting, the valuation interest rate was changed to 8.25% for the June 30, 2008 valuation and to 8.00% for all future valuation years.

The actuarial assumptions and methods for financial reporting meet the parameters set forth in Governmental Accounting Standards Board (GASB) Statements No. 25, 43, and 50, and are unchanged from the prior valuation. The actuarial assumptions and methods for GASB 25 disclosure are the same as for pension funding, except that in fiscal years in which the amortization requirements of the Retirement Code result in an equivalent single amortization period that is longer than 30 years, the GASB 25 amortization payment will be determined based on 30-year level-dollar funding. The Health Insurance funding provisions of the Retirement Code differ from the GASB 43 disclosure retirements. For funding purposes the actuarial liability equals the assets in the health insurance account, and a contribution is determined that will assure the solvency of the account through the third fiscal year following the valuation date. For purposes of GASB 43 disclosure the Health Insurance actuarial liability and normal cost requirements have been determined under the entry age actuarial cost method, with 30-year level dollar funding. (The entry age actuarial cost method meets the GASB 43 parameters for determining actuarial liability and normal cost, and is the cost method specified by the Retirement Code for the PSERS pension plan.)

Assets and Membership Data

The Retirement System reported the individual data for members of the Retirement System as of the valuation date to the actuary. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the Retirement System.

Funding Adequacy

The valuation results determine that the employer contribution rate for fiscal year 2009/2010 is 4.78%. As of June 30, 2008, the total funded ratio of the plan (for Pensions and Health Insurance combined) is 86.0%, based on the accrued liability and actuarial value of assets calculated under the funding requirements of Section 8328 of the Retirement Code.

Financial Results and Membership Data

Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report. The actuary prepared supporting schedules included in the Actuarial and Statistical Section of the PSERS Comprehensive Annual Financial Report (CAFR), and also prepared the trend data schedules included in the Financial Section of the CAFR.

The report does not take into account broad declines in U.S. equity and bond prices, and increases in bond yields, that have occurred after the valuation date. Taking these into account may significantly reduce the market and actuarial value of assets shown. The effect of these events on any funded ratios shown, and on Retirement System calculations, is not known. Retirement System funding and financial accounting rules generally prohibit reflection of changes in assets and underlying economic conditions that occur after the valuation date.

Qualified actuaries completed the valuation in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice.

Respectfully submitted,



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THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OF PENNSYLVANIA

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Executive Summary

This report presents the actuarial valuation as of June 30, 2008 for the Public School Employees' Retirement System of Pennsylvania.

The principal valuation results include:

- The employer contribution rate for fiscal year 2009/2010, which is 4.78%.
- The total funded ratio of the plan determined as of June 30, 2008 under the funding requirements of Section 8328 of the Retirement Code, which is 86.0% based on the accrued liability and the actuarial value of assets for Pensions and Health Insurance as of that date.
- The determination of the actuarial gain or loss as of June 30, 2008, which is a gain of \$1.9 billion.
- Annual disclosures as of June 30, 2008 as required by Statements No. 25, 43, and 50 of the Governmental Accounting Standards Board.

The valuation was completed based upon membership and financial data submitted by the Retirement System. Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are included in the valuation report. The actuary prepared supporting schedules included in the Actuarial and Statistical Section of the PSERS Comprehensive Annual Financial Report (CAFR), and also prepared the trend data schedules included in the Financial Section of the CAFR.

Changes Since Last Year

Legislative and Administrative Changes

There were no legislative or administrative changes since the prior valuation.

The benefit provisions and contribution provisions are summarized in Table 13.

Actuarial Assumptions and Methods

As adopted by the Board of Trustees at their January 2009 meeting, the valuation interest rate was changed to 8.25% for the June 30, 2008 valuation.

The actuarial assumptions and methods are outlined in Table 12.

Contribution Rates

The results of the valuation as of June 30, 2008 determine the employer contribution rate for fiscal year 2009/2010. The calculated employer contribution rate for the 2009/2010 fiscal year is 4.78%, and the Board of Trustees certified this rate at their December 2008 meeting.

The average contribution rate payable by the members is 7.32%. Effective January 1, 2002, the employee contribution rate for members who elected to have prior school service and intervening military service converted to Class T-D service increased by 1.25%. However, anyone who enrolls (or re-enrolls) in PSERS on or after July 1, 2001 is *automatically* a member of Class T-D with regard to all subsequent school service and subsequent intervening military service, with a member rate equal to 7.5%. The average member contribution rate of 7.32% is a pay-weighted average of member rates that vary based on date of hire and based on Class T-D membership.

Reasons for Change in the Rate Calculated by the Actuary

The employer contribution rate calculated by the actuary increased from 4.76% for fiscal year 2008/2009 to 4.78% for fiscal year 2009/2010. The reconciliation of the employer contribution rates by source is as follows:

• FY2008/2009 rate after adjustment for pension floor	4.76%
• Adjustment due to effect of 4% floor on FY 2009 pension contribution	<u>(0.69)</u>
• FY 2008 /2009 rate prior to adjustment for pension floor	4.07%
• Decrease due to change in normal rate	(0.02)
• Increase due to payroll growth	0.11
• Decrease due to actuarial gain on assets	(1.71)
• Increase due to actuarial loss on liabilities	0.22
• Increase due to change in interest rate from 8.50% to 8.25%	1.72
• Increase due to change in health insurance contribution rate	<u>0.02</u>
• FY 2009/2010 rate prior to adjustment for pension floor	4.41%
• Adjustment due to effect of 4% floor on FY 2010 pension contribution	<u>0.37</u>
• FY2009/2010 rate after adjustment for pension floor	4.78%

Summary of Principal Results

Summarized below are the principal financial results for the Public School Employees' Retirement System based upon the actuarial valuation as of June 30, 2008. Comparable results from the June 30, 2007 valuation are also shown.

Item	June 30, 2008	June 30, 2007
Demographics		
Active Members		
• Number	272,690	264,023
• Average Annual Pay	\$ 43,718	\$ 43,217
Annuitants		
• Number	173,540	168,026
• Average Annual Benefit Payment	\$ 21,963	\$ 20,970
Contribution Rates (as a Percentage of Payroll)		
	(Fiscal Year 2009/2010)	(Fiscal Year 2008/2009)
Employer Contribution Rate:		
• Total Pension Contribution Rate	4.00%	4.00%
• Health Insurance Contribution Rate	<u>0.78</u>	<u>0.76</u>
• Total Contribution Rate Calculated by Actuary	4.78%	4.76%
• Total Contribution Rate Certified by Board	4.78%	4.76%
Member Average Contribution Rate		
• Total Rate	<u>7.32</u> 12.10%	<u>7.29</u> 12.05%
Actuarial Funded Status*		
• Accrued Liability	\$ 70,941.4 Mil	\$ 66,593.1 Mil
• Actuarial Value of Assets	<u>61,017.9</u>	<u>57,155.1</u>
• Unfunded Accrued Liability	\$ 9,923.5	\$ 9,438.0
• Funded Ratio	86.0%	85.8%
*Pensions and Health Insurance combined		

Five-Year History of Principal Financial Results

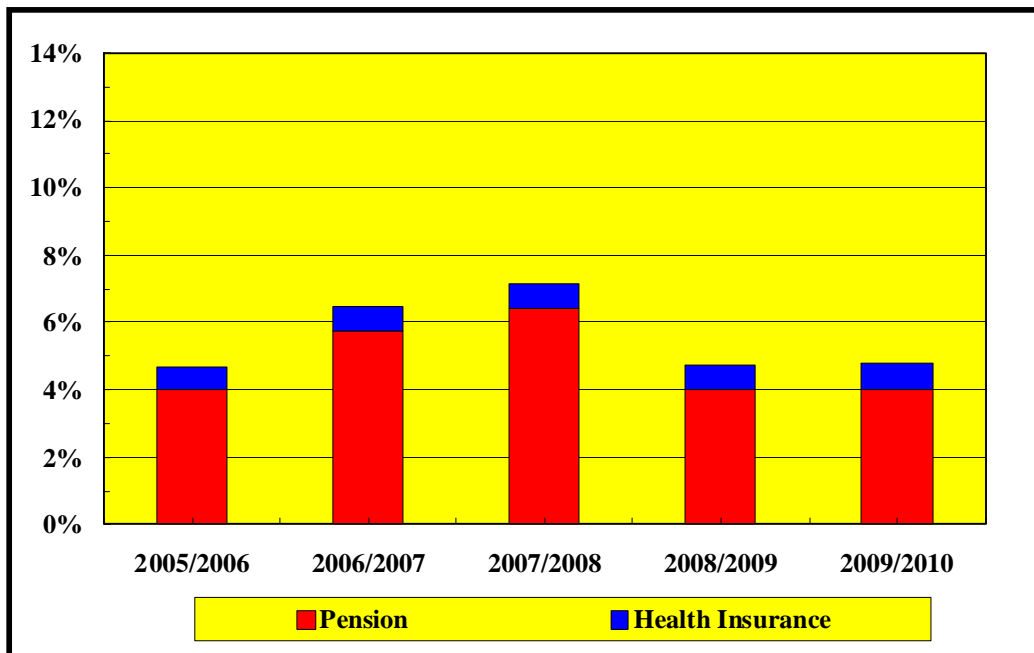
Five-Year History of Contribution Rates (As a % of Payroll)

Fiscal Year	Member Contributions	Employer Contributions			
		Normal Cost	Unfunded Accrued Liability	Health Insurance	Total*
2009/2010	7.32%	7.35%	(3.72)%	0.78%	4.78%
2008/2009	7.29	6.68	(3.37)	0.76	4.76
2007/2008	7.25	6.68	(0.24)	0.69	7.13
2006/2007	7.21	6.62	(0.95)	0.74	6.46
2005/2006	7.16	7.61	(4.28)	0.69	4.69

* Certified by the Board.

The following chart shows a five-year history of employer contribution rates:

Five-Year History of Employer Contribution Rates



Funded Ratio

The financing objective of the Retirement System is to:

- Fully fund all current costs based on the normal contribution rate determined under the funding method; and
- Liquidate the unfunded accrued liability based on the amortization schedules as required by the Retirement Code, i.e., a schedule of 10 or 30 years for each change in the unfunded accrued liability according to Act 40.

The total contribution rate of 4.78% of payroll payable by employers, when taken together with the contributions payable by the members, current assets, and expected future asset returns, is sufficient to achieve the financing objective.

The Retirement System's total funded ratio on this funding basis is measured by comparing the actuarial value of assets (based on a 5-year moving average market value) with the accrued liability. The accrued liability for Pensions is the present value of benefits accumulated to date under the Retirement System's funding method and reflects future pay increases for active employees. The accrued liability for Health Insurance equals the assets in the Health Insurance account.

On this basis, the Retirement System's total funded ratio (for Pensions and Health Insurance combined) is 86.0% as of June 30, 2008. This funded ratio is based on an actuarial value of assets of \$61.0 billion and an accrued liability of \$70.9 billion. The funded ratio for Pensions alone is also 86.0% as of June 30, 2008, based on an actuarial value of assets of \$60.9 billion, and an accrued liability of \$70.8 billion.

Reasons for Change in the Total Funded Ratio

The total funded ratio increased from 85.8% as of June 30, 2007 to 86.0% as of June 30, 2008. This increase is primarily due to asset gains that occurred during the year. These gains were partially offset by liability losses and assumption changes, and by contributions that were less than the normal cost plus one year's interest on the June 30, 2007 unfunded accrued liability.

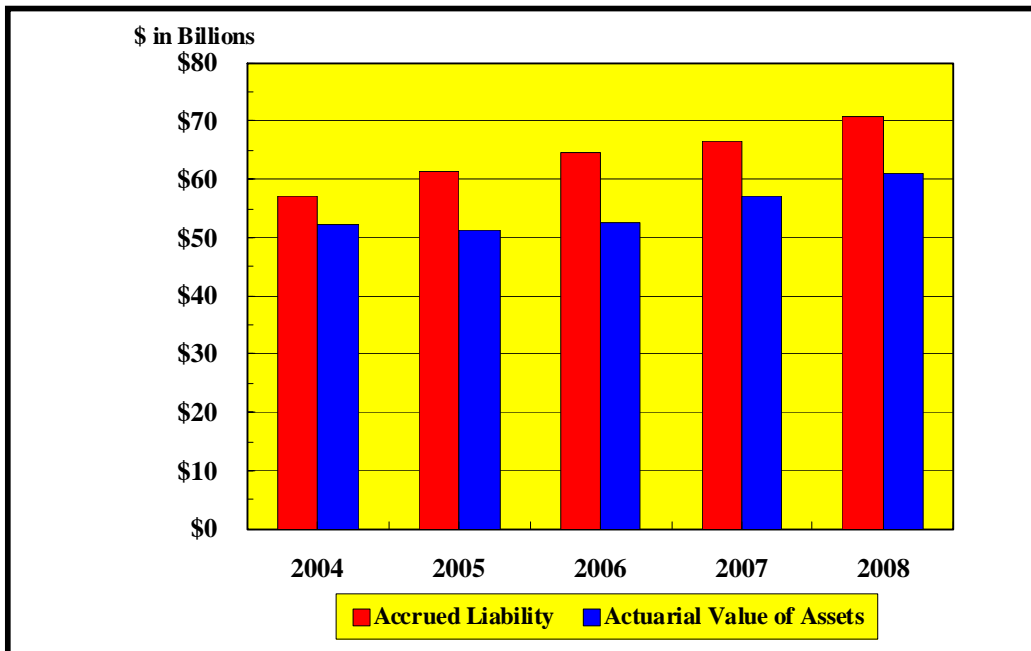
**Five-Year History of
Total Funded Ratio***
(\$ Amounts in Millions)

Valuation as of June 30	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio
2008	\$ 70,941.4	\$ 61,017.9	\$ 9,923.5	86.0%
2007	66,593.1	57,155.1	9,438.0	85.8
2006	64,720.1	52,557.5	12,162.6	81.2
2005	61,226.6	51,219.3	10,007.3	83.7
2004	57,123.0	52,094.5	5,028.5	91.2

*For Pensions and Health Insurance (under the funding provisions of the Retirement Code)

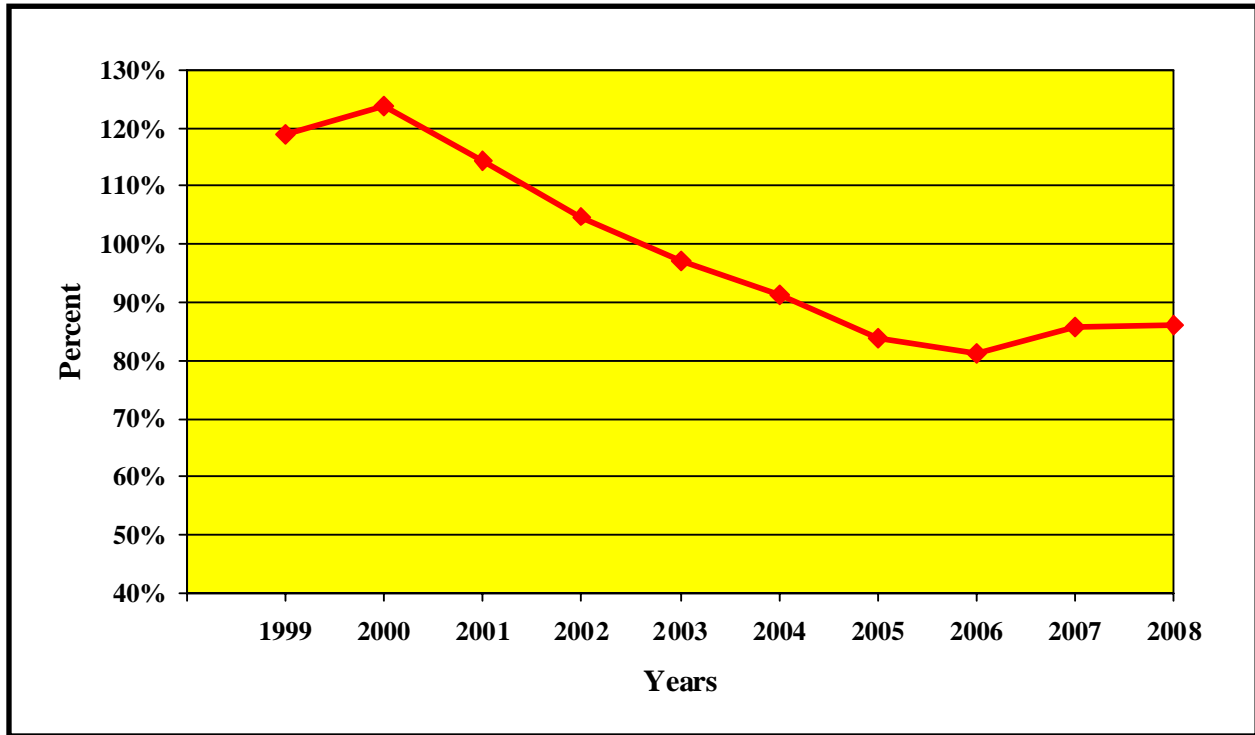
The following chart shows a five-year history of the accrued liability and the actuarial value of assets:

Five-Year History of Accrued Liability and Actuarial Value of Assets



The following chart shows a ten-year history of the total funded ratio for Pensions and Health Insurance:

**Ten-Year History of Total Funded Ratio
(1999 - 2008)**



GASB No. 25 Disclosure

Statement No. 25 of the Governmental Accounting Standards Board (GASB) established reporting standards for the annual financial reports of defined benefit pension plans. The Retirement System complied with Statement No. 25 beginning with the June 30, 1996 valuation. The statement requires disclosure of the "schedule of funding progress" and the "schedule of employer contributions" in the Retirement System's financial statements.

The "schedule of funding progress" shows historical trend information about the Retirement System's actuarial value of pension assets, the actuarial accrued liability for pensions and the unfunded actuarial accrued liability for pensions. The actuarial funded ratio for pensions is measured by comparing the actuarial value of pension assets (based on a 5-year moving average market value) with the accrued liability for pensions. The accrued liability is the present value of pension benefits accumulated to date under the Retirement System's funding method and reflects future pay increases for active employees. On this basis, the Retirement System's funded ratio for pensions is 86.0% as of June 30, 2008. This funded ratio is based on an actuarial value of pension assets of \$60.9 billion and an accrued liability for pensions of \$70.8 billion. See Table 7 for more detail.

The schedule of employer contributions shows historical trend information about the GASB Annual Required Contribution (ARC) for pensions, and the percentage of the ARC contributed to the Retirement System. The pension contribution requirements of the Retirement Code differ from the GASB disclosure requirements. As a result, there may be different determinations of contribution requirements for GASB accounting purposes and for State funding purposes. For GASB accounting purposes, the ARC equals the employer normal cost for pensions plus an amount that will amortize the unfunded actuarial accrued liability for pensions over a period no longer than 30 years. (For years ending on or before June 30, 2006, the maximum amortization period for the GASB ARC was 40 years.) Although the employer normal cost for GASB accounting equals the PSERS normal cost for funding, section 8328 of the Retirement Code specifies different amortization periods for different portions of the unfunded accrued liability – each change in the unfunded accrued liability is amortized over either a 10 or 30-year period – as well as a 4% floor on the employer pension rate. Therefore, the resulting equivalent single

amortization period may be any number of years. Table 8a presents the GASB 25 schedule of employer contributions.

GASB No. 43 Disclosure

GASB Statement No. 43 established reporting standards for the annual financial reports of postemployment benefit plans other than pension plans, and these reporting requirements apply to the PSERS health insurance premium assistance plan. The Retirement System complied with Statement No. 43 beginning with the June 30, 2006 valuation. The statement requires disclosure of the "schedule of funding progress" and the "schedule of employer contributions" in the Retirement System's financial statements.

The health insurance liability and funding provisions of the Retirement Code differ from the GASB disclosure requirements. As a result, there are different determinations of actuarial liability and contribution requirements for GASB accounting purposes and for State funding purposes. For purposes of funding, the actuarial liability equals the assets in the health insurance account, and the contribution required is the amount necessary to establish reserves sufficient to provide premium assistance payments to all participating eligible annuitants during the fiscal year that immediately follows the year the employer contribution is made. For GASB accounting purposes, the actuarial liability has been determined under the entry age actuarial cost method, and the Annual Required Contribution (ARC) is equal to the entry age normal cost for health insurance plus an amount that will amortize the entry age unfunded actuarial liability for health insurance over a period of 30 years. (The entry age actuarial cost method was selected for this calculation because it meets the GASB parameters for determining actuarial liability and normal cost, and is the cost method specified by the Retirement Code for the PSERS pension plan.)

The GASB 43 schedule of funding progress, presented in Table 7, shows that as of June 30, 2008, the health insurance assets were \$95,785,000, measured on a market value basis, while the GASB 43 health insurance liabilities were \$1,133,011,000, resulting in a funded ratio of 8.5%.

The GASB 43 schedule of employer contributions first applies to fiscal year 2006/2007, and is presented in Table 8b.

Rate of Return

The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) for fiscal years 2003/2004 through 2007/2008 is shown in the table below. The return based on the actuarial value of assets used for determining annual contribution rates is also shown.

The rate of return on market value reflects the investment earnings on the market value of assets from the beginning of the fiscal year to the end of the fiscal year. The actuarial assets are the assets recognized for valuation purposes. Actuarial assets are based on a smoothed market value that spreads the difference between the actual and expected return over a period of five years. The rate of return on the actuarial value of assets is a measure of the increase in the actuarial value of assets from the beginning of the fiscal year to the end of the fiscal year.

Fiscal Year	Rate of Return Based on	
	Market Value*	Actuarial Value
2007/2008	-2.8%	12.4%
2006/2007	22.9	13.9
2005/2006	15.3	7.9
2004/2005	12.9	3.2
2003/2004	19.7	2.6

* Market Value Rate of return provided by Wilshire Associates Incorporated, PSERS investment consultant.

TABLE 1
SUMMARY OF RESULTS OF ACTUARIAL VALUATION
AS OF JUNE 30, 2008
(\$ Amounts in Thousands)

Item	June 30, 2008	June 30, 2007
Member Data		
1. Number of Members		
a) Active Members	272,690	264,023
b) Inactive Members and Vestees	100,803	109,186
c) Annuitants, Beneficiaries and Survivor Annuitants	<u>173,540</u>	<u>168,026</u>
d) Total	547,033	541,235
2. Annualized Salaries	\$ 11,921,469	\$ 11,410,257
3. Annual Annuities	\$ 3,811,499	\$ 3,523,429
Valuation Results		
4. Present Value of Future Pension Benefits		
a) Active Members	\$ 53,857,049	\$ 49,167,907
b) Inactive Members and Vestees	941,679	1,589,329
c) Annuitants, Beneficiaries and Survivor Annuitants	<u>34,617,953</u>	<u>31,603,788</u>
d) Total	\$ 89,416,681	\$ 82,361,024
5. Present Value of Future Pension Normal Cost		
a) Active Members	\$ 9,090,223	\$ 8,430,801
b) Employer	<u>9,480,821</u>	<u>7,434,353</u>
c) Total	\$ 18,571,044	\$ 15,865,154
6. Pension Accrued Liability		
a) Active Members (4a) - (5c)	\$ 35,286,005	\$ 33,302,753
b) Inactive Members and Vestees	941,679	1,589,329
c) Annuitants, Beneficiaries and Survivor Annuitants	<u>34,617,953</u>	<u>31,603,788</u>
d) Total	\$ 70,845,637	\$ 66,495,870
7. Health Insurance Assets for Premium Assistance	\$ 95,785	\$ 97,292
8. Total Accrued Liability for Funding (6) + (7)	\$ 70,941,422	\$ 66,593,162
9. Actuarial Value of Assets	\$ 61,017,942	\$ 57,155,130
10. Funded Status (9) / (8)	86.0 %	85.8 %
11. Unfunded Accrued Liability (8) - (9)	\$ 9,923,480	\$ 9,438,032
12. Total Normal Cost Rate	14.67 %	13.97 %
13. Member Contribution Rate	7.32 %	7.29 %
14. Employer Normal Cost Rate (12) - (13)	7.35 %	6.68 %
Employer Annual Funding Requirement		
15. Employer Contribution Rate Calculated by Actuary	Fiscal 2009/2010	Fiscal 2008/2009
a) Normal	7.35 %	6.68 %
b) Unfunded Accrued Liability	<u>(3.72)</u>	<u>(3.37)</u>
c) Preliminary Pension Rate	3.63 %	3.31 %
d) Preliminary Pension Rate with 4% Floor	4.00	4.00
e) Health Insurance	<u>0.78</u>	<u>0.76</u>
f) Total Rate	4.78 %	4.76 %

TABLE 2

**SUMMARY OF SOURCES OF EMPLOYER CONTRIBUTION RATE
AS OF JUNE 30, 2008
(\$ Amounts in Thousands)**

	Funding Period (Years)	Beginning July 1	Initial Liability	7/1/2008 Outstanding Balance	Annual Payment Amount	Percent *
1. Amortization of:						
a) 2001 Fresh Start Unfunded Base	10	2002	\$ (9,137,130)	\$ (4,949,221)	\$ (1,504,168)	(11.66)%
b) 2001 Asset Method Change (Act 38)	10	2002	(4,638,306)	(2,512,387)	(763,565)	(5.92)%
c) Other 2001 Changes	30	2002	7,570,507	6,750,658	654,914	5.08 %
d) 2002 Changes	30	2003	3,014,171	2,928,010	280,308	2.17 %
e) 2002 COLA	10	2003	463,795	302,225	76,271	0.59 %
f) 2003 COLA	10	2004	754,524	616,444	134,491	1.04 %
g) 2003 Changes	30	2004	3,229,593	3,376,048	319,304	2.48 %
h) 2004 Changes	30	2005	2,903,093	3,067,132	286,891	2.22 %
i) 2005 Changes	30	2006	3,765,745	4,017,250	371,977	2.88 %
j) 2006 Changes	30	2007	812,226	874,170	80,197	0.62 %
k) 2007 Changes	30	2008	(3,870,741)	(4,199,754)	(382,034)	(2.96)%
l) 2008 Changes	30	2009	(347,095)	<u>(347,095)</u>	<u>(34,165)</u>	<u>(0.26)%</u>
Total Amortization Payments				\$ 9,923,480	\$ (479,579)	(3.72)%
2. Employer Normal Cost Rate						<u>7.35 %</u>
3. Preliminary Pension Rate (1) + (2)						3.63 %
4. Preliminary Pension Rate with 4% Floor -- Maximum of (3) and 4%						4.00 %
5. Health Insurance Rate						<u>0.78 %</u>
6. Final Total Employer Contribution Rate Calculated by Actuary (4) + (5)						4.78 %

* Based on Estimated Employer Payroll for Fiscal Year Ending 2010 of \$ 12,899,000.

TABLE 3

**DETERMINATION OF HEALTH INSURANCE CONTRIBUTION RATE
FOR FISCAL YEAR 2009/2010**
(\$ Amounts in Thousands)

Item			
1. June 30, 2008 Balance in Health Insurance Account			\$ 95,785
2. Estimated Fiscal 2008/2009 Contribution			
(a) Contribution Rate Certified in 2007 Valuation			0.76%
(b) Estimated Fiscal 2008/2009 payroll			\$ 12,402,782
(c) Estimated Contribution = (a) x (b)			\$ 94,261
3. Estimated Number of Annuitants who:	Are Eligible	Elect Coverage	
(a) Fiscal 2008/2009	116,900	77,154	
(b) Fiscal 2009/2010	119,600	78,936	
(c) Fiscal 2010/2011	122,300	80,718	
4. Estimated Disbursements:	Administration	Assistance	Total
(a) Fiscal 2008/2009	\$ 1,963	\$ 92,585	\$ 94,548
(b) Fiscal 2009/2010	2,120	94,723	96,843
(c) Fiscal 2010/2011	2,205	96,862	99,067
(d) Total	\$ 6,288	\$ 284,170	\$ 290,458
5. Required Fiscal 2009/2010 Contribution			\$ 100,412
(4d) - (1) - (2c)			
6. Required Health Insurance Contribution Rate			
(a) Estimated 2009/2010 Payroll			\$ 12,899,000
(b) Required Health Insurance Contribution Rate (5) / (6a)			0.78%
(rounded up)			

Notes:

1. Current estimates of fiscal 2008/2009 membership payroll and administrative expenses, and of fiscal 2009/2010 administrative expenses, were provided by PSERS staff.
2. 66% of eligible annuitants are assumed to elect coverage.
3. Premium Assistance payments equal \$100 per month per eligible annuitant.

TABLE 4

**SUMMARY OF MARKET VALUE OF PLAN ASSETS
AS OF JUNE 30, 2008**
(\$ Amounts in Thousands)

Market Value	
1. Market Value of Assets as of June 30, 2007	\$ 67,438,289
2. Contributions During Fiscal 2007/2008	1,714,447
3. Disbursements During Fiscal 2007/2008	4,766,545
4. Investment Return During Fiscal 2007/2008	
a) Investment Return (Net of Investment Expenses)	\$ (1,779,873)
b) Administrative Expenses	37,107
c) Investment Return After Expenses (a) - (b)	\$ (1,816,980)
5. Market Value of Assets as of June 30, 2008 (1) + (2) - (3) + (4c)	\$ 62,569,211
6. Rate of Return (per Wilshire)	(2.82) %
Asset Allocation by Account	
1. Members' Savings Account	\$ 10,532,683
2. Annuity Reserve Account	34,617,953
3. State Accumulation Account	17,322,790
4. Health Insurance Account	95,785
5. Total (1) + (2) + (3) + (4)	\$ 62,569,211

TABLE 5

**DERIVATION OF ACTUARIAL VALUE OF ASSETS
AS OF JUNE 30, 2008**
(\$ Amounts in Thousands)

1. Market Value of Assets as of June 30, 2008					\$ 62,569,211
2. Determination of Deferred Gain (Loss)					
	<u>Return on Assets</u>				
<u>Fiscal Year</u>	<u>Actual</u>	<u>Expected</u>	<u>Difference</u>	<u>% Deferred</u>	<u>Deferred Amount</u>
2007/2008	\$ (1,816,980)	\$ 4,728,472	\$ (6,545,452)	80%	\$ (5,236,362)
2006/2007	12,658,871	4,359,054	8,299,817	60%	4,979,890
2005/2006	7,901,068	4,242,878	3,658,190	40%	1,463,276
2004/2005	6,044,305	4,321,981	1,722,324	20%	344,465
					<hr/>
					\$ 1,551,269
3. Actuarial Value of Assets (1) - (2)					\$ 61,017,942
4. Actuarial Rate of Return *					12.43%

* The actuarial rate of return is the investment return based on the change in the actuarial value of assets from the June 30, 2007 valuation to the June 30, 2008 valuation.

TABLE 6

**ANALYSIS OF CHANGE IN UNFUNDED ACCRUED LIABILITY
AS OF JUNE 30, 2008**
(\$ Amounts in Thousands)

Item	Amount
1. Unfunded Accrued Liability at June 30, 2007	\$ 9,438,032
2. Interest Credit at 8.25% to June 30, 2008	802,232
3. Contributions Toward Unfunded Accrued Liability	(30,311)
4. Change due to Effect of 4% Floor on FY 2008 Pension Contribution	-
5. Expected Unfunded Accrued Liability at June 30, 2008 (1) + (2) - (3) + (4)	\$ 10,270,575
6. Actual Unfunded Accrued Liability at June 30, 2008	<u>\$ 9,923,480</u>
7. Increase (Decrease) from Expected (6) - (5)	\$ (347,095)
8. Reasons for Increase (Decrease)	
(a) Experience (Gains) Losses	
(i) Gain from Investment Return on Actuarial Value of Assets	\$ (2,186,438)
(ii) Loss from New Entrants and Pickups	419,868
(iii) Loss from Salary Increases Greater than Expected	56,062
(iv) Loss from Mortality Experience	76,098
(v) Gain from Vested Termination Experience (Retirement/Disability/Termination)	(79,875)
(vi) Gain from Non-vested Termination Experience	(189,177)
(vii) Loss from Data/Miscellaneous	<u>8,852</u>
Subtotal	\$ (1,894,610)
(b) Change in Assumption	\$ 1,547,515
(c) Grand Total	\$ (347,095)

TABLE 7

SCHEDULE OF FUNDING PROGRESS FOR PENSIONS*
GASB STATEMENT NO. 25 DISCLOSURE
(\$ Amounts in Thousands)

Valuation as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll
2008	\$ 60,922,157	\$ 70,845,637	\$ 9,923,480	86.0 %	\$ 11,921,469	83.2 %
2007	57,057,838	66,495,870	9,438,032	85.8	11,410,257	82.7
2006	52,464,726	64,627,361	12,162,635	81.2	11,419,049	106.5
2005	51,122,156	61,129,444	10,007,288	83.6	10,527,668	95.1
2004	51,949,622	56,978,143	5,028,521	91.2	10,030,705	50.1
2003	52,770,018	54,313,328	1,543,310	97.2	9,652,881	16.0

* The amounts reported above include assets and liabilities for Pensions.

**SCHEDULE OF FUNDING PROGRESS FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS***
GASB STATEMENT NO. 43 DISCLOSURE
(\$ Amounts in Thousands)

Valuation as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll
2008	\$ 95,785	\$ 1,133,011	\$ 1,037,226	8.5 %	\$ 11,921,469	8.7 %
2007	97,292	1,058,092	960,800	9.2	11,410,257	8.4
2006	92,777	1,056,154	963,377	8.8	11,419,049	8.4

* The amounts reported above include assets and liabilities for Health Insurance Premium Assistance. The health insurance liabilities for GASB 43 disclosure have been calculated under the entry age normal cost method, which provides liabilities that differ from those determined under the funding requirements of the Retirement Code.

TABLE 8a

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR PENSIONS
GASB STATEMENT NO. 25 DISCLOSURE
(\$ Amounts in Thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2008	\$ 1,852,238	\$ 753,532	41 %
2007	1,708,821	659,545	39
2006	1,328,373	456,878	34
2005	945,107	431,556	46
2004	321,091	321,091	100
2003	20,831	20,831	100

The Annual Required Contribution (ARC) presented above was determined as part of the actuarial valuation as of two years prior to the dates indicated (i.e., the ARC for the fiscal year ended June 30, 2008 was determined by the valuation completed as of June 30, 2006 which was based on an 8.50% interest rate).

Additional information as of the latest actuarial valuation follows:

Valuation Date:	6/30/2008
Actuarial Cost Method:	Entry Age
Amortization Method:	Level dollar open
Remaining Amortization Period:	30 Years
Asset Valuation Method:	5-year smoothed market

Actuarial Assumptions:	
- Investment Rate of Return *	8.25%
-Projected Salaried Increases *	6.00%

* Includes Inflation at:	3.25%
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TABLE 8b

**SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
GASB STATEMENT NO. 43 DISCLOSURE**

(\$ Amounts in Thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2008	\$ 101,352	\$ 81,317	80 %
2007	\$ 94,970	\$ 86,763	91 %

The Annual Required Contribution (ARC) presented above was determined as part of the actuarial valuation as of one year prior to the dates indicated (i.e., the ARC for the fiscal year ended June 30, 2008 was determined by the valuation completed as of June 30, 2007 which was based on an 8.50% interest rate).

Additional information as of the latest actuarial valuation follows:

Valuation Date:	6/30/2008
Actuarial Cost Method:	Entry Age
Amortization Method:	Level dollar open
Remaining Amortization Period:	30 Years
Asset Valuation Method:	Market

Actuarial Assumptions:	
- Investment Rate of Return *	8.25%
-Projected Salaried Increases *	6.00%

* Includes Inflation at:	3.25%
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TABLE 9
SOLVENCY TEST
COMPARATIVE SUMMARY OF ACCRUED LIABILITY AND
ACTUARIAL VALUE OF ASSETS*
(\$ Amounts in Thousands)

Valuation as of June 30	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Member Employer Financed	Actuarial Value of Assets	Portion of Accrued Liability Covered by Valuation Assets		
					(1)	(2)	(3)
2008	\$ 10,532,683	\$ 34,713,738	\$ 25,695,001	\$ 61,017,942	100 %	100 %	61 %
2007	10,183,433	31,701,080	24,708,649	57,155,130	100	100	62
2006	9,571,668	29,209,941	25,938,529	52,557,503	100	100	53
2005	9,116,347	27,051,245	25,058,989	51,219,293	100	100	60
2004	8,755,109	24,482,234	23,885,657	52,094,479	100	100	79
2003	8,282,753	22,094,109	24,066,913	52,900,465	100	100	94

* The amounts reported include assets and liabilities for both Pensions and Health Insurance.

TABLE 10**HISTORY AND PROJECTION OF CONTRIBUTION RATES AND FUNDED RATIOS¹**

Fiscal Year Ending June	Appropriation Payroll (thousands)	Contribution Rates ²							Funded Ratio
		Employee	Employer Normal Cost	Employer Unfunded Liability	Preliminary Employer Pension	Final Employer Pension	Employer Health Insurance	Total Employer	
2000	\$ 8,939,598	5.72 %	6.40 %	(2.04) %	4.36 %	4.36 %	0.25 %	4.61 %	123.8 %
2001	9,414,884	5.77	6.29	(4.65)	1.64	1.64	0.30	1.94	114.4
2002 ³	9,378,944	6.43	5.63	(6.05)	(0.42)	0.00	1.09	1.09	104.8
2003 ⁴	9,652,881	7.10	7.20	(10.03)	1.00	0.18	0.97	1.15	97.2
2004	10,030,705	7.08	7.25	(4.27)	2.98	2.98	0.79	3.77	91.2
2005 ⁵	11,062,589	7.12	7.48	(7.10)	0.38	4.00	0.23	4.23	83.7
2006	11,505,093	7.16	7.61	(4.28)	3.33	4.00	0.69	4.69	81.2
2007 ⁶	11,821,951	7.21	6.62	(0.95)	5.67	5.72	0.74	6.46	85.8
2008	12,881,244	7.25	6.68	(0.24)	6.44	6.44	0.69	7.13	86.0
2009	12,402,782	7.29	6.68	(3.37)	3.31	4.00	0.76	4.76	85.0
2010⁷	12,899,000	7.32	7.35	(3.72)	3.63	4.00	0.78	4.78	85.2
2011 ⁷	13,297,917	7.34	8.03	(3.73)	4.30	4.30	0.76	5.06	84.4
2012	13,703,700	7.36	8.00	(4.43)	3.57	4.00	0.75	4.75	81.5
2013	14,132,543	7.38	7.97	11.45	19.42	19.42	0.74	20.16	82.6
2014	14,586,335	7.40	7.94	11.39	19.33	19.33	0.73	20.06	83.6
2015	15,066,759	7.41	7.93	10.15	18.08	18.08	0.72	18.80	84.5
2016	15,573,822	7.43	7.90	9.84	17.74	17.74	0.70	18.44	85.4
2017	16,119,772	7.44	7.88	9.53	17.41	17.41	0.69	18.10	86.3
2018	16,711,215	7.45	7.86	9.20	17.06	17.06	0.66	17.72	87.2
2019	17,349,067	7.46	7.85	8.87	16.72	16.72	0.65	17.37	88.1
2020	18,031,134	7.46	7.84	8.54	16.38	16.38	0.63	17.01	89.0

1. The projection of contribution rates is based on the assumption that there are no changes in demographic assumptions, no changes in benefit provisions, and no actuarial gains or losses other than gains or losses on the actuarial value of assets that result from recognizing currently deferred gains or losses on the market value of assets.
2. In general, the Preliminary Employer Pension Rate equals the sum of the rates for the Employer Normal Cost and the Unfunded Liability; and the Final Employer Pension Rate is the greater of the Preliminary Pension Rate and any Pension Rate Floor stated in the Retirement Code. The Total Employer Rate is the sum of the Final Employer Pension Rate and the Employer Health Insurance Rate.
3. For fiscal years ending on or before June 30, 2002, there was no floor specified in the Retirement Code, but the Final Employer Pension Rate could not be less than 0%, since money can only be removed from the trust for purposes allowed by the Retirement Code.
4. Act 2002-38 amended the Retirement Code to place a permanent 1% floor on the Employer Pension Rate, but also provided that the Total Employer Rate for the year ending June 30, 2003 could not exceed 1.15%, resulting in a 0.18% Final Employer Pension Rate (the Total Employer Rate of 1.15% minus the 0.97% Employer Health Insurance Rate).
5. Act 2003-40 amended the Retirement Code to increase the Employer Pension Rate Floor from 1% to 4%.
6. Revised actuarial assumptions based on a five-year experience review ending June 30, 2005 were used to determine the contributions for the fiscal year ending June 30, 2007. Since the benefit changes under Act 2001-9 had not been in effect throughout the entire period covered by the study the Board decided, at its December 2005 meeting, to delay making any changes to the retirement rate assumptions until further data became available. The 5.72% Final Employer Pension Rate equals the 6.46% Total Employer Rate certified by the Board at that meeting, minus the 0.74% Employer Health Insurance Rate. The 5.67% Preliminary Employer Pension Rate equals the sum of the Employer Normal Cost and Unfunded Liability rates. The Normal Cost and Unfunded Liability rates were calculated by the actuary in January 2006, based on the package of assumptions adopted at the December 2005 meeting.
7. The Board at its January 2009 meeting adopted to reduce the interest rate from 8.50% to 8.25% for the June 30, 2008 valuation and to 8.00% thereafter.

TABLE 11

**HISTORY AND PROJECTION OF
ANNUITANTS, BENEFICIARIES, SURVIVOR ANNUITANTS AND
ACTIVE MEMBERS**

Valuation as of June 30	New Annuitants During the Year	Annuitant Deaths During the Year	Annuitants at End of Year	Beneficiaries and Survivor Annuitants at End of Year	Total Annuitants, Beneficiaries and Survivor Annuitants	Active Members
1999			126,448	6,421	132,869	223,495
2000			127,404	6,654	134,058	234,210
2001			125,880	6,836	132,716	243,311
2002			134,300	7,114	141,414	242,616
2003			138,383	7,310	145,693	246,700
2004			143,997	7,555	151,552	247,901
2005			148,727	7,792	156,519	255,465
2006			153,757	8,056	161,813	263,350
2007			159,760	8,266	168,026	264,023
2008			165,091	8,449	173,540	272,690
2009	14,693	4,471	175,313	8,947	184,260	272,690
2010	12,404	4,643	183,074	9,409	192,483	272,690
2011	12,476	4,846	190,704	9,830	200,534	272,690
2012	12,545	5,048	198,201	10,225	208,426	272,690
2013	12,421	5,239	205,383	10,593	215,976	272,690
2014	11,996	5,425	211,954	10,943	222,897	272,690
2015	11,871	5,627	218,198	11,285	229,483	272,690
2016	11,686	5,822	224,062	11,621	235,683	272,690
2017	11,597	6,003	229,656	11,952	241,608	272,690
2018	11,370	6,199	234,827	12,287	247,114	272,690

* The number for the first year of the projection reflects the assumption that all Active members age 74 and above, and that all vested inactive members who have reached superannuation age retire immediately.

TABLE 12**DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS****ASSUMPTIONS**

Interest Rate: 8.25% per annum, compounded annually (adopted as of June 30, 2008). The components are 3.25% for inflation and 5.00% for the real rate of return. Actuarial equivalent benefits are determined based on 4% (since 1960).

Separation from Service: Illustrative rates of assumed separation from service are shown in the following table. (Rates of non-vested withdrawal, of death, and of disability were adopted as of June 30, 2005; other rates were adopted as of June 30, 2000):

Age	Annual Rate of:						
	Non-Vested Withdrawal	Vested Withdrawal*		Death	Disability	Early Retirement**	Superannuation Retirement
		Less Than 10 Years of Service	10 or More Years of Service				
MALES							
25	12.40%	5.50%	1.40%	.042%	.024%		
30	10.00	3.00	1.40	.057	.024		
35	11.00	3.00	1.10	.062	.100		
40	11.00	3.00	.80	.072	.180		
45	11.00	3.00	.50	.100	.180		
50	11.00	3.00	1.78	.152	.280		24.00%
55	10.50	3.00	3.50	.252	.430	10.00	24.00
60	10.00	2.40	4.50	.467	.580	10.00	28.00
65				.870	.100		20.00
69				1.335	.100		20.00
FEMALES							
25	14.10%	9.50%	4.00%	.019%	.040%		
30	14.10	7.50	4.00	.023	.040		
35	14.10	5.50	2.00	.031	.080		
40	10.90	3.50	1.00	.043	.130		
45	10.90	3.00	.55	.061	.180		
50	10.90	3.00	1.50	.085	.250		10.00%
55	10.90	3.00	3.00	.146	.480	10.00	10.00
60	10.90	3.50	5.90	.284	.480	15.00	25.00
65				.561	.160		28.00
69				.866	.160		20.00

* Vested Withdrawal – At least 5 years service but not eligible for Early or Superannuation retirement.

** Early Retirement – Age 55 with 25 years service, but not eligible for Superannuation retirement.

Death after Retirement: The Uninsured Pensioners 1994 Mortality Table (UP94) with mortality improvements projected 10 years, and with age set back one year for males and females, adopted in 2005, are used to project mortality for healthy annuitants and for dependent beneficiaries. Special mortality tables based on PSERS' experience are used for disability retirements. (The 1995 George B. Buck Mortality Tables, rated forward one year for males and unadjusted for females, adopted in 2000, are used to determine actuarial equivalent benefits.)

TABLE 12

DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS
(Continued)

Salary Increase: Effective average of 6% per annum, compounded annually (adopted as of June 30, 2005). The components are 3.25% for inflation, 1% for real wage growth and 1.75% for merit or seniority increases. Representative values are as follows:

Age	Annual Rate of Salary Increase
20	12.00%
30	9.00
40	7.00
50	4.75
55	4.50
60	4.25
65	4.25
70	4.25

MISCELLANEOUS

Option 4 Elections: 100% of members are assumed to elect a refund of contributions and a reduced annuity.

Withdrawal Annuity: 90% of members are assumed to commence payment immediately and 10% are assumed to defer payment to superannuation age.

Health Insurance

Elections: 66% of eligible retirees are assumed to elect premium assistance.

Administrative Expenses: Assumed equal to 2% of contributions made during the year.

METHODS

Calculations: The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system, and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Asset Valuation Method: A five-year moving market average value of assets that recognizes the 8.25% (8.50% prior to June 30, 2008) actuarial expected investment return immediately and spreads the difference between the actual return on the market value of assets and the expected return on the actuarial value of assets over a period of five years (adopted as of June 30, 2001).

Actuarial Cost Method for Pension Funding: Entry Age Normal Cost Method (modified slightly as of June 30, 2005 to use a pay-weighted average normal contribution rate). The results of each June 30 valuation normally determine the employer contribution rate for the second succeeding fiscal year. The outstanding balance of the unfunded accrued liability as of June 30, 2001 and the decrease in the unfunded accrued liability due to the actuarial asset method change provided by Act 38 continue to be amortized over a 10-year period, with level dollar funding, beginning July 1 2002. The increases in the unfunded accrued liability due to the July 1, 2002

TABLE 12**DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS**

(Continued)

and July 1, 2003 cost-of-living adjustments provided by Act 38 were both recognized at June 30, 2002 and continue to be amortized over a 10-year period, with level dollar funding starting on July 1, 2003 and July 1, 2004, respectively. All other changes in the unfunded accrued liability at June 30, 2001 and June 30, 2002 – including the Act 9 benefit changes – are amortized over a 30-year period, with level dollar funding starting on July 1, 2002, and July 1, 2003, respectively. Post June 30, 2002 benefit changes for active members and retirees are amortized over a 10-year period with level dollar funding. Post June 30, 2002 gains and losses, and changes in the unfunded accrued liability resulting from changes in actuarial assumptions and methods, are amortized over a 30-year period with level dollar funding. Act 40 also provided a 4.00% floor on the employer pension rate.

Actuarial Cost Method for GASB 25 Accounting for Pensions: Same as for pension funding, except that in fiscal years in which the amortization requirements of the Retirement Code result in an equivalent single amortization period that is longer than the maximum allowable period specified by GASB 25 (40 years for fiscal years ending on or before June 30, 2006; and 30 years for subsequent fiscal years), the GASB 25 amortization payment will be set equal to the level dollar amount that will amortize the unfunded accrued liability over a period equal to the maximum allowable period specified by GASB 25.

Actuarial Cost Method for Health Insurance Funding: The actuarial liability equals the assets in the health insurance account, and the results of the June 30 valuation determine the contribution rate for the second succeeding fiscal year. The rate so determined is the rate necessary to establish reserves sufficient to cover administrative expenses and provide premium assistance payments for all participating eligible annuitants during the third fiscal year that follows the valuation date.

Actuarial Cost Method for GASB 43 Accounting for Health Insurance: The actuarial liability is determined under the entry age actuarial cost method, and the Annual Required Contribution (ARC) for the fiscal year that follows the valuation date is equal to the entry age normal cost for health insurance plus an amount that will amortize the entry age unfunded actuarial liability for health insurance over a period of 30 years.

DATA

Census and Assets: The valuation was based on members of the Retirement System as of June 30, 2008 and does not take into account future members. All census data was supplied by the Retirement System and was subject to reasonable consistency checks. The actuary adjusts the data to account for service and pay earned by members on or before the valuation that is not reported by the Retirement System until after the actuarial valuation is performed. Asset data was supplied by the Retirement System.

TABLE 13**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS****MEMBERSHIP**

For valuation purposes, all employees are considered to be full coverage. All employees who become members on and after January 1, 1966 are members of the dual coverage group. Dual coverage members contribute to both PSERS and to Social Security.

BENEFITS**Superannuation Annuity**

Eligibility Age 62, or age 60 with 30 years of service, or 35 years of service regardless of age.

Amount 2.5% of final average salary times years of school service and intervening military service. 2% of final average salary for non-school service and for members who do not elect Class T-D coverage. Minimum of \$100 per year of service. "Final average salary" means the highest average annual salary for any 3 years of service.

Annual salary is subject to a limit of \$200,000, as adjusted under Section 401(a)(17). As of June 30, 2008, the adjusted limit is \$225,000.

For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code.

Early Retirement Annuity

Eligibility Age 55 with 25 years of service.

Amount Accrued benefit as of date of retirement, reduced 1/4% for each month by which commencement of payments precedes Superannuation Age.

For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code.

TABLE 13**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**

(Continued)

Withdrawal Annuity

Eligibility	5 years of service.
Amount	Accrued benefit deferred to superannuation retirement age or an actuarially reduced benefit payable immediately. Actuarially equivalent benefits are based on 4% interest and the 1995 George B. Buck mortality tables, rated forward one year for males and unadjusted for females.

Disability Annuity

Eligibility	5 years of service.
Amount	The standard single life annuity if the total number of credited service is greater than 16.667, otherwise the standard single life annuity multiplied by the lesser of the following ratios: (Y^*/Y) or $(16.667/Y)$ where Y is the number of years of credited service and Y* is the total years of credited service if the member were to continue as a school employee until superannuation retirement age (or at current age, if later). Minimum of \$100 per year of service.

Return of Contributions

Eligibility	Death or separation from service and member does not qualify for other benefits.
Amount	Refund of accumulated deductions includes interest (less annuity payments received prior to death in the case of a retired member).

Death Benefit

Eligibility	Death of an active member or vestee who was eligible to receive an annuity.
Amount	The present value of the annuity that would have been effective if the member retired on the day before death. Option 1 (see next page) assumed payable if no other option elected.

TABLE 13**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**
(Continued)**Normal and
Optional Forms
of Benefits**

Normal Form:	Life annuity with a guaranteed payment equal to member contributions with interest.
Option 1:	Reduced benefit with refund of balance of present value of annuity at retirement over payments received. If balance is less than \$5,000, benefit is paid in lump sum; otherwise, beneficiary may elect annuity and/or lump sum.
Option 2:	Joint and 100% survivorship annuity.
Option 3:	Joint and 50% survivorship annuity.
Option 4:	Benefit of equivalent actuarial value, including lump sum payment of member contributions.

Health Care Premium Assistance

Eligibility	Retired members who: <ul style="list-style-type: none"> (a) have 24½ or more years of service, or (b) are disability annuitants, or (c) have 15 or more years of service and who both terminated school service and retired after attaining superannuation age and (d) participate in the PSERS health options program or in an employer-sponsored health insurance program.
Amount	Participating eligible annuitants receive health insurance premium assistance payments from the Health Insurance Account equal to the lesser of \$100 per month or the actual monthly premium. All administrative expenses necessary to operate the health insurance premium assistance program are to be funded by the Health Insurance Account. The Health Insurance Account is credited with contributions of the Commonwealth and the employers.

TABLE 13**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**
(Continued)**CONTRIBUTIONS****By Members**

Members who elected coverage under Class T-D and who were most recently enrolled prior to July 22, 1983 contribute at a rate of 6½% of compensation, while members who elected coverage under Class T-D and who were most recently enrolled on or after July 22, 1983 contribute at a rate of 7½% of compensation. Members who did not elect coverage under Class T-D and who were most recently enrolled prior to July 22, 1983 contribute at a rate of 5¼% of compensation, while members who did not elect coverage under Class T-D and who were most recently enrolled on or after July 22, 1983 and prior to July 1, 2001 contribute at a rate of 6¼% of compensation. Anyone who enrolls or re-enrolls on or after July 1, 2001 automatically has coverage under class T-D for subsequent school service and subsequent intervening military service, and must contribute at a rate of 7½% of compensation. Reduction in rate for a joint coverage member: 40% of Social Security tax, exclusive of disability and medical coverage portion.

**By Commonwealth and
School Districts**

Balance of required contribution determined as normal contribution, accrued liability contribution, supplemental annuity contribution, experience adjustment factor and premium assistance contribution, is funded by the Commonwealth and the School Districts.

TABLE 14**SUMMARY OF MEMBERSHIP DATA
AS OF JUNE 30, 2008**

(\$ Amounts in Thousands)

ACTIVE MEMBERS *

Item	Male	Female	Total
Number of Members	74,159	198,531	272,690
Annual Salaries **	\$ 3,694,443	\$ 8,227,026	\$ 11,921,469
Average Age ***	44.5	44.7	44.6
Average Service ***	11.4	10.4	10.7

* Excludes 100,803 inactive members and vestees.

** The salaries shown in the table above represent an annual rate of pay for the year ended June 30, 2008 for members who were in active service on June 30, 2008.

*** Average completed years of age and service.

ANNUITANTS AND BENEFICIARIES

Item	Number	Annual Annuities [#]	Average Annuities	Average Age
Annuitants (Normal, Early and Withdrawal)	157,656	\$ 3,586,326	\$ 22,748	69.7
Survivors and Beneficiaries	8,449	82,839	9,805	75.6
Disabled Annuitants	<u>7,435</u>	<u>142,334</u>	19,144	63.0
Total	173,540	\$ 3,811,499	\$ 21,963	69.7

The annuities shown in the table above represent the annual amount payable as of July 1, 2008 for participants who were in payment on June 30, 2008.

EXHIBIT I**ACTIVE MEMBERSHIP DATA AS OF JUNE 30, 2008
NUMBER AND AVERAGE ANNUAL SALARY**

Age	Service									Total	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
Under 25	9,367 \$30,000	55 \$29,488									9,422 \$29,997
25-29	21,668 \$37,424	6,315 \$47,116	44 \$36,586								28,027 \$39,607
30-34	10,047 \$34,922	13,473 \$50,036	3,318 \$57,052	37 \$42,518							26,875 \$45,241
35-39	9,915 \$27,218	8,751 \$47,109	10,089 \$60,395	2,496 \$65,491	63 \$42,924						31,314 \$46,548
40-44	11,328 \$22,953	7,411 \$37,323	5,385 \$53,529	5,892 \$65,813	2,063 \$65,562	82 \$45,303					32,161 \$42,026
45-49	11,058 \$21,998	9,304 \$32,253	5,768 \$43,757	4,172 \$57,788	4,851 \$67,712	1,935 \$63,701	118 \$44,360				37,206 \$40,149
50-54	8,048 \$22,489	8,504 \$32,329	7,033 \$40,609	5,521 \$51,667	4,486 \$61,744	6,049 \$71,239	4,325 \$72,055	59 \$46,703			44,025 \$46,543
55-59	5,474 \$23,760	5,092 \$33,366	5,057 \$40,907	5,477 \$49,613	4,955 \$58,054	3,621 \$67,199	7,387 \$76,205	2,194 \$79,007	29 \$47,795		39,286 \$52,110
60-64	3,109 \$19,689	2,519 \$30,219	2,171 \$36,373	2,507 \$43,594	2,477 \$49,465	1,806 \$56,031	1,076 \$64,115	999 \$77,960	235 \$78,927		16,899 \$42,294
Over 64	2,264 \$13,574	1,426 \$21,264	976 \$26,724	817 \$32,436	689 \$37,457	522 \$37,426	387 \$40,256	199 \$51,431	195 \$72,453		7,475 \$26,612
Total	92,278 \$28,381	62,850 \$39,992	39,841 \$48,653	26,919 \$55,228	19,584 \$60,223	14,015 \$65,783	13,293 \$72,547	3,451 \$76,562	459 \$74,210		272,690 \$43,718

EXHIBIT II**THE NUMBER AND AVERAGE ANNUAL ANNUITY
AS OF JUNE 30, 2008****RETIRED ON ACCOUNT OF SUPERANNUATION, EARLY RETIREMENT AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES**

Age	Years of Service									Total	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
Under 50		2,343	1,235	370	123	26					4,097
		\$804	\$1,839	\$4,369	\$8,524	\$14,342					\$1,756
50-54		632	1,014	511	271	189	127	13			2,757
		\$1,421	\$1,751	\$4,463	\$9,815	\$20,503	\$30,184	\$32,660			\$5,712
55-59		553	2,041	1,123	775	1,329	6,489	3,281	3		15,594
		\$2,574	\$2,103	\$6,275	\$12,720	\$27,231	\$44,546	\$55,316	\$28,558		\$33,952
60-64	191	718	3,092	2,195	1,862	2,985	11,662	8,965	245		31,915
	\$5,759	\$3,862	\$3,103	\$8,545	\$16,650	\$28,306	\$39,614	\$53,938	\$60,434		\$34,719
65-69	640	1,136	2,975	3,090	2,950	3,656	8,347	5,897	726		29,417
	\$2,676	\$3,136	\$4,255	\$8,744	\$15,134	\$23,497	\$33,877	\$44,193	\$58,443		\$25,880
70-74	690	1,008	2,756	2,625	3,115	3,435	4,914	3,457	1,007		23,007
	\$1,233	\$2,420	\$3,753	\$7,084	\$11,820	\$19,376	\$28,981	\$37,278	\$45,506		\$19,677
75-79	758	1,031	2,580	2,625	2,889	3,184	3,428	2,482	1,052		20,029
	\$4,748	\$1,922	\$3,442	\$6,195	\$11,042	\$17,207	\$25,303	\$34,872	\$41,619		\$16,700
80-84	843	990	2,353	2,450	2,602	2,364	1,927	1,596	742		15,867
	\$6,108	\$1,747	\$3,361	\$6,255	\$10,739	\$16,318	\$21,880	\$28,176	\$38,831		\$13,397
85-89	691	665	1,536	1,572	1,355	1,272	865	948	304		9,208
	\$6,044	\$1,727	\$3,318	\$6,050	\$9,763	\$14,002	\$18,798	\$23,327	\$31,324		\$10,737
Over 89	241	465	957	889	806	726	572	679	430		5,765
	\$2,857	\$2,150	\$3,856	\$6,586	\$10,366	\$13,649	\$18,305	\$21,905	\$25,768		\$11,435
Total	4,054	9,541	20,539	17,450	16,748	19,166	38,331	27,318	4,509		157,656
	\$4,261	\$1,975	\$3,238	\$7,006	\$12,387	\$20,791	\$34,846	\$44,786	\$43,545		\$22,748

EXHIBIT III**THE NUMBER AND AVERAGE ANNUAL ANNUITY
AS OF JUNE 30, 2008****BENEFICIARIES AND SURVIVOR ANNUITANTS**

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 50	36 \$23,595	19 \$1,734	44 \$1,886	39 \$3,474	42 \$5,439	34 \$7,486	33 \$12,991	19 \$15,176	14 \$11,202	280 \$8,777
50-54	34 \$31,274	11 \$1,272	23 \$2,562	27 \$3,463	32 \$6,242	22 \$9,515	19 \$19,406	19 \$11,743	9 \$15,070	196 \$12,073
55-59	67 \$16,979	9 \$1,483	33 \$3,651	32 \$3,792	44 \$6,670	58 \$12,589	85 \$14,781	70 \$18,171	14 \$11,105	412 \$12,379
60-64	77 \$19,251	17 \$2,670	46 \$2,863	37 \$4,555	51 \$6,483	69 \$12,348	168 \$16,660	157 \$20,366	28 \$12,958	650 \$14,415
65-69	102 \$15,165	20 \$1,576	81 \$3,285	79 \$5,757	69 \$7,702	75 \$12,767	183 \$17,527	165 \$20,812	48 \$16,616	822 \$13,658
70-74	96 \$12,259	37 \$1,603	120 \$2,995	106 \$4,701	105 \$7,094	102 \$10,489	203 \$13,507	184 \$18,660	87 \$21,405	1,040 \$11,487
75-79	118 \$10,509	47 \$1,679	136 \$3,041	149 \$4,286	154 \$6,758	134 \$8,670	218 \$12,719	200 \$14,096	128 \$19,339	1,284 \$9,845
80-84	144 \$8,383	91 \$1,445	200 \$2,634	176 \$4,062	173 \$6,718	209 \$8,763	214 \$10,425	267 \$11,853	111 \$16,372	1,585 \$8,067
85-89	87 \$7,979	86 \$1,221	168 \$2,311	139 \$3,486	132 \$5,208	139 \$7,515	151 \$9,257	264 \$11,039	114 \$12,886	1,280 \$7,176
Over 89	28 \$9,580	65 \$1,096	113 \$2,008	90 \$3,621	77 \$5,210	75 \$6,760	107 \$6,975	177 \$8,969	168 \$9,669	900 \$6,398
Total	789 \$13,518	402 \$1,451	964 \$2,671	874 \$4,160	879 \$6,394	917 \$9,398	1,381 \$12,998	1,522 \$14,674	721 \$15,058	8,449 \$9,805

EXHIBIT IV**THE NUMBER AND AVERAGE ANNUAL ANNUITY
AS OF JUNE 30, 2008****RETIRED ON ACCOUNT OF DISABILITY**

Age	Years of Service									Total	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
Under 50		226	150	97	38	14					525
		\$18,054	\$20,055	\$32,167	\$61,045	\$78,991					\$25,970
50-54		195	172	144	133	114	20	1			779
		\$16,202	\$19,116	\$20,864	\$32,297	\$51,742	\$76,709	\$32,568			\$27,230
55-59		277	282	238	258	364	184	2			1,605
		\$13,337	\$14,973	\$17,972	\$27,896	\$37,573	\$53,479	\$41,372			\$26,785
60-64		239	309	286	309	332	170	5			1,650
		\$8,141	\$10,555	\$13,303	\$21,994	\$30,179	\$40,174	\$55,638			\$19,961
65-69		187	275	237	222	163	43				1,127
		\$5,492	\$7,939	\$10,334	\$16,656	\$25,208	\$30,939				\$13,129
70-74		130	192	159	123	81	15	3			703
		\$5,470	\$6,906	\$8,684	\$14,358	\$19,957	\$29,416	\$43,058			\$10,485
75-79		99	133	113	106	43	7			1	502
		\$3,864	\$5,763	\$8,600	\$12,984	\$20,278	\$26,313			\$54,601	\$9,179
80-84		67	92	48	58	40	7	1			313
		\$3,868	\$6,036	\$7,992	\$11,727	\$16,379	\$24,413	\$24,751			\$8,719
85-89		37	38	24	27	20	11	2			159
		\$3,619	\$6,077	\$7,587	\$10,608	\$15,478	\$20,993	\$35,460			\$9,086
Over 89		11	21	18	6	7	9				72
		\$3,307	\$4,725	\$7,955	\$10,451	\$14,764	\$18,692				\$8,515
Total		1,468	1,664	1,364	1,280	1,178	466	14	1		7,435
		\$10,511	\$11,383	\$14,455	\$22,248	\$32,569	\$44,484	\$44,168	\$54,601		\$19,144

EXHIBIT V**ANNUITANT AND BENEFICIARY MEMBERSHIP DATA
AS OF JUNE 30, 2008****NUMBER AND AVERAGE ANNUAL BENEFIT
EXCLUDES PARTIAL LUMP SUM PAYMENTS**

Age Last Birthday	Number	Annual Benefit (Thousands)	Average Annual Benefit
Annuitants (Normal, Early and Withdrawal)			
Under 60	22,448	\$ 552,390	\$ 24,608
60 - 64	31,915	1,108,060	34,719
65 - 69	29,417	761,314	25,880
70 - 74	23,007	452,713	19,677
75 - 79	20,029	334,483	16,700
Over 79	30,840	377,366	12,236
Total	157,656	\$ 3,586,326	\$ 22,748
Survivors and Beneficiaries			
Under 60	888	\$ 9,924	\$ 11,176
60 - 64	650	9,370	14,415
65 - 69	822	11,227	13,658
70 - 74	1,040	11,946	11,487
75 - 79	1,284	12,641	9,845
Over 79	3,765	27,731	7,365
Total	8,449	\$ 82,839	\$ 9,805
Disabled Annuitants			
Under 60	2,909	\$ 77,837	\$ 26,757
60 - 64	1,650	32,935	19,961
65 - 69	1,127	14,797	13,130
70 - 74	703	7,371	10,485
75 - 79	502	4,608	9,179
Over 79	544	4,786	8,798
Total	7,435	\$ 142,334	\$ 19,144
Grand Total			
Average Annual Benefit	173,540	\$ 3,811,499	\$ 21,963

EXHIBIT VI**10 YEAR HISTORY OF MEMBERSHIP DATA****ACTIVE MEMBERS**

Valuation as of June 30	Number of Active Members	Percentage Change in Membership	Total Annual Payroll (Thousands)	Percentage Change in Payroll
2008	272,690	3.28%	\$ 11,921,469	4.48%
2007	264,023	0.26%	11,410,257	(0.08%)
2006	263,350	3.09%	11,419,049	8.47%
2005	255,465	3.05%	10,527,668	4.95%
2004	247,901	0.49%	10,030,705	3.91%
2003	246,700	1.68%	9,652,881	2.92%
2002	242,616	(0.29%)	9,378,944	(0.38%)
2001	243,311	3.89%	9,414,884	5.32%
2000	234,210	4.79%	8,939,598	8.39%
1999	223,495	1.27%	8,247,602	1.93%

EXHIBIT VI
(Continued)

10 YEAR HISTORY OF MEMBERSHIP DATA

**THE NUMBER AND ANNUAL ANNUITIES OF
ANNUITANT AND SURVIVOR ANNUITANT MEMBERS**

Year Ended June 30	Number	Annual Annuities (Millions)	Average Annual Annuities	Additions*	Annual Annuities* (Millions)	Deletions*	Annual Annuities* (Millions)	Percentage Change in Membership	Percentage Change in Annuities
2008	173,540	\$ 3,811.5	\$ 21,963	10,911	\$ 345.3	5,397	\$ 73.9	3.28%	8.18%
2007	168,026	3,523.4	20,970	10,612	307.5	4,399	56.0	3.84%	7.60%
2006	161,813	3,274.5	20,236	10,637		5,343		3.38%	8.16%
2005	156,519	3,027.6	19,343	10,050		5,083		3.28%	8.20%
2004	151,552	2,798.2	18,464	10,526		4,667		4.02%	9.94%
2003	145,693	2,545.1	17,469	9,079		4,800		3.03%	13.20%
2002	141,414	2,248.3	15,899	13,003		4,305		6.55%	20.10%
2001	132,716	1,872.0	14,105	3,140		4,482		-1.00%	0.00%
2000	134,058	1,880.6	14,028	5,923		4,734		0.89%	2.73%
1999	132,869	1,830.6	13,777	10,609		4,554		4.88%	26.51%

* The annual annuities added and deleted are for the annuitants and survivor annuitants who were added and deleted. Changes in annuities for continuing payees may also occur due to finalization of benefit calculations and due to the commencement of supplemental annuity payments.

EXHIBIT VII

DETAILED TABULATIONS OF THE DATA

TABLE 1

**THE NUMBER AND ANNUAL SALARIED
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY
AGE AS OF JUNE 30, 2008**

Age	Male		Female		Total	
	Number	Salaries	Number	Salaries	Number	Salaries
17	16	\$ 202,913	8	\$ 63,200	24	\$ 266,112
18	27	285,982	27	293,837	54	579,818
19	86	1,045,564	67	715,092	153	1,760,656
20	139	2,403,067	137	1,534,053	276	3,937,120
21	169	2,559,426	210	2,639,435	379	5,198,861
22	315	6,770,568	685	17,981,402	1,000	24,751,970
23	803	22,892,458	2,400	75,763,470	3,203	98,655,929
24	1,094	36,808,269	3,239	110,675,324	4,333	147,483,593
25	1,241	46,463,413	3,739	134,965,426	4,980	181,428,839
26	1,522	57,632,508	4,063	153,999,616	5,585	211,632,124
27	1,586	62,403,543	4,143	163,755,634	5,729	226,159,177
28	1,698	70,440,954	4,217	173,045,475	5,915	243,486,428
29	1,682	71,922,711	4,136	175,429,610	5,818	247,352,321
30	1,680	76,805,301	3,806	162,267,335	5,486	239,072,635
31	1,703	79,543,565	3,771	163,397,889	5,474	242,941,453
32	1,706	82,089,359	3,605	163,520,761	5,311	245,610,121
33	1,675	82,408,918	3,680	161,567,318	5,355	243,976,236
34	1,668	86,190,212	3,581	158,074,573	5,249	244,264,785
35	1,798	93,173,737	3,779	164,766,209	5,577	257,939,946
36	1,866	99,284,510	4,215	183,427,969	6,081	282,712,479
37	2,018	111,477,238	4,731	209,202,902	6,749	320,680,140
38	1,817	99,632,739	4,751	208,133,438	6,568	307,766,177
39	1,767	96,558,477	4,572	191,953,069	6,339	288,511,546
40	1,641	91,735,043	4,462	179,182,359	6,103	270,917,402
41	1,624	88,786,936	4,632	182,391,613	6,256	271,178,549
42	1,668	90,598,442	4,618	173,970,349	6,286	264,568,791
43	1,615	84,443,450	4,987	184,067,529	6,602	268,510,979
44	1,704	90,255,589	5,210	186,176,646	6,914	276,432,235
45	1,649	84,909,454	5,301	190,360,949	6,950	275,270,403
46	1,646	84,265,519	5,539	204,549,171	7,185	288,814,690
47	1,815	91,692,872	5,897	216,009,368	7,712	307,702,241
48	1,788	91,938,248	5,672	206,914,161	7,460	298,852,408
49	1,865	95,719,443	6,034	227,418,052	7,899	323,137,495
50	1,970	101,842,262	6,360	254,832,710	8,330	356,674,972
51	2,085	112,360,776	6,626	271,942,511	8,711	384,303,287
52	2,082	113,475,401	6,585	286,137,434	8,667	399,612,835
53	2,272	127,645,152	6,786	310,030,111	9,058	437,675,263
54	2,261	129,839,771	6,998	340,969,059	9,259	470,808,829
55	2,424	142,275,784	6,969	352,068,125	9,393	494,343,908
56	2,411	141,147,608	6,680	339,587,055	9,091	480,734,663

TABLE 1
(Continued)

**THE NUMBER AND ANNUAL SALARIED
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY
AGE AS OF JUNE 30, 2008**

Age	Male		Female		Total	
	Number	Salaries	Number	Salaries	Number	Salaries
57	2,083	\$ 122,959,399	5,956	\$ 302,111,407	8,039	\$ 425,070,806
58	1,871	107,416,233	4,859	242,441,755	6,730	349,857,988
59	1,710	96,106,099	4,323	201,080,141	6,033	297,186,240
60	1,457	74,257,038	3,698	160,456,457	5,155	234,713,494
61	1,477	73,164,998	3,716	156,368,371	5,193	229,533,368
62	787	35,957,129	1,772	68,576,475	2,559	104,533,603
63	671	27,557,248	1,502	55,243,812	2,173	82,801,060
64	618	23,156,908	1,201	39,985,209	1,819	63,142,117
65	545	19,736,290	996	33,323,057	1,541	53,059,348
66	431	14,245,992	736	20,981,274	1,167	35,227,266
67	303	8,330,489	515	12,443,049	818	20,773,538
68	306	8,178,046	432	10,639,635	738	18,817,681
69	235	6,399,116	351	7,541,369	586	13,940,485
70	203	5,512,296	300	7,285,828	503	12,798,124
71	172	4,411,871	241	5,931,808	413	10,343,679
72	139	3,403,222	209	4,058,569	348	7,461,792
73	111	2,255,191	165	3,135,359	276	5,390,550
74	102	2,164,371	134	2,508,677	236	4,673,049
75	73	1,710,060	118	2,020,523	191	3,730,583
76	67	1,512,640	87	1,946,308	154	3,458,948
77	61	1,102,535	81	1,419,486	142	2,522,022
78	41	966,201	54	986,541	95	1,952,742
79	32	558,605	41	672,789	73	1,231,394
80	20	496,312	32	571,883	52	1,068,195
81	15	357,087	27	407,612	42	764,699
82	10	136,260	23	317,350	33	453,610
83	9	181,238	18	306,556	27	487,794
84	3	43,397	7	121,928	10	165,325
85	8	179,487	13	230,178	21	409,666
86	2	47,137	2	50,309	4	97,446
87	1	12,735	4	81,982	5	94,717
Total	74,159	3,694,442,812	198,531	8,227,025,932	272,690	11,921,468,744

TABLE 2

**THE NUMBER AND ANNUAL SALARIES
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY
YEARS OF CREDITED SERVICE AS OF JUNE 30, 2008**

Service	Male		Female		Total	
	Number	Salaries	Number	Salaries	Number	Salaries
0	4,624	\$ 84,011,792	11,540	\$ 202,456,382	16,164	\$ 286,468,174
1	5,774	164,563,206	17,252	424,447,844	23,026	589,011,050
2	5,111	177,663,671	15,353	441,792,730	20,464	619,456,401
3	4,483	172,034,020	13,083	415,395,031	17,566	587,429,051
4	3,775	155,801,963	11,283	380,749,267	15,058	536,551,230
5	3,455	150,456,739	10,068	354,519,315	13,523	504,976,054
6	3,321	147,709,323	9,585	345,603,226	12,906	493,312,549
7	3,141	145,533,780	9,353	346,118,636	12,494	491,652,416
8	2,844	139,598,276	8,967	348,818,515	11,811	488,416,791
9	3,309	171,650,447	8,807	363,486,629	12,116	535,137,077
10	2,732	148,781,249	7,227	305,406,311	9,959	454,187,560
11	2,722	152,278,704	6,468	287,503,944	9,190	439,782,647
12	2,153	121,180,504	5,445	253,099,154	7,598	374,279,657
13	1,923	112,842,344	4,976	236,506,542	6,899	349,348,886
14	1,719	99,538,975	4,476	221,255,844	6,195	320,794,819
15	2,041	125,112,119	4,715	240,468,057	6,756	365,580,175
16	1,450	87,069,541	3,914	204,164,364	5,364	291,233,905
17	1,229	73,488,636	3,631	192,189,192	4,860	265,677,829
18	1,276	78,784,393	3,697	201,661,600	4,973	280,445,992
19	1,368	84,116,945	3,598	199,616,665	4,966	283,733,610
20	1,285	80,557,212	3,539	200,107,681	4,824	280,664,893
21	1,198	76,544,968	3,085	181,341,974	4,283	257,886,942
22	1,021	65,254,496	2,882	168,357,231	3,903	233,611,727
23	940	60,075,363	2,554	155,243,453	3,494	215,318,816
24	893	57,300,727	2,187	134,616,466	3,080	191,917,193
25	870	54,636,338	1,933	121,901,049	2,803	176,537,388
26	702	45,462,882	1,725	110,492,211	2,427	155,955,093
27	749	49,586,374	1,883	122,011,524	2,632	171,597,898
28	839	59,108,543	2,144	141,941,953	2,983	201,050,495
29	956	67,537,423	2,214	149,274,367	3,170	216,811,790
30	895	66,606,456	2,038	142,875,417	2,933	209,481,873
31	923	68,910,379	1,893	133,015,053	2,816	201,925,431
32	942	70,176,861	1,791	127,237,326	2,733	197,414,187
33	912	69,497,765	1,619	115,381,417	2,531	184,879,182
34	905	70,655,804	1,375	100,007,846	2,280	170,663,650
35	517	43,364,643	820	59,411,003	1,337	102,775,646
36	382	30,759,904	489	34,443,141	871	65,203,045
37	262	22,433,926	307	21,734,771	569	44,168,697
38	195	16,367,738	228	16,280,954	423	32,648,692
39	118	9,929,983	133	9,487,899	251	19,417,882

TABLE 2
(Continued)

**THE NUMBER AND ANNUAL SALARIES
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY
YEARS OF CREDITED SERVICE AS OF JUNE 30, 2008**

Service	Male		Female		Total	
	Number	Salaries	Number	Salaries	Number	Salaries
40	82	\$ 6,944,823	85	\$ 5,617,141	167	\$ 12,561,964
41	42	3,257,993	48	3,156,740	90	6,414,734
42	25	2,347,643	38	2,307,447	63	4,655,090
43	18	1,597,831	14	779,735	32	2,377,567
44	13	1,249,767	13	946,428	26	2,196,195
45	9	762,680	11	771,502	20	1,534,182
46	1	38,419	12	956,806	13	995,225
47	4	335,389	7	486,258	11	821,647
48	3	275,247	5	281,928	8	557,175
49	5	460,256	2	173,877	7	634,133
50	1	82,183	5	285,771	6	367,954
51			1	34,577	1	34,577
52	1	71,940	4	275,986	5	347,926
53			3	203,449	3	203,449
54	1	34,228	2	103,328	3	137,556
55			1	38,221	1	38,221
56			1	75,338	1	75,338
62			1	65,181	1	65,181
65			1	44,236	1	44,236
Total	74,159	3,694,442,812	198,531	8,227,025,932	272,690	\$ 11,921,468,744

TABLE 3

**THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 2008**

**RETIRED ON ACCOUNT OF SUPERANNUATION, EARLY RETIREMENT AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES**

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
24			1	\$ 144	1	\$ 144
25			2	577	2	577
26			2	520	2	520
27	3	\$ 1,524	7	4,038	10	5,562
28	6	3,170	11	3,541	17	6,711
29	8	3,957	11	4,346	19	8,303
30	20	14,483	29	15,371	49	29,854
31	23	14,181	44	22,541	67	36,722
32	35	23,298	51	25,575	86	48,872
33	24	17,951	61	45,177	85	63,128
34	43	40,062	80	49,850	123	89,912
35	36	30,542	79	57,350	115	87,891
36	45	40,530	102	92,472	147	133,002
37	59	69,119	117	117,897	176	187,016
38	61	84,010	139	158,667	200	242,677
39	72	126,410	118	126,921	190	253,330
40	54	87,599	131	198,740	185	286,339
41	87	193,257	145	197,814	232	391,071
42	68	136,910	150	211,769	218	348,679
43	80	196,051	161	271,756	241	467,807
44	73	189,107	192	289,496	265	478,603
45	106	277,234	195	326,062	301	603,296
46	99	272,837	204	405,169	303	678,006
47	108	419,685	226	477,779	334	897,464
48	117	381,676	232	429,130	349	810,805
49	118	445,713	262	592,183	380	1,037,896
50	148	596,342	292	772,109	440	1,368,451
51	144	623,545	361	1,352,302	505	1,975,847
52	159	1,099,580	350	1,752,836	509	2,852,415
53	159	1,263,680	406	2,269,542	565	3,533,221
54	224	2,070,750	514	3,946,252	738	6,017,002
55	282	6,000,571	775	13,121,396	1,057	19,121,967
56	569	17,589,646	1,409	38,737,330	1,978	56,326,976
57	1,062	39,764,650	2,261	70,547,121	3,323	110,311,771
58	1,409	57,706,476	2,826	96,186,759	4,235	153,893,235
59	1,822	77,697,574	3,179	112,097,652	5,001	189,795,226
60	2,284	95,191,678	3,663	132,472,155	5,947	227,663,833
61	3,058	123,739,787	4,356	148,370,685	7,414	272,110,472
62	2,744	107,237,307	3,746	120,550,200	6,490	227,787,507
63	2,499	91,494,038	3,514	104,174,624	6,013	195,668,663

TABLE 3
(Continued)

**THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 2008**

**RETIRED ON ACCOUNT OF SUPERANNUATION, EARLY RETIREMENT AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES**

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
64	2,444	\$ 86,212,031	3,607	\$ 98,617,826	6,051	\$ 184,829,857
65	2,654	90,281,207	3,967	100,838,935	6,621	191,120,142
66	2,710	89,325,226	3,939	93,349,339	6,649	182,674,565
67	2,196	65,847,579	3,688	82,713,925	5,884	148,561,504
68	1,966	59,024,778	3,297	69,254,304	5,263	128,279,082
69	1,815	48,509,860	3,185	62,168,487	5,000	110,678,347
70	1,836	47,818,065	3,172	59,377,939	5,008	107,196,004
71	1,783	45,240,675	2,983	51,127,877	4,766	96,368,552
72	1,742	44,110,212	2,912	49,005,880	4,654	93,116,091
73	1,612	37,612,187	2,816	42,745,284	4,428	80,357,470
74	1,568	36,536,706	2,583	39,137,972	4,151	75,674,678
75	1,516	34,131,407	2,497	36,016,325	4,013	70,147,732
76	1,559	34,821,446	2,661	37,642,334	4,220	72,463,780
77	1,455	33,629,804	2,710	39,321,658	4,165	72,951,462
78	1,412	29,292,157	2,545	34,697,343	3,957	63,989,500
79	1,227	24,035,982	2,447	30,894,380	3,674	54,930,362
80	1,165	22,065,465	2,518	30,729,313	3,683	52,794,779
81	1,152	20,032,145	2,329	27,932,466	3,481	47,964,611
82	1,015	18,033,156	2,171	24,908,184	3,186	42,941,340
83	933	16,351,739	1,928	20,302,095	2,861	36,653,834
84	783	12,724,912	1,873	19,495,270	2,656	32,220,181
85	685	10,323,334	1,624	15,676,634	2,309	25,999,968
86	566	7,893,146	1,513	14,224,006	2,079	22,117,151
87	448	6,470,347	1,426	13,850,451	1,874	20,320,797
88	390	5,382,226	1,283	12,038,096	1,673	17,420,322
89	252	3,319,139	1,021	9,690,941	1,273	13,010,080
90	237	2,864,560	975	9,807,724	1,212	12,672,284
91	187	2,232,457	830	8,297,948	1,017	10,530,406
92	166	1,999,725	666	6,674,466	832	8,674,191
93	118	1,420,622	555	5,997,315	673	7,417,937
94	84	1,139,304	464	5,286,387	548	6,425,691
95	64	823,383	359	4,394,708	423	5,218,091
96	46	643,172	282	3,814,978	328	4,458,150
97	23	378,530	203	2,712,924	226	3,091,454
98	14	214,886	154	2,131,898	168	2,346,784
99	21	345,936	119	1,822,452	140	2,168,388
100	4	70,219	68	986,485	72	1,056,704
101	7	117,857	54	767,647	61	885,504
102	2	16,523	31	433,789	33	450,312
103	2	22,368	12	202,798	14	225,166

TABLE 3
(Continued)

**THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 2008**

**RETIRED ON ACCOUNT OF SUPERANNUATION, EARLY RETIREMENT AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES**

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
104	2	\$ 37,267	3	\$ 47,917	5	\$ 85,184
105			5	83,227	5	83,227
106			4	80,331	4	80,331
107			3	46,422	3	46,422
108			1	6,351	1	6,351
Total	55,769	\$ 1,566,496,667	101,887	\$ 2,019,828,874	157,656	\$ 3,586,325,541

TABLE 3
(Continued)

**THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 2008**

**RETIRED ON ACCOUNT OF SUPERANNUATION, EARLY RETIREMENT AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES**

OPTION	MALE		FEMALE	
Maximum	28,474	\$ 829,974,117	67,535	\$ 1,312,515,134
1	7,441	166,365,445	18,366	311,512,230
2	10,781	268,169,674	8,709	194,851,793
3	8,088	259,593,791	6,858	185,679,610
4	<u>985</u>	<u>42,393,640</u>	<u>419</u>	<u>15,270,107</u>
	55,769	\$ 1,566,496,667	101,887	\$ 2,019,828,874

DEFINITIONS OF OPTIONS

- Option 1 A life annuity to the member with a guaranteed payment to the beneficiary equal to the present value of the total maximum single life annuity less any amounts paid to the member prior to death.
- Option 2 A joint and one hundred percent (100%) survivor annuity payable during the lifetime of the member with the full amount of such annuity payable thereafter to the designated survivor annuitant, if living at the member's death.
- Option 3 A joint and fifty percent (50%) survivor annuity payable during the lifetime of the member with one-half of such annuity payable thereafter to the designated survivor annuitant, if living at the member's death.
- Option 4 A life annuity to the member with a special death benefit other than the normal option 1, 2, or 3 death benefit.

TABLE 4

**THE NUMBER AND ANNUAL ANNUITIES
OF BENEFICIARIES AND SURVIVOR ANNUITANTS
AS OF JUNE 30, 2008**

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
7	1	\$ 2,416			1	\$ 2,416
9			1	\$ 2,727	1	2,727
13			1	2,751	1	2,751
14	1	2,775			1	2,775
15			2	9,620	2	9,620
17	2	10,125	1	483	3	10,607
18			1	483	1	483
19	1	1,497			1	1,497
20			1	3,484	1	3,484
21	2	9,737	2	24,567	4	34,304
22	1	2,483	2	6,576	3	9,060
23			3	28,424	3	28,424
24	2	9,796	1	16,131	3	25,927
25	1	5,289			1	5,289
26	2	18,645	3	23,371	5	42,017
27	2	14,518	4	81,714	6	96,232
28	3	3,683	2	9,679	5	13,363
29	2	1,996	1	7,797	3	9,793
30	5	42,452	2	4,878	7	47,330
31	4	8,353	3	11,418	7	19,771
32	2	8,515	1	13,554	3	22,068
33	6	78,326	2	16,411	8	94,738
34	4	20,978	3	24,675	7	45,653
35	1	4,781	5	14,541	6	19,322
36	3	37,935	2	11,641	5	49,575
37	2	14,048	7	27,902	9	41,949
38	4	13,844	2	19,977	6	33,820
39	4	21,471	6	79,643	10	101,114
40	4	14,913	5	28,995	9	43,908
41	10	58,492	8	88,950	18	147,442
42	7	42,198	7	41,856	14	84,054
43	2	9,629	7	48,203	9	57,832
44	5	20,071	11	68,344	16	88,416
45	4	29,557	10	98,550	14	128,107
46	4	38,168	6	15,961	10	54,128
47	8	53,300	10	577,300	18	630,600
48	8	45,432	11	115,237	19	160,668
49	8	29,550	32	256,859	40	286,409
50	4	27,125	25	162,979	29	190,103
51	5	25,033	32	227,029	37	252,063
52	15	206,130	24	315,541	39	521,671

TABLE 4
(Continued)

**THE NUMBER AND ANNUAL ANNUITIES
OF BENEFICIARIES AND SURVIVOR ANNUITANTS
AS OF JUNE 30, 2008**

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
53	7	\$ 112,690	37	\$ 369,529	44	\$ 482,220
54	10	206,940	37	713,303	47	920,244
55	15	77,247	57	563,908	72	641,155
56	19	211,835	48	606,098	67	817,932
57	20	319,053	61	839,252	81	1,158,305
58	23	248,313	70	954,452	93	1,202,765
59	23	272,715	76	1,007,356	99	1,280,070
60	25	390,939	96	1,514,230	121	1,905,169
61	29	299,319	115	1,730,735	144	2,030,054
62	27	356,527	105	1,399,172	132	1,755,699
63	18	218,695	106	1,541,771	124	1,760,467
64	33	520,192	96	1,398,195	129	1,918,387
65	44	499,994	123	1,660,027	167	2,160,021
66	30	440,772	135	2,099,778	165	2,540,550
67	28	451,404	128	1,931,933	156	2,383,337
68	24	268,692	142	1,673,286	166	1,941,978
69	35	420,842	133	1,780,475	168	2,201,317
70	26	391,575	169	1,998,561	195	2,390,136
71	30	198,010	177	2,067,557	207	2,265,568
72	27	348,802	183	1,950,199	210	2,299,001
73	34	337,108	168	2,002,050	202	2,339,158
74	35	409,620	191	2,242,789	226	2,652,409
75	32	331,108	184	2,190,149	216	2,521,257
76	26	203,536	212	2,054,799	238	2,258,335
77	41	347,240	238	2,212,669	279	2,559,909
78	48	482,020	244	2,316,330	292	2,798,350
79	27	205,321	232	2,297,666	259	2,502,987
80	39	339,736	270	2,283,179	309	2,622,915
81	43	417,282	272	2,290,005	315	2,707,287
82	46	372,143	272	2,152,044	318	2,524,187
83	51	467,679	268	2,011,202	319	2,478,881
84	46	399,799	278	2,053,790	324	2,453,589
85	40	296,845	244	1,806,636	284	2,103,481
86	46	316,492	235	1,781,040	281	2,097,532
87	36	273,521	232	1,743,727	268	2,017,248
88	32	264,304	219	1,379,126	251	1,643,430
89	28	211,039	168	1,112,311	196	1,323,350
90	31	234,654	177	1,134,446	208	1,369,100
91	24	181,083	139	839,337	163	1,020,420
92	20	106,641	102	656,618	122	763,259

TABLE 4
(Continued)

**THE NUMBER AND ANNUAL ANNUITIES
OF BENEFICIARIES AND SURVIVOR ANNUITANTS
AS OF JUNE 30, 2008**

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
93	12	\$ 103,458	90	\$ 597,600	102	\$ 701,058
94	7	74,860	78	519,920	85	594,779
95	3	13,085	59	386,135	62	399,221
96	3	28,697	34	203,161	37	231,858
97	8	57,315	34	215,057	42	272,372
98	2	16,809	25	134,924	27	151,733
99	2	9,204	15	99,762	17	108,967
100			13	61,512	13	61,512
101	1	7,057	5	39,077	6	46,134
102			5	13,120	5	13,120
103			5	15,673	5	15,673
104			3	4,793	3	4,793
105			1	2,803	1	2,803
106	1	1,200			1	1,200
107			1	591	1	591
Total	1,396	\$ 13,696,673	7,053	\$ 69,142,110	8,449	\$ 82,838,783

TABLE 5

**THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 2008**

RETIRED ON ACCOUNT OF DISABILITY

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
32	1	\$ 17,160	5	\$ 66,724	6	\$ 83,884
33			2	28,704	2	28,704
34	1	9,262	2	240,470	3	249,732
35	1	5,188	3	48,120	4	53,308
36	2	115,717	5	103,335	7	219,053
37	2	24,632	8	105,482	10	130,114
38	4	51,969	8	106,848	12	158,817
39	4	56,297	8	227,489	12	283,786
40	4	63,577	10	412,866	14	476,443
41	6	424,611	11	187,541	17	612,152
42	8	110,192	16	669,877	24	780,069
43	8	107,372	28	1,055,484	36	1,162,856
44	10	138,389	38	921,596	48	1,059,985
45	18	236,541	36	1,255,519	54	1,492,060
46	16	235,597	37	901,015	53	1,136,612
47	14	694,421	46	1,185,618	60	1,880,040
48	19	375,579	50	835,740	69	1,211,319
49	40	1,539,878	54	1,075,424	94	2,615,302
50	36	656,021	74	1,482,941	110	2,138,962
51	46	1,357,677	69	1,420,757	115	2,778,434
52	65	2,321,046	98	2,333,590	163	4,654,635
53	55	1,369,097	118	3,463,849	173	4,832,946
54	75	2,134,778	143	4,672,724	218	6,807,502
55	83	2,013,484	175	4,386,535	258	6,400,019
56	90	2,720,561	201	6,009,398	291	8,729,958
57	94	3,174,129	229	6,154,497	323	9,328,627
58	95	2,411,038	242	6,340,282	337	8,751,320
59	139	3,649,373	257	6,130,917	396	9,780,290
60	115	3,041,220	260	5,908,528	375	8,949,748
61	137	3,267,142	280	5,546,014	417	8,813,156
62	111	2,193,697	242	4,337,401	353	6,531,098
63	89	1,892,306	178	2,830,295	267	4,722,600
64	85	1,460,086	153	2,458,203	238	3,918,289
65	87	1,307,771	190	2,579,017	277	3,886,788
66	85	1,292,481	188	2,581,818	273	3,874,298
67	57	688,530	161	1,968,015	218	2,656,545
68	61	843,704	143	1,634,188	204	2,477,892
69	53	734,371	102	1,166,662	155	1,901,033
70	59	676,315	106	1,040,742	165	1,717,057

TABLE 5
(Continued)

**THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 2008**

RETIRED ON ACCOUNT OF DISABILITY

Age	Male		Female		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
71	44	\$ 518,458	105	\$ 1,214,111	149	\$ 1,732,569
72	44	510,232	89	860,229	133	1,370,461
73	36	471,748	107	943,752	143	1,415,500
74	33	376,272	80	758,977	113	1,135,249
75	44	601,369	67	511,567	111	1,112,936
76	20	185,830	93	912,913	113	1,098,743
77	24	224,241	66	525,305	90	749,547
78	19	212,487	73	550,291	92	762,778
79	26	332,705	70	551,104	96	883,809
80	14	137,636	71	552,201	85	689,836
81	22	325,457	39	313,341	61	638,797
82	20	164,345	49	405,873	69	570,218
83	21	206,166	38	339,359	59	545,525
84	4	18,204	35	266,427	39	284,631
85	11	130,580	28	229,983	39	360,563
86	11	94,161	26	221,483	37	315,644
87	5	51,034	29	248,362	34	299,396
88	6	46,705	19	177,826	25	224,531
89	8	131,084	16	113,507	24	244,591
90	1	8,439	19	194,768	20	203,207
91	2	36,947	12	89,597	14	126,543
92	1	7,175	14	95,527	15	102,702
93			8	66,581	8	66,581
94			3	24,121	3	24,121
95			8	60,588	8	60,588
96			2	16,519	2	16,519
97	1	7,150			1	7,150
100			1	5,670	1	5,670
Total	2,292	\$ 48,209,635	5,143	\$ 94,124,203	7,435	142,333,838

EXHIBIT VIII**GLOSSARY**

Accrued Liability	The difference between (a) the present value of future plan benefits, and (b) the present value of future normal cost. It is the portion of the present value of future plan benefits attributable to service accrued as of the valuation date. Sometimes referred to as “actuarial accrued liability.”
Accrued Service	The service credited under the plan that was rendered before the date of the actuarial valuation.
Actuarial Assumptions	Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate 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 “present value of future plan benefits” between the present value of future normal cost and the accrued liability. Sometimes referred to as the “actuarial funding method.”
Actuarial Equivalent	A series of payments is called an actuarial equivalent of another series of payments if the two series have the same actuarial present value.
Actuarial Value of Assets	The value of current plan assets recognized for valuation purposes. Based on a smoothed market value that recognizes investment gains and losses over a period of five years.
Amortization	Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.
Experience Gain (Loss)	A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.
Normal Cost	The annual cost assumed, under the actuarial funding method, for current and subsequent plan years. Sometimes referred to as “current service cost.”

EXHIBIT VIII

GLOSSARY

(Continued)

Present Value

The amount of funds presently required to provide a payment or series of payments in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Unfunded Accrued Liability

The difference between the actuarial accrued liability and valuation assets.