

**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF ILLINOIS**

**ACTUARIAL VALUATION  
JUNE 30, 2005**



December 13, 2005

Board of Trustees  
Teachers' Retirement System  
of The State of Illinois  
2815 West Washington Street  
Springfield, Illinois 62702

Ladies and Gentlemen:

We have completed the valuation of the System as of June 30, 2005 and the principal results are set forth on Pages 1 and 2 of this report.

The contributions to the System, which are shown in the Summary of Principal Results, are based on the provisions of Public Act 94-0004, which was enacted in June 2005. The ERO program was extended and modified by PA 94-0004 and future ERO retirements are recognized for the first time in the current valuation. The liability for Modified ERO retirements is included in the June 30, 2005 actuarial liability, while Pipeline ERO retirements are recognized in the projected June 30, 2006 and June 30, 2007 accrued liabilities. As a result, the actuarial assumptions used to determine the contribution were changed from last year to anticipate future ERO retirements. PA 94-0004 also specified the state contribution amounts to TRS in fiscal years 2006 and 2007.

Under PA 94-0004, the member contribution rate is 9.4% of covered payroll, which includes an additional 0.4% of pay "Career ERO contribution" effective July 1, 2005, and the member rate for ERO lump sum payments at retirement increases from 7% to 11.5% for members retiring under the Modified ERO program. Another additional member contribution has been required since July 1, 1995 to finance retiree health insurance through a state agency other than TRS. The member health insurance rate increased from 0.75% to 0.80% effective July 1, 2005. School Districts are required to contribute 0.58% of payroll toward the cost of the 2.2% formula. Under PA 94-0004, School Districts pay the cost of pension benefits resulting from salary increases over 6% used in the final average salary calculation; the School District rate for ERO lump sum payments at retirement increases from 20% to 23.5% for retirements under the Modified ERO program; and School Districts make lump sum payments at retirement for excessive annual sick leave accruals. (There is no current experience of or actuarial assumption for excessive sick leave accruals, so this last provision does not affect the results of the current valuation.)

In total, employer contributions to the System must be sufficient to "meet the cost of maintaining and administering the system on a 90% funded basis in accordance with actuarial recommendations." The statute specifies that this objective is to be met by June 30, 2045 through annual appropriations that are a level percentage of payroll – before reduction for the maximum State contribution limitations of the statute – for fiscal years 2011 through 2045.



Under Section 7.2(d) of the General Obligation Bond Act (GOBA), TRS received \$4,330,374,000 on July 2, 2003. Commencing with fiscal year 2005, the maximum State contribution under the Act equals the State contribution that would have been required if this \$4.33 billion contribution had not been made, reduced – but not below zero – by the State's debt service on the TRS portion of the full \$10 billion of Pension Obligation Bonds issued under Section 7.2 of the GOBA.

Under PA 94-0004 the FY 2006 State contribution to the Benefit Trust Reserve equals \$531,827,700, and the FY 2007 contribution equals \$735,514,500. Gross appropriations, as a percentage of payroll, for fiscal years 2008 through 2010 are to increase in level annual increments over the prior year's gross appropriation until the required level percentage of payroll is achieved in fiscal year 2010. In fiscal years 1999 through 2004, minimum state contributions were specified.

At the direction of the board, and commencing with the contribution due for fiscal year 2006, the Federal Funds contribution rate is the same as the certified State rate.

Under this financing objective and the State contribution amount for fiscal year 2007 specified by PA 94-0004, we calculate that the employer's contribution rate to the Benefit Trust Reserve of the System for fiscal year 2007 is 10.36% of membership payroll. The rate is expected to level off at 21.99% in fiscal year 2013.

The total employer contribution for fiscal year 2007 to the Benefit Trust Reserve under PA 94-0004 is \$822,890,500. Subtracting estimated Federal Funds and School District contributions and adding a contribution to the Guaranteed Minimum Annuity Reserve results in a total State Contribution for fiscal year 2007 of \$738,014,500. This figure represents an increase of \$203,386,800 or 38.0% from the total State Contribution in fiscal year 2006 of \$534,627,700, as specified by PA 94-0004.

The unfunded pension benefit obligation of the System as of June 30, 2005 is \$21,989,811,000, which may be compared with the unfunded obligation of \$19,402,722,000 as of June 30, 2004.

The funded status of the System as of June 30, 2005 is 60.8% based on the market value of assets, which may be compared with the System's funded status of 61.9% based on the market value of assets, as of June 30, 2004.

Sincerely,



Kim M. Nicholl  
Principal, Consulting Actuary

KMN/SLH:pl



S. Lynn Hill  
Director, Retirement Consulting



**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF ILLINOIS**

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**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF ILLINOIS**

**ACTUARIAL VALUATION  
JUNE 30, 2005**

**SECTION I — PRINCIPAL RESULTS**

1. We have summarized below the principal results of this year's valuation along with a comparison with last year's valuation results. The schedule also includes the significant membership data and asset data used in the valuations.

**SUMMARY OF PRINCIPAL RESULTS**

Item	Year Ended June 30	
	2005	2004
<b>Benefit Trust Reserve</b>		
• Active members reported to the actuary:		
– Number	157,643	157,785
– Annual salaries (adjusted for data lag)	\$ 7,375,554,000	\$ 7,243,444,000
– Average age (2005 adjusted)	42.0 years	42.3 years
– Average service (2005 adjusted)	10.3 years	10.7 years
• Number of inactive	88,282	81,425
• Retirees and beneficiaries in receipt of benefits:		
– Number	82,491	77,165
– Annual annuities (at June 30)	\$ 2,796,717,000	\$ 2,432,794,000
• Assets		
– Net Market value	\$ 34,085,218,000	\$ 31,544,729,000
• Pension benefit obligation*	\$ 56,075,029,000	\$ 50,947,451,000
• Unfunded pension benefit obligation	\$ 21,989,811,000	\$ 19,402,722,000
• Funded ratio:		
– Market value	60.8%	61.9%

- \* PBO at 6/30/2005 includes liability for expected retirements under the Modified ERO program, but does not include liability for expected retirements under Pipeline ERO. In this report the liability for fiscal year 2006 Pipeline ERO retirements is included in the projected June 30, 2006 liabilities, and the liability for fiscal year 2007 Pipeline ERO retirements is included in the projected June 30, 2007 liabilities.

**SUMMARY OF PRINCIPAL RESULTS**  
(Continued)

Item	Year Ended June 30	
	2005	2004
<b>Benefit Trust Reserve (continued)</b>	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>
	<b>PA 94-0004</b>	<b>PA 94-0004</b>
• Employer cost under:		
– Percentage Rate (includes Federal and School Districts)	10.36%	7.64%
– Employer Contribution	\$ 822,890,500	\$ 601,554,700
– Less School Districts for 2.2% formula	(46,048,000)	(45,657,000)
– Less Federal Funds Contribution	(41,328,000)	(24,070,000)
– State Contribution	\$ 735,514,500	\$ 531,827,700
<b>Guaranteed Minimum Annuity Reserve*</b>		
• Retirees and disabilitants in receipt of benefits:		
– Number	2,300	2,549
– Annual annuities	\$ 2,595,000	\$ 3,015,000
– Pension benefit obligation	\$ 12,870,000	\$ 14,936,000
• State Contribution	\$ 2,500,000	\$ 2,800,000
<b>Total State Contribution:</b>		
• Benefit Trust Reserve	\$ 735,514,500	\$ 531,827,700
• Guaranteed Minimum Annuity Reserve	2,500,000	2,800,000
• Total State Contribution	\$ 738,014,500	\$ 534,627,700

## Notes:

- \* As the benefits from the Guaranteed Minimum Annuity Reserve are paid to members who are much older, on average, than the general pensioner population, and as separate mortality studies have not been performed for this special group, the fiscal year 2006 and 2007 State Contributions were adjusted to ensure payment of all required benefits as required by Statute.

Employer's contribution to Benefit Trust Reserve in fiscal year 2006, as shown in Schedules XIIA and XIII:

	<u>Certified Contribution**</u>
Common School Fund	\$ 531,827,700
School Districts for 2.2%	45,657,000
Federal Funds	24,070,000
Total	\$ 601,554,700

- \*\* State contribution amounts shown are those contained in the final fiscal year 2006 State budget. Future Federal Funds and School Districts contributions are estimated.

2. The June 30, 2005 actuarial valuation was based on the latest membership data available, which were submitted by the System for (i) active and inactive members as of June 30, 2004, and (ii) retirees and beneficiaries in receipt of benefits as of June 30, 2005. Membership data for active and inactive members as of June 30, 2003, and for retirees and beneficiaries as of June 30, 2004 were used as the basis for the June 30, 2004 actuarial valuation. As part of the valuation procedure, actual salaries and member account balances reported for active members were increased by 4% to adjust for the one-year lag in the census information for active members.
3. The State contribution amount of \$738,014,500 shown as of June 30, 2005 is the State contribution for fiscal year 2007 specified by PA 94-0004. This amount represents a Benefit Trust Reserve Contribution of \$735,514,500 and a Guaranteed Minimum Annuity Reserve Contribution of \$2,500,000 for a total contribution of \$738,014,500.
4. As stated above, at June 30, 2005 and June 30, 2004, we adjusted for the one year lag in reporting of the active membership by assuming that the population was stationary with regard to age and service and we increased by 4% reported payroll and member account balances. No further adjustments were made to the active membership data at June 30, 2004. However, even with the above adjustments, the reported June 30, 2004 active membership data was not a good proxy for the data at June 30, 2005 because the number of members retiring from active service in fiscal year 2005 exceeded those retiring from active service in fiscal year 2004 by a count of 1,823. This large difference in retirement experience between the two fiscal years meant that without further adjustments the active data that would normally be used for the June 30, 2005 valuation would hold too many older, high service teachers who are already included in the retiree liability, and including them in the active liability would overstate the total June 30, 2005 actuarial liability. As a result, we reviewed the actual fiscal year 2005 retirements, removed 1,823 retirement-eligible records from the active data and replaced these records with an equivalent number of new hire records. No further adjustments were made to the active membership data at June 30, 2005.

5. The statistics for full-time, substitute, part-time, and hourly paid teachers for purposes of the June 30, 2005 valuation, based on the census information for active members as of June 30, 2004, (after salaries were increased to adjust for the one year lag in the census information and after the adjustment for a better proxy for the June 30, 2005 data, as mentioned in paragraph 4 above) are as follows:

**Active Member Statistics**

Item	Full-time and Regular Part-Time	Substitutes, Part-Time, Hourly Paid on a Flexible or Limited Work Schedule	Total
Number	127,405	30,238	157,643
Annual salaries	\$ 7,245,700,000	\$ 129,854,000	\$ 7,375,554,000
Average age	42.2 years	41.0 years	42.0 years
Average service	12.5 years	1.5 years	10.3 years

**SECTION II — FINANCING OBJECTIVE**  
**AND EMPLOYER'S CONTRIBUTION RATE**

The financing objective of the System under Section 16-158 of the Pension Code is to:

- (a) meet the cost of maintaining and administering the Benefit Trust Reserve on a 90% funded basis in accordance with actuarial recommendations; and
- (b) meet this objective by June 30, 2045 through annual appropriations that are a level percentage of payroll – before reduction for the maximum state contribution limitations of the statute – for fiscal years 2011 through 2045. Gross appropriations, as a percentage of payroll, for fiscal years 1996 through 2010 are to increase in level annual increments over the prior year's gross appropriation until the required level percentage of payroll is achieved in fiscal year 2010. In fiscal years 1999 through 2004, the statute specifies minimum state contributions as a percentage of applicable member payroll. In fiscal years 2006 and 2007 the statute specifies the dollar amount of the state contribution. Contributions for fiscal years 2008 through 2010 are to ramp up from the fiscal year 2007 contribution.

In addition to the contributions to the Benefit Trust Reserve required by section 16-158, the State must make contributions to the Guaranteed Minimum Annuity Reserve in an amount sufficient to ensure that TRS can make the required benefit payments. On this basis, the recommended fiscal year 2007 State contribution to the Guaranteed Minimum Annuity Reserve is \$2,500,000.

Section 16-158, as amended by Public Act 94-0004, specifies that the sum of the fiscal year 2007 State contributions to the Benefit Trust Reserve and the Guaranteed Minimum Annuity Reserve is \$738,014,500. Subtracting the recommended \$2,500,000 contribution to the Guaranteed Minimum Annuity Reserve results in a fiscal year 2007 State contribution of \$735,514,500 to the Benefit Trust Reserve.

Based on this information the total fiscal year 2007 contribution rate payable to the Benefit Trust Reserve by all employers is equal to 10.36% of membership payroll. This is the required employer rate, including state contributions, federal funds contributions, and school district contributions for the 2.2% formula change.

On the basis of the funding policy described above, a projection of the contribution rates which are payable by the employer to the Benefit Trust Reserve indicates that the required rate is expected to level off at 21.99% in fiscal year 2013.

Schedule IA of the report shows the required contributions to the Benefit Trust Reserve and the Guaranteed Minimum Annuity Reserve for fiscal year 2007. Schedule IB shows the development of the 10.36% required employer contribution rate for the Benefit Trust Reserve for fiscal year 2007.

Schedule XIV shows a projection of the Gross Employer Rate for the Benefit Trust Reserve before application of the State Maximum, while Schedules XIIA and XIII provide detailed projections of required employer rates and amounts. The chart below summarizes the projected gross and required employer contribution rates to the Benefit Trust Reserve.

Fiscal Year	Gross Employer Rate (Before State Maximum)	Required Employer Rate (After State Maximum)	State Rate
2007	14.06%	10.36%	9.78%
2008	17.85	13.95	13.66
2009	21.64	17.91	17.54
2010	25.43	21.86	21.41
2011	25.43	21.99	21.41
2012	25.43	21.85	21.41
2013 - 2045	25.43	21.99	21.41

The above employer rates include the 0.58% of payroll School District contributions for the 2.2% formula change as required by section 16-158(e). In addition, the statute requires School Districts to make the following contributions:

- (a) Sec. 16-128(d-10) payments for excessive sick leave service credit
- (b) Sec. 16-133.2 ERO lump sum payments when members retire with ERO benefits
- (c) Sec. 16-158(f) lump sum payments at retirement for the cost of pension benefits arising from salary increases over 6% used in the final average salary calculation.

Although these additional types of contributions are not shown in Schedules IA, IB, XIIA, XIII, or XIV, they are all – with the exception of Sec. 16-128(d-10) payments – taken into account in the actuarial projection of the assets and funded status of the system, and the calculation of the Gross and Required employer rates is performed only *after* the above contributions have been taken into account. (There is currently no assumption for excessive sick leave service credit.) A projection of School District contributions under sections 16-133.2 and 16-158(f) can be found in Schedule XIIB.

### SECTION III — CURRENT FINANCIAL POSITION

The current financial position of the System may be measured by comparing the assets of the System to the pension benefit obligation of the System where the latter represents the value of pensions currently in payment and pensions earned through the valuation date by the active membership. In the ideal, fully-funded state, the assets would be equal to the pension benefit obligation. A comparison of the current financial position, or funded status, as of the current valuation date, with that as of the previous valuation date is summarized in the table below.

#### COMPARISON OF FUNDED STATUS

(dollars in millions)

Valuation Date	Assets at Net Market Value	Pension Benefit Obligation	Funded Status
June 30, 2005	\$ 34,085	\$ 56,075	60.8%
June 30, 2004	31,545	50,947	61.9%

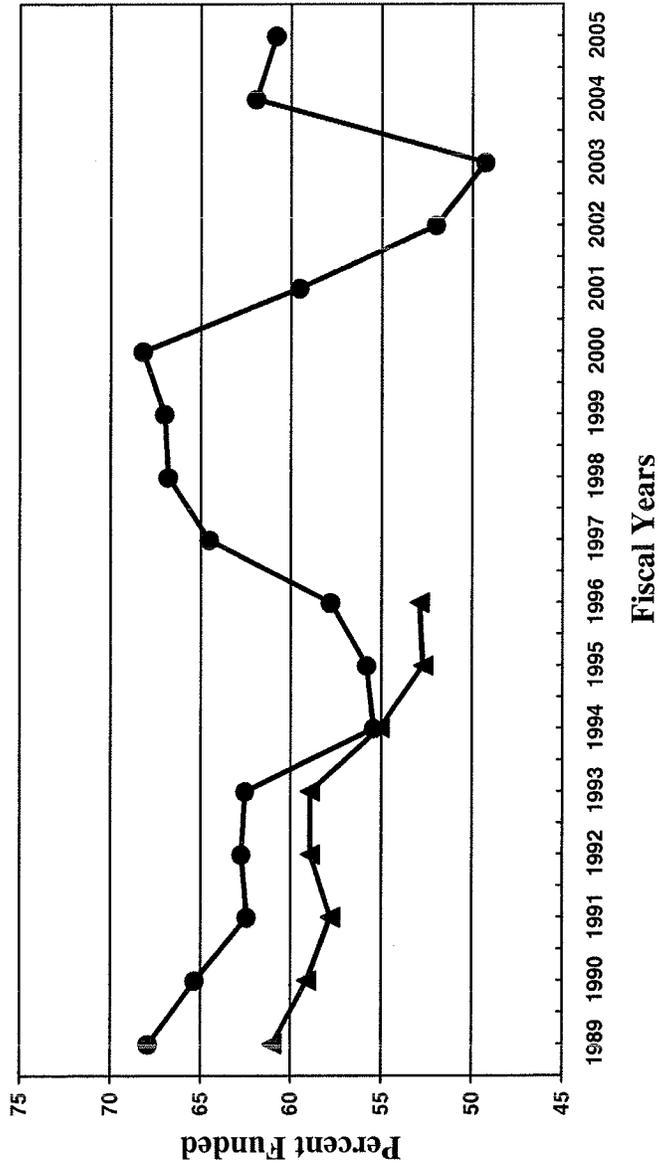
As can be seen from the table, the current funded status of the System is 60.8% as measured by the net market value of assets. The funded status on a market value basis has decreased 1.1 percentage points from the previous valuation.

In assessing the financial position of the System, it is important to review annually the trend line of the funded status. As can be seen from the chart on page 8, the funded status based on either book value or market value of assets declined significantly from 1989 to 1996. The major portion of the decline was due to the failure of the State to adhere to the prior funding provisions of Senate Bill 95 (Public Act 86-0273). In fact, the decline in the funded ratio of the System would have been greater had it not been for the average investment return of the System, which was greater than the 8% return expected during this period of underfunding by the State. The decline in the funded ratio that occurred during fiscal years 2001 through 2003 is due to the rate of return of the market value of investments being less than the 8.5% expected.

The funding provisions of Section 16-158 are designed to attain a 90% funded ratio in fiscal year 2045. A projection of the future funded status of the System is shown in Schedule XV on pages 36 and 37.

**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF ILLINOIS**

**FUNDED RATIO FISCAL YEARS 1989 - 2005**



\* Cost value of assets not applicable after 1996.

#### SECTION IV — GAINS AND LOSSES DURING YEAR

The gain and loss analysis provides a measure of the impact of the demographic and economic factors on the results of the actuarial valuation, when compared to the actuarial assumptions used to anticipate these factors. The analysis is significant in providing a test of the adequacy of these assumptions over a period of time. A detailed reconciliation of the changes in the unfunded pension benefit obligation, including actuarial gains and losses, can be found in Schedule III on page 19.

The demographic factors affecting the gain and loss analysis include the following:

- (a) withdrawal from active membership;
- (b) mortality during active membership;
- (c) disability retirement;
- (d) service retirement; and
- (e) mortality after retirement.

The economic factors affecting the gain and loss analysis include the following:

- (a) investment rate of return; and
- (b) active members' salary increases.

During the fiscal year ended June 30, 2005, there was a net actuarial loss of \$490 million incurred by the System due to demographic and economic experience when compared to the actuarial assumptions used to anticipate these factors.

The significant factors contributing to this net loss included the following:

(1) Losses due to salary increases greater than expected	\$ 237 million
(2) Gains due to investment income over that expected	(682)
(3) Losses due to new entrants, for which no allowance is made in the assumptions	24
(4) Losses due to lower than expected mortality	19
(5) Losses due to fewer terminations than expected	19
(6) Losses due to repayments of refunded member contributions	23
(7) Losses due to ERO costs waived for those with 34 years of service	487
(8) Losses due to delayed reporting of retirements (effect on assets)	9
(9) Losses due to all other causes	<u>354</u>
Total net losses	\$ 490 million

The gain from item 2 is the difference between the actuarial expected earnings of \$2.648 billion and the actual investment return of \$3.330 billion. The actuarial gain is equal to the expected earnings minus the actual investment return.

The loss from item 6 is due to restoration of the employer-paid portion of the benefit when members repaid previously refunded contributions.

The cost shown in item 7 is for 3,692 new retirements under the Early Retirement Option (ERO). Under the ERO the early retirement reduction is eliminated in exchange for one-time member and employer payments. The cost equals the excess of the increase in liability over the ERO payments received. The majority of the cost is for members who retired with 34 years of service, for which all ERO payments were waived.

The loss from item 8 is due to 401 retirements that occurred prior to July 1, 2004 and were not reported to the actuary until June 30, 2005 due to TRS processing constraints. The actuarial loss is equal to the value of benefits paid prior to July 1, 2005 to these late reported retirees.

The "other cause" category (item 9) is the balancing item needed to complete the reconciliation of the June 30, 2004 and June 30, 2005 unfunded PBOs and is mainly due to more retirements than expected.

## SECTION V — MEMBERSHIP DATA

The June 30, 2005 actuarial valuation was based on the latest membership data available, which were submitted by the System for (i) active and inactive members as of June 30, 2004, and (ii) annuitants and survivor annuitants in receipt of benefits as of June 30, 2005. As part of the valuation procedure, annualized salaries and member account balances reported for active members were increased by 4% to adjust for the one year lag in the census information reported for active members. In addition, as explained in item 4 of Section I (on page 3), due to the active data lag and the large number of retirements in fiscal year 2005 (as compared to fiscal year 2004), 1,823 records representing older, long-service members were removed from the active data and replaced by an equivalent number of new hire records.

While the actuary did not verify the data at their source, the actuary did perform tests for internal consistency and reasonableness in relation to the data submitted for the previous valuation.

A comparison of the data for the current and previous valuations is as follows:

### Comparison of Membership Data

Data Item	Valuation June 30, 2005	Valuation June 30, 2004	Percentage Change
<b>Active membership:</b>			
• Full-time and regular part-time:			
> Number	127,405	128,140	(0.6)
> Annual Compensation	\$ 7,245,699,232	\$ 7,107,458,498	1.9
> Average Compensation	\$ 56,871	\$ 55,466	2.5
• Substitute, part-time, hourly paid (limited schedule)			
> Number	30,238	29,645	2.0
> Annual Compensation	\$ 129,854,313	\$ 135,985,068	(4.5)
> Average Compensation	\$ 4,294	\$ 4,587	(6.4)
• Total Number	157,643	157,785	(0.1)
<b>Inactive Membership:</b>			
• Eligible for deferred annuities	14,204	13,838	2.6
• Eligible for refunds or single sum benefits only	74,078	67,587	9.6
<b>Annuitants (retirees, disabilitants and survivors):</b>			
• Number	82,491	77,165	6.9
• Annual annuities	\$ 2,796,716,671	\$ 2,435,813,672	14.8
• Average annual annuities	\$ 33,903	\$ 31,574	7.4

Notes:

- Rates of pay for individual teachers who were on full-time or regular part-time status at both June 30, 2004 and June 30, 2005 increased on average 7.37%, compared to the expected average increase of 6.54%.
- The 9.6% increase in the number of inactive members eligible for refunds or single sum benefits only is due primarily to experience among substitutes and other members on a limited or flexible schedule.

## SECTION VI — ASSETS

For valuation purposes, the actuarial value of assets is set equal to the market value of assets reported by the System. The actuarial value of assets as of June 30, 2005 amounted to \$34,085,218,000. This amount includes \$57,506,000 receivable from members for future payroll deduction contributions.

Assets are expected to earn 8.5% of market value. The actuarial gain on account of investment income for the fiscal year ended June 30, 2005 is the difference between the actuarially expected earnings and the actual investment return. In fiscal year 2005, actuarially expected earnings of \$2.648 billion combined with the actual asset gain of \$3.330 billion equals the reported actuarial gain of \$682 million.

During the fiscal year ended June 30, 2005, the actuarial investment rate of return was equal to 10.69%, based on market value. This may be compared to the actuarial investment rate of return of 16.46% during the fiscal year ended June 30, 2004, also based on market value.

## SECTION VII — ACTUARIAL ASSUMPTIONS AND METHODS

Effective with the June 30, 2002 actuarial valuation, new assumptions regarding rates of separation, salary increase, mortality, optional service purchases, sick leave service credit and severance pay at retirement were adopted. The new member profiles necessary for the 50-year projection required by State funding law were also updated.

The ERO program was extended and modified by Public Act 94-0004 and future ERO retirements are recognized for the first time in the current valuation. The liability for Modified ERO retirements is included in the June 30, 2005 actuarial liability, while Pipeline ERO retirements are recognized in the projected June 30, 2006 and June 30, 2007 accrued liabilities. As a result, the actuarial assumptions used to determine the contribution were changed from last year to anticipate future ERO retirements.

The actuarial cost method utilized is the projected unit credit cost method, which became effective with the June 30, 1989 valuation. Administrative expenses have been a component of the normal cost rate since the June 30, 1994 valuation. The financing objectives of the System specified by Public Act 94-0004, enacted in June 2005, were first effective for the recertified fiscal year 2006 contribution and are reflected in this current June 30, 2005 valuation. The objective of the Act is to meet the cost of maintaining and administering the System on a 90% funded basis by June 30, 2045, while specifying the dollar amount of the State contribution for fiscal years 2006 and 2007, and placing upper limits on State contributions commencing with the contribution due for fiscal year 2008.

The rate of contribution determined under the funding method for fiscal years subsequent to 2007, according to the financing objective first established under Public Act 88-0593, as amended by Public Acts 90-00582, 93-0002 and 94-0004, is based on a projection of the liabilities, assets, expenses and payroll of the System for current and future members of the System for the period July 1, 2005 through June 30, 2045, and on the State's debt service on the System's portion of the full \$10 billion of Pension Obligation Bonds that were issued under Public Act 93-0002. The Governor's Office of Management and Budget provided the debt service schedule.

**SECTION VIII — FINANCIAL RESULTS AND MEMBERSHIP DATA -**

**DETAILED SUMMARIES**

Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the schedules that follow.



**SCHEDULE IB**

**DETERMINATION OF EMPLOYER CONTRIBUTION UNDER PUBLIC ACT 94-0004  
FISCAL YEAR 2007  
(Based on June 30, 2005 Actuarial Valuation)**

Benefit Trust Reserve	Year Ended June 30, 2007	Percentage of Payroll (State, Federal, Total)	
(1) Assumed Payrolls			
➤ Total Payroll	\$ 7,939,262,000		
➤ Less Federal Funds Payroll	<u>(422,369,000)</u>		
➤ State Payroll	\$ 7,516,893,000		
(2) Employer contribution that would have been required without funds provided by Sec. 7.2(d) of General Obligation Bond Act			
➤ Employer's Cost	\$ 1,116,541,500	14.06%	Total
➤ Less School Districts under Sec. 16-158(e)	<u>(46,048,000)</u>	<u>(0.58)</u>	Total
➤ State and Federal Funds Contribution	\$ 1,070,493,500	13.48%	Total
➤ Less State Debt Service for TRS portion of all funds provided under Sec. 7.2 of General Obligation Bond Act	<u>(293,651,000)</u>	<u>(3.70)</u>	Total
➤ Maximum State and Federal Funds Contribution under PA 94-0004	\$ 776,842,500	9.78%	Total
(3) Employer contribution recognizing all system assets, before limiting State and Federal Funds contribution			
➤ Employer's Cost	\$ 822,890,500	10.36%	Total
➤ Less School Districts under Sec. 16-158(e)	<u>(46,048,000)</u>	<u>(0.58)</u>	Total
➤ State and Federal Funds Contribution	\$ 776,842,500	9.78%	Total
(4) State and Federal Funds Contribution under PA 94-0004			
➤ Lesser of amounts under (2) and (3)	\$ 776,842,500	9.78%	Total
(5) Employer contribution under PA 94-0004			
➤ State Portion of (4), based on State Payroll	\$ 735,514,500	9.78%	State
➤ Plus Federal Portion of (4), based on Federal Payroll	<u>41,328,000</u>	9.78	Federal
➤ State and Federal Funds Contribution	\$ 776,842,500	9.78%	Total
➤ Plus School Districts under Sec. 16-158(e)	<u>46,048,000</u>	<u>0.58</u>	Total
➤ Employer's Cost	\$ 822,890,500	10.36%	Total

## Notes:

**(1) Assumed Payrolls**

The administrative staff of the System estimated Federal Funds payroll for the fiscal year ending June 30, 2007 would be 5.32% of total payroll. Federal Funds payroll was then projected to increase at the same rate as Total payroll for all subsequent fiscal years.

**(2) Determination of Maximum State and Federal Funds Contribution under Public Act 94-0004**

Under Section 7.2(d) of the General Obligation Bond Act (GOBA), TRS received \$4.33 billion on July 2, 2003. Commencing with fiscal year 2005, the maximum State contribution under the Act equals the State contribution that would have been required if this \$4.33 billion contribution had not been made, reduced, but not below zero, by the State's debt service on the TRS portion of the full \$10 billion of Pension Obligation Bonds issued under Section 7.2 of the GOBA. Commencing with fiscal year 2006 the Federal Funds contribute at the same rate as the State, and so a Combined State and Federal Funds contribution must be determined.

**(3) Employer Contribution Recognizing \$4.33 Billion Received July 2, 2003**

A gross employer contribution is determined that recognizes all system assets, and that meets the cost of maintaining and administering the System on a 90% funded basis by June 30, 2045, with level percentage of payroll contributions after a 15 year phase-in beginning in fiscal year 1996 (as described in Schedule IA).

**(4) State and Federal Funds Contribution under Public Act 94-0004**

The State and Federal Funds contribution is the lesser of the maximum contribution determined under (2) or the contribution determined under (3).

**(5) Employer Contribution under Public Act 94-0004**

The contribution determined under (4) is allocated to the State and to Federal Funds in proportion to their respective payrolls (shown in (1)). The employer contribution under PA 94-0004 equals the sum of these contributions, plus the expected 0.58% of payroll School District contributions for the 2.2% formula made under the provisions of Sec. 16-158(e).

**(6) State Contribution Amount for FY 2006 and FY 2007 under PA 94-0004**

PA 94-0004 specified actual contribution amounts for fiscal years 2006 and 2007 made by the State to the Benefit Trust Reserve.

**Additional Information:**

The following contributions made to the Benefit Trust Reserve are not shown in Schedule IB:

**(d) From Members:**

1. Sec. 16-128 payments for the purchase of optional service credit.
2. Sec. 16-133.2 ERO lump sum payments upon retirement with ERO benefits
3. Sec. 16-152 career contributions of 9.0% of salary, plus – commencing July 1, 2005 – an additional 0.4% toward the ERO program.

**(e) From School Districts:**

1. Sec. 16-128(d-10) payments for excessive sick leave service credit
2. Sec. 16-133.2 ERO lump sum payments when members retire with ERO benefits
3. Sec. 16-158(f) lump sum payments at retirement for the cost of pension benefits arising from salary increases over 6% used in the final average salary calculation.

Although these types of contributions are not shown in Schedule IB (or in Schedules XIA, XIII, or XIV), they are all – with the exception of Sec. 16-128(d-10) payments – taken into account in the actuarial projection of the assets and funded status of the system, and the Schedule IB calculation is performed only *after* the above contributions have been taken into account.

An assumption for optional service purchases has been included in the projections since the June 30, 1994 valuation, and payments under Sec. 16-158(f) have been included since the recertified June 30, 2004 valuation. The career ERO contributions and lump sum payments toward ERO benefits are first recognized in the current June 30, 2005 actuarial valuation. Finally, there is no assumption for excessive sick leave service credit, and so the projections do not currently include payments under Sec. 16-128(d-10).

**SCHEDULE II****GASB 25 — REQUIRED SUPPLEMENTARY INFORMATION**

(\$ Thousands)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 15,103,927	\$ 26,141,794	\$ 11,037,867	57.8%	\$ 4,734,250	233.1%
6/30/97*	17,393,108	26,951,585	9,558,477	64.5	5,013,583	190.7
6/30/98	19,965,887	29,908,241	9,942,354	66.8	5,323,403	186.8
6/30/99	22,237,709	33,205,513	10,967,804	67.0	5,698,117	192.5
6/30/00	24,481,413	35,886,404	11,404,991	68.2	6,062,884	188.1
6/30/01	23,315,646	39,166,697	15,851,051	59.5	6,430,612	246.5
6/30/02*	22,366,285	43,047,674	20,681,389	52.0	6,785,236	304.8
6/30/03	23,124,823	46,933,432	23,808,609	49.3	7,059,032	337.3
6/30/04	31,544,729	50,947,451	19,402,722	61.9	7,280,795	266.5
6/30/05	34,085,218	56,075,029	21,989,811	60.8	7,550,510	291.2

Schedule of Employer Contributions			
Total Employer Contributions (State, Federal Funds, and School Districts)			
Actuarial Valuation Date	Funding Year Ended June 30	Annual Required Contribution	Percentage Contributed
6/30/94	1996	\$ 1,350,997	25.3%
6/30/95	1997	927,842	42.6
6/30/96	1998	983,312	48.6
6/30/97*	1999	932,909	64.7
6/30/98	2000	1,003,612	68.6
6/30/99	2001	1,102,441	70.6
6/30/00	2002	1,163,262	74.1
6/30/01	2003	1,427,519	68.0
6/30/02*	2004	1,716,977	64.3
6/30/03	2005	1,683,212	58.7

The Government Accounting Standards Board (GASB) requires disclosure of the Annual Required Contribution (ARC) under a standard funding methodology. Amounts shown as the ARCs for each year are different from the contributions required by state statute. The information here was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date: 6/30/2005  
 Actuarial Cost Method: Projected Unit Credit  
 Amortization Method (for GASB disclosure): Level Percent Open  
 Remaining Amortization Period (for GASB disclosure): 40 years  
 Asset Valuation Method: Market

**Actuarial Assumptions:**

Investment Rate of Return: 8.5%  
 Projected Salary Increases: 5.9 – 10.2% composite approximates 6.5%  
 Includes Inflation at: 3.5%  
 Cost-of-Living Adjustments: 3%

\* Revised economic and noneconomic assumptions due to experience review.

**SCHEDULE III****RECONCILIATION OF UNFUNDED PENSION BENEFIT OBLIGATION**

(\$ Thousands)

Item	Year Ended June 30	
	2005	2004
<b>Unfunded pension benefit obligation at beginning of year</b>	<b>\$ 19,402,722</b>	<b>\$ 23,808,609</b>
<b>Additions (deductions)</b>		
Employer cost in excess of contributions	1,299,840	\$ 1,518,858
Amendments:		
Modified ERO under PA 94-0004 <sup>1</sup>	771,248	--
Pension Obligation Bond proceeds under PA 93-0002	--	(4,330,374)
Change in Actuarial Assumptions:		
Change in retirement rates for fiscal years 2006 and 2007	26,425	--
<b>Net additions (deductions)</b>	<b>2,097,513</b>	<b>(2,811,516)</b>
<b>Actuarial losses (gains) compared to assumptions</b>		
1. Salary increases for continuing active members	236,687	217,255
2. Investment income <sup>2</sup>	(682,294)	(2,168,876)
3. New entrant loss	23,509	19,078
4. Mortality other than expected	19,022	(42,065)
5. Terminations other than expected	18,830	18,999
6. Repayments of refunded member contributions <sup>3</sup>	23,459	7,739
7. ERO costs waived for those with 34 years of service <sup>4</sup>	487,173	349,622
8. Delayed reporting of retirements (effect on assets) <sup>5</sup>	8,779	4,621
9. Other <sup>6</sup>	354,411	(744)
<b>Net Actuarial Losses (Gains)</b>	<b>489,576</b>	<b>(1,594,371)</b>
<b>Unfunded pension benefit obligation at end of year</b>	<b>\$ 21,989,811</b>	<b>\$ 19,402,722</b>

<sup>1</sup> The cost of the Modified ERO Program will be covered by member and employer ERO contributions and an additional active member contribution of 0.4% of pay.

<sup>2</sup> Assets are expected to earn 8.5% of market value. This item is the difference between the expected investment return and the actual investment return. For example, in fiscal year 2005, the expected earnings of \$2.648 billion was less than the \$3.330 billion actual return on assets, resulting in an actuarial gain which reduced the unfunded pension benefit obligation by \$0.682 billion. In fiscal year 2004, the expected earnings of \$2.317 billion was less than the \$4.486 billion actual return on assets, resulting in an actuarial gain which reduced the unfunded pension benefit obligation by \$2.169 billion.

<sup>3</sup> This includes the employer-paid portion of the benefit that was restored when members repaid previously refunded contributions.

<sup>4</sup> These included accelerated retirements during FY 2005 by teachers who decided to retire by June 30, 2005 because ERO had originally been scheduled to sunset.

<sup>5</sup> 316 retirements that occurred prior to 7/1/2003 were not reported to the actuary until 6/30/2004.  
401 retirements that occurred prior to 7/1/2004 were not reported to the actuary until 6/30/2005.

<sup>6</sup> Other includes items such as:

- (a) Retroactive benefit payments for individuals who delayed applying for retirement.
- (b) Differences between actual cost of benefits earned during the year and projected cost.
- (c) Retirements with reciprocal service credits.
- (d) Fewer disablements than expected.
- (e) Delayed reporting of retirements (effect on PBO).

**SCHEDULE IV****EMPLOYER COST IN EXCESS OF CONTRIBUTIONS**

(\$ Thousands)

Item	Year Ended June 30	
	2005	2004
• Employer Normal Cost	\$ 637,971	\$ 598,463
• Interest on unfunded pension benefit obligation at beginning of year	<u>1,649,231</u>	<u>2,023,732</u>
Total employer cost	\$ 2,287,202	\$ 2,622,195
• Employer contributions		
— State (excluding Minimum Benefit)	\$ 903,928	\$ 1,028,259
— School Districts for 2.2%	43,593	41,426
— Federal Funds	<u>39,841</u>	<u>33,652</u>
Total employer credits	\$ 987,362	\$ 1,103,337
• Employer cost in excess of contributions	\$ 1,299,840	\$ 1,518,858

**SCHEDULE V****10-YEAR HISTORY OF UNFUNDED  
PENSION BENEFIT OBLIGATION**

Year Ended June 30	Pension Benefit Obligation	Net Assets* (Actuarial)	Unfunded Pension Benefit Obligation	Percentage Change in Unfunded
1996	\$ 26,141,794,000	\$ 13,829,711,000	\$ 12,312,083,000	8.58%
1997	26,951,585,000	17,393,108,000	9,558,477,000	(22.37)
1998	29,908,241,000	19,965,887,000	9,942,354,000	4.02
1999	33,205,513,000	22,237,709,000	10,967,804,000	10.31
2000	35,886,404,000	24,481,413,000	11,404,991,000	3.99
2001	39,166,697,000	23,315,646,000	15,851,051,000	38.98
2002	43,047,674,000	22,366,285,000	20,681,389,000	30.47
2003	46,933,432,000	23,124,823,000	23,808,609,000	15.12
2004	50,947,451,000	31,544,729,000	19,402,722,000	(18.51)
2005	56,075,029,000	34,085,218,000	21,989,811,000	13.33
Average Annual Change				8.39%

\*Net assets pre-1997 are on cost value basis. Post 1996 assets are at fair market value.

SCHEDULE VI

## 10-YEAR HISTORY OF FUNDED STATUS

Year Ended June 30	Pension Benefit Obligation	Net Assets*		Funded Ratio	
		Cost	Market	Cost	Market
1996	\$ 26,141,794,000	\$ 13,829,711,000	\$15,103,927,000	52.9%	57.8%
1997	26,951,585,000	N/A	17,393,108,000	N/A	64.5
1998	29,908,241,000	N/A	19,965,887,000	N/A	66.8
1999	33,205,513,000	N/A	22,237,709,000	N/A	67.0
2000	35,886,404,000	N/A	24,481,413,000	N/A	68.2
2001	39,166,697,000	N/A	23,315,646,000	N/A	59.5
2002	43,047,674,000	N/A	22,366,285,000	N/A	52.0
2003	46,933,432,000	N/A	23,124,823,000	N/A	49.3
2004	50,947,451,000	N/A	31,544,729,000	N/A	61.9
2005	56,075,029,000	N/A	34,085,218,000	N/A	60.8

\* Cost value of assets are not applicable after 1996.

SCHEDULE VII**10-YEAR HISTORY OF SYSTEM REVENUE AND EXPENSES**

Year Ended June 30	Beginning of Year Market Value of Assets	Contributions		Market Value Income	Benefits and Expenses	End of Year Market Value of Assets
		Member	Employer			
1996	\$ 13,374,278,000	\$ 399,084,000	\$ 389,367,000	\$2,095,915,000	\$1,154,717,000	\$15,103,927,000
1997	15,103,927,000	416,739,000	421,180,000	2,643,774,000	1,192,512,000	17,393,108,000
1998	17,393,108,000	441,016,000	502,934,000	2,873,101,000	1,244,272,000	19,965,887,000
1999	19,965,887,000	866,376,000	636,596,000	2,089,661,000	1,320,811,000	22,237,709,000
2000	22,237,709,000	619,623,000	730,597,000	2,336,218,000	1,442,734,000	24,481,413,000
2001	24,481,413,000	643,563,000	821,625,000	(1,015,254,000)	1,615,701,000	23,315,646,000
2002	23,315,646,000	681,152,000	907,358,000	(723,987,000)	1,813,884,000	22,366,285,000
2003	22,366,285,000	732,020,000	1,021,263,000	1,060,852,000	2,055,597,000	23,124,823,000
2004	23,124,823,000	768,661,000	5,489,426,000*	4,485,729,000	2,323,910,000	31,544,729,000
2005	31,544,729,000	761,790,000	1,055,562,000	3,330,039,000	2,606,902,000	34,085,218,000

Notes: Market Value Income represents the net appreciation/(depreciation) in the market value of assets after adjusting for contributions received and benefits and expenses paid.

When calculating the actuarial gain or loss due to investment experience, for fiscal years 1995-2001, a portion of the employer contribution was treated as interest on the discounted employer ERI receivable reported by the System.

\* The amount shown as the employer contribution for FY 2004 also includes \$4,330,374,000 which TRS received on July 2, 2003 as required under Section 7.2(d) of the General Obligation Bond Act.

**SCHEDULE VIII****MEMBERSHIP DATA**

**ACTIVE AND INACTIVE MEMBERSHIP OF SYSTEM  
AS OF JUNE 30, 2004  
USED IN JUNE 30, 2005 VALUATION**

Group	Number	Annual Salaries (Adjusted to Valuation Date)
Active members:		
Reported full-time and regular part-time*	127,405	\$ 7,245,699,232
Reported substitutes and hourly paid	30,238	129,854,313
Total	157,643	\$ 7,375,553,545
Inactives:	88,282	N/A

\*Age and service also adjusted for 2005 valuation as explained on page 4.

**ANNUITANTS, DISABILITY BENEFIT RECIPIENTS,  
AND SURVIVOR ANNUITANTS OF THE SYSTEM  
AS OF JUNE 30, 2005  
(Excluding Guaranteed Minimum Annuities)**

Class	Number	Annual Annuities at June 30
Retired on account of service:		
Regular	40,656	\$ 1,238,218,274
ERI	11,319	472,982,145
ERO	21,366	960,976,048
Total	73,341	\$ 2,672,176,467
Disability benefit recipients:		
Retirement allowance	748	\$ 14,879,034
Occupational	7	246,971
Temporary	293	6,451,991
Total	1,048	\$ 21,577,996
Survivor benefit recipients:		
Children	99	\$ 709,187
Survivor annuitants	7,828	98,629,761
Reversionary annuitants	175	3,623,260
Total	8,102	\$ 102,962,208
Grand Total	82,491	\$ 2,796,716,671

**SCHEDULE IX****HISTORY OF ACTIVE MEMBERSHIP DATA  
FOR LAST 10 YEARS****Full-Time and Regular Part-Time**

Census Date June 30	Number of Active Members	Percentage Change in Membership	Average Annual Salary	Percentage Change in Salary
1995	108,179	7.56%	\$ 42,766	2.52%
1996	110,939	2.55	44,265	3.51
1997	113,431	2.25	45,891	3.67
1998	116,358	2.58	47,375	3.23
1999	119,324	2.55	48,877	3.17
2000	122,598	2.74	50,195	2.70
2001	125,044	2.00	51,720	3.04
2002	126,738	1.35	53,319	3.09
2003	128,140	1.11	55,466	4.03
2004	127,405	(0.57)%	56,871	2.53

**Substitutes, Part-Time and Hourly-Paid**

Census Date June 30	Number of Active Members	Percentage Change in Membership	Average Annual Salary	Percentage Change in Salary
1995	20,700	(3.26)%	\$ 3,361	7.31%
1996	21,668	4.68	3,440	2.35
1997	22,983	6.09	3,569	3.75
1998	22,949	(0.15)	3,874	8.55
1999	23,573	2.72	4,072	5.11
2000	24,235	2.81	4,306	5.75
2001	24,778	2.24	4,532	5.25
2002	27,952	12.81	4,488	(0.97)
2003	29,645	6.06	4,587	2.21
2004	30,238	2.00	4,294	(6.39)

**SCHEDULE X****HISTORY OF ANNUITANT AND SURVIVOR  
ANNUITANT MEMBERSHIP FOR LAST 10 YEARS**

Year Ended June 30	Number on Roll	Percentage Change in Membership
1996	59,634	0.04%
1997	59,342	(0.49)
1998	59,127	(0.36)
1999	60,308	2.00
2000	62,107	2.98
2001	64,874	4.46
2002*	69,472	7.09
2003	73,336	5.56
2004	77,165	5.22
2005	82,491	6.90

\* Includes 1,519 additional annuitants on account of change in methodology of reporting recent retirements: In prior years only retirements processed on or before the valuation date were reported to the actuary. Commencing with the 2002 valuation, retirements effective on or before the valuation date that are processed after the valuation date are also reported to the actuary.

**SCHEDULE XI****BENEFIT STREAMS FOR GUARANTEED MINIMUM ANNUITY RESERVE**

Benefit Payment Stream	
Fiscal Year	Guaranteed Minimum
2006	\$ 2,469,550
2007	2,223,390
2008	1,993,660
2009	1,780,290
2010	1,583,160
2011	1,401,940
2012	1,236,230
2013	1,085,500
2014	949,130
2015	826,380
2016	716,410
2017	618,390
2018	531,420
2019	454,640
2020	387,180
2021	328,220
2022	276,950
2023	232,590
2024	194,440
2025	161,790
2026	134,020
2027	110,510
2028	90,720
2029	74,150

Benefit Payment Stream	
Fiscal Year	Guaranteed Minimum
2030	\$ 60,340
2031	48,870
2032	39,390
2033	31,570
2034	25,160
2035	19,910
2036	15,640
2037	12,180
2038	9,390
2039	7,160
2040	5,390
2041	4,000
2042	2,920
2043	2,090
2044	1,460
2045	1,000
2046	660
2047	430
2048	270
2049	160
2050	100
2051	50
2052	30
2053	10

## Notes:

- (1) Above benefit payment amounts were projected based on the mortality assumptions for the general pensioner population.
- (2) As separate mortality studies have not been performed for this special group, the fiscal 2007 State Contribution shown on the Summary of Principal Results has been adjusted to ensure payment of all required benefit amounts, as required by Statute.

**SCHEDULE XIII**

**ITEMIZATION OF EMPLOYER CONTRIBUTION TO BENEFIT TRUST RESERVE**

Year Ended June 30	Assumed Payrolls		(A) School District Contribution Sec. 16-158(e)	Combined State and Federal Funds			Required Rate	(B) Required Federal Funds Contribution	(C) Required State Contribution	
	Total	Federal Funds		State	Calculations Required by PA 94-0004					Required Amount
					Formula Amount	Formula Rate				
1995	\$4,633,650,000			\$279,364,800	6.03%		\$16,500,000	\$262,864,800		
1996	4,863,544,432			341,276,242	7.02%		17,000,000	324,276,242		
1997	4,903,151,093			395,268,984	8.06%		17,300,000	377,968,984		
1998	5,264,732,966			478,439,267	9.09%		18,000,000	460,439,267		
1999	5,558,349,721		16,675,000	543,855,776	9.78%		18,500,000	567,067,600		
2000	5,887,080,405		34,145,066	617,359,480	10.49%		18,200,000	634,038,560		
2001	6,271,637,672		36,375,498	731,839,141	11.67%		20,000,000	719,356,841		
2002	6,666,272,399		38,664,380	821,265,118	12.32%		23,000,000	810,618,724		
2003	7,115,762,553		12,808,373	951,049,918	13.37%		25,000,000	926,049,918		
2004	7,345,674,585		42,604,912	1,056,658,994	14.38%		29,400,000	1,027,258,994		
2005	7,669,150,690		44,481,074	1,199,246,349	15.64%	940,103,532	37,860,000	902,243,532		
2006	7,871,835,902	340,850,495	45,656,648	555,898,087	7.06%	555,898,087	24,070,387	531,827,700		
2007	7,939,262,146	422,368,746	46,047,720	776,842,522	9.78%	776,842,522	41,328,022	735,514,500		
2008	8,290,775,885	441,069,277	48,086,500	1,132,537,226	13.66%	1,108,835,640	58,990,056	1,049,845,584		
2009	8,644,879,164	459,907,572	50,140,299	1,515,931,062	17.54%	1,498,345,812	79,711,997	1,418,633,815		
2010	9,005,259,525	479,079,807	52,230,505	1,928,114,634	21.41%	1,916,342,897	101,949,442	1,814,393,455		
2011	9,373,350,814	498,662,263	54,365,435	2,006,926,598	21.41%	2,008,798,587	106,768,495	1,900,158,103		
2012	9,749,677,023	518,682,818	56,548,127	2,087,501,741	21.41%	2,073,784,820	110,325,352	1,963,459,468		
2013	10,138,347,648	539,360,095	58,802,416	2,170,719,945	21.41%	2,172,597,733	115,482,301	2,055,237,644		
2014	10,545,471,629	561,019,091	61,163,735	2,257,889,194	21.41%	2,276,055,912	120,119,705	2,137,769,489		
2015	10,974,889,805	583,864,138	63,654,361	2,349,831,848	21.41%	2,385,113,894	125,011,054	2,224,820,794		
2016	11,428,126,754	607,976,343	66,283,135	2,446,874,337	21.41%	2,500,150,575	130,173,715	2,316,700,622		
2017	11,906,848,204	633,444,324	69,059,720	2,549,373,307	21.41%	2,606,903,285	135,626,660	2,413,746,647		
2018	12,412,008,473	660,318,851	71,989,649	2,657,533,089	21.41%	2,720,870,237	141,380,760	2,516,152,329		
2019	12,946,767,135	688,768,012	75,091,249	2,772,030,179	21.41%	2,842,836,659	147,472,006	2,624,558,173		
2020	13,513,957,568	718,942,543	78,380,954	2,893,471,229	21.41%	2,959,333,099	153,932,669	2,739,538,559		

**Notes:**

- (1) The administrative staff of the System estimated the Federal Funds contribution for fiscal years prior to 2006.
- (2) Commencing with the contribution for fiscal 2006, total payroll for the valuation is split into State and Federal Funds payrolls. Federal Funds payroll for 2006 is estimated to be 4.33% of total payroll. For 2007 the estimate is 5.32% of total payroll. All payrolls are assumed to increase at the same rate for years subsequent to 2007.
- (3) School District contributions included in this schedule for years subsequent to 2005 are expected to equal .58% of total payroll. Schedule excludes School District payments required by Sec. 16-128(d-10); 16-133.2; and 16-158(f). See Schedule XIIB and Notes (5) and (7) following Schedule IB for further discussion of the School District contributions.
- (4) Federal Funds and State contributions for years subsequent to 2005 are equal to each group's respective payroll multiplied by the Combined State and Federal Funds Required Rate. Schedule excludes State ERI contributions made in fiscal years 2004 - 2005 under Public Act 92-0056, as amended. State ERI contributions equal \$1,000,000 for 2004, and \$1,684,000 for 2005.
- (5) The sum of the amounts in columns (A), (B), and (C) equals the Total Amount of Employer Contribution shown on Schedule XIII.
- (6) The sum of the amounts in columns (A), (B), and (C) equals the Total Amount of Employer Contribution shown on Schedule XIII.

**SCHEDULE XIII  
ITEMIZATION OF EMPLOYER CONTRIBUTION TO BENEFIT TRUST RESERVE  
(Continued)**

Year Ended June 30	Assumed Payrolls		(A) School District Contribution Sec. 16-158(e)	Combined State and Federal Funds				(B) Required Federal Funds Contribution	(C) Required State Contribution
	Total	Federal Funds		Calculations Required by PA 94-0004		Required Amount	Required Rate		
				Formula Amount	Formula Rate				
2021	14,113,266,234	750,825,764	13,362,440,470	3,021,789,109	21.41%	3,085,276,371	3,021,789,109	160,759,181	2,861,029,928
2022	14,744,555,109	784,410,332	13,960,144,777	3,156,954,265	21.41%	3,220,632,170	3,156,954,265	167,949,967	2,989,004,298
2023	15,408,661,471	819,740,790	14,588,920,680	3,299,145,969	21.41%	3,365,608,582	3,299,145,969	175,514,566	3,123,631,403
2024	16,107,211,837	856,903,670	15,250,308,168	3,448,712,473	21.41%	3,505,814,832	3,448,712,473	183,471,504	3,265,240,969
2025	16,839,745,866	895,874,480	15,943,871,386	3,605,555,213	21.41%	3,657,063,333	3,605,555,213	191,815,537	3,413,739,676
2026	17,605,328,134	936,603,457	16,668,724,677	3,769,473,907	21.41%	3,833,583,723	3,769,473,907	200,536,012	3,568,937,895
2027	18,404,302,760	979,108,907	17,425,193,853	3,940,542,232	21.41%	4,019,911,977	3,940,542,232	209,636,847	3,730,905,385
2028	19,239,031,318	1,023,516,466	18,215,514,852	4,119,265,826	21.41%	4,201,840,002	4,119,265,826	219,144,942	3,900,120,884
2029	20,111,395,040	1,069,926,216	19,041,468,824	4,306,047,479	21.41%	4,395,384,874	4,306,047,479	229,081,726	4,076,965,753
2030	21,022,941,994	1,118,420,514	19,904,521,480	4,501,218,647	21.41%	4,586,136,322	4,501,218,647	239,464,832	4,261,753,815
2031	21,975,019,595	1,169,071,042	20,805,948,552	4,705,067,825	21.41%	4,789,978,755	4,705,067,825	250,309,608	4,454,758,217
2032	22,970,586,664	1,222,035,211	21,748,551,453	4,918,228,526	21.41%	5,022,442,510	4,918,228,526	261,649,758	4,656,578,768
2033	24,010,833,254	1,277,376,329	22,733,456,925	5,140,955,552	21.41%	5,283,068,797	5,140,955,552	273,498,835	4,867,456,717
2034	25,098,144,233	1,335,221,273	23,762,922,960	5,373,759,527	21.41%	5,617,304,631	5,373,759,527	285,884,007	5,087,875,520
2035	26,235,621,659	1,395,735,072	24,839,886,587	5,617,304,631	21.41%	6,520,160,279	5,617,304,631	298,840,606	5,318,464,025
2036	27,427,195,518	1,459,126,802	25,968,068,717	5,872,432,314	21.41%	6,816,294,012	5,872,432,314	312,413,399	5,560,018,915
2037	28,679,163,398	1,525,731,493	27,153,431,905	6,140,490,950	21.41%	7,127,437,057	6,140,490,950	326,674,119	5,813,816,832
2038	29,997,452,890	1,595,864,494	28,401,588,397	6,422,749,696	21.41%	7,455,062,562	6,422,749,696	341,690,284	6,081,059,413
2039	31,386,791,011	1,669,777,282	29,717,013,729	6,720,220,653	21.41%	7,800,345,298	6,720,220,653	357,515,739	6,362,704,914
2040	32,846,569,961	1,747,437,522	31,099,132,439	7,032,773,683	21.41%	8,163,134,214	7,032,773,683	374,143,560	6,658,630,123
2041	34,379,304,621	1,828,979,006	32,550,325,615	7,360,947,249	21.41%	8,544,054,315	7,360,947,249	391,602,394	6,969,344,855
2042	35,987,817,660	1,914,551,900	34,073,265,760	7,705,345,711	21.41%	8,943,807,100	7,705,345,711	409,924,392	7,295,421,319
2043	37,675,328,767	2,004,327,490	35,671,001,277	8,066,658,436	21.41%	9,363,192,736	8,066,658,436	429,146,229	7,637,512,207
2044	39,444,039,866	2,098,422,921	37,345,616,945	8,445,356,878	21.41%	9,802,758,454	8,445,356,878	449,292,986	7,996,063,892
2045	41,296,522,694	2,196,975,007	39,099,547,687	8,841,991,671	21.41%	10,263,143,388	8,841,991,671	470,393,957	8,371,597,714
2046	43,236,336,088	2,300,173,080	40,936,163,008	3,351,735,858	7.75%	3,351,735,858	3,351,735,858	178,312,348	3,173,423,511

Notes:  
 (1) The administrative staff of the System estimated the Federal Funds contribution for fiscal years prior to 2006.  
 (2) Commencing with the contribution for fiscal 2006, total payroll for the valuation is split into State and Federal Funds payrolls. Federal Funds payroll for 2006 is estimated to be 4.33% of total payroll. For 2007 the estimate is 5.32% of total payroll. All payrolls are assumed to increase at the same rate for years subsequent to 2007.  
 (3) School District contributions included in this schedule for years subsequent to 2005 are expected to equal .58% of total payroll. Schedule excludes School District payments required by Sec. 16-128(d-10); 16-133.2; and 16-158(f). See Schedule XIIIB and Notes (5) and (7) following Schedule IB for further discussion of the School District contributions.  
 (4) Federal Funds and State contributions for years subsequent to 2005 are equal to each group's respective payroll multiplied by the Combined State and Federal Funds Required Rate.  
 (5) Schedule excludes State ERI contributions made in fiscal years 2004 - 2005 under Public Act 92-0056, as amended. State ERI contributions equal \$1,000,000 for 2004, and \$1,684,000 for 2005.  
 (6) The sum of the amounts in columns (A), (B), and (C) equals the Total Amount of Employer Contribution shown on Schedule XIII.

**SCHEDULE XIIB**

**ADDITIONAL DETAIL OF CERTIFIED AND PROJECTED EMPLOYER CONTRIBUTION TO BENEFIT TRUST RESERVE**

Year Ended June 30	School District Contributions		Total	Required Federal Funds Contribution	Required State Contribution	Total All Employers
	Sec. 16-158(e) (2.2 Formula)	Sec. 16-133.2 (ERO)				
1995				\$16,500,000	\$262,864,800	\$279,364,800
1996				17,000,000	324,276,242	\$341,276,242
1997				17,300,000	377,968,984	\$395,268,984
1998				18,000,000	460,439,267	\$478,439,267
1999	16,675,000		16,675,000	18,500,000	567,067,600	\$602,242,600
2000	34,145,066		34,145,066	18,200,000	634,038,560	\$686,383,626
2001	36,375,498		36,375,498	20,000,000	719,356,841	\$775,732,339
2002	38,664,380		38,664,380	23,000,000	810,618,724	\$872,283,104
2003	12,808,373		12,808,373	25,000,000	926,049,918	\$963,858,291
2004	42,604,912		42,604,912	29,400,000	1,028,258,994	\$1,100,263,906
2005	44,481,074		44,481,074	37,860,000	903,927,532	\$986,268,606
2006	45,656,648	14,974,781	60,631,429	24,070,387	531,827,700	\$616,529,516
<b>2007</b>	<b>46,047,720</b>	<b>19,353,893</b>	<b>225,741,253</b>	<b>41,328,022</b>	<b>735,514,500</b>	<b>\$1,002,583,775</b>
2008	48,086,500	25,184,130	156,353,110	58,990,056	1,049,845,584	\$1,265,188,750
2009	50,140,299	35,351,840	172,932,749	79,711,997	1,418,633,815	\$1,671,278,561
2010	52,230,505	41,719,338	177,318,943	101,949,442	1,814,393,455	\$2,093,661,840
2011	54,365,435	47,526,515	181,096,850	106,768,495	1,900,158,103	\$2,188,023,448
2012	56,548,127	53,719,950	186,069,877	110,325,352	1,963,459,468	\$2,259,854,697
2013	58,802,416	56,056,280	186,376,056	115,482,301	2,055,237,644	\$2,357,096,001
2014	61,163,735	56,729,710	185,615,635	120,119,705	2,137,769,489	\$2,443,504,829
2015	63,654,361	56,154,450	185,985,291	125,011,054	2,224,820,794	\$2,535,817,139
2016	66,283,135	54,722,460	186,641,075	130,173,715	2,316,700,622	\$2,633,515,412
2017	69,059,720	53,524,280	190,945,280	135,626,660	2,413,746,647	\$2,740,318,587
2018	71,989,649	52,527,540	197,228,569	141,380,760	2,516,152,329	\$2,854,761,658
2019	75,091,249	52,014,550	203,999,439	147,472,006	2,624,558,173	\$2,976,029,618
2020	78,380,954	51,475,250	209,952,944	153,932,669	2,739,538,559	\$3,103,424,173

FROM PRE-2005 VALUATIONS PROJECTED

Notes:

- (1) The administrative staff of the System estimated the Federal Funds contribution for fiscal years prior to 2006.
- (2) Commencing with the contribution for fiscal 2006, total payroll for the valuation is split into State and Federal Fund payrolls, and the required contribution rate for Federal Funds is calculated to be the same as the State contribution rate.
- (3) Post FY 2005 School District contributions under Sec. 16-158(e) in this schedule are projected at .58% of total payroll. Commencing with the contribution for fiscal 2007, School District Sec. 133.2 contributions are included in this schedule. (For purposes of the current June 30, 2005 valuation, Sec. 133.2 contributions of \$156,472,580 are projected for fiscal year 2006.) School District contributions under Sec. 16-128(d-10) are projected to be zero in the valuation (and in this schedule). Note (5) and the Additional Information following Schedule IB discuss the School District contributions.
- (4) State ERI contributions of \$1,000,000 for 2004, and \$1,684,000 for 2005 (under PA 92-0056, as amended) are included above.
- (5) The sum of the School District Sec. 16-158(e) contributions and the required State and Federal Funds contributions, minus the State ERI contributions in note (4), is equal to the Total Amount of Employer Contribution shown on Schedule XIII.

**SCHEDULE XIIIB**

**ADDITIONAL DETAIL OF CERTIFIED AND PROJECTED EMPLOYER CONTRIBUTION TO BENEFIT TRUST RESERVE  
(Continued)**

Year Ended June 30	School District Contributions			Total	Required Federal Funds Contribution	Required State Contribution	Total All Employers
	Sec. 16-158(e) (2.2 Formula)	Sec. 16-158(f) (Pay Increases)	Sec. 16-133.2 (ERO)				
2021	81,856,944	52,600,670	84,217,840	218,675,454	160,759,181	2,861,029,928	\$3,240,464,563
2022	85,518,420	54,113,670	90,241,800	229,873,890	167,949,967	2,989,004,298	\$3,386,828,155
2023	89,370,237	56,571,140	97,600,280	243,541,657	175,514,566	3,123,631,403	\$3,542,687,626
2024	93,421,829	59,251,450	106,857,160	259,530,439	183,471,504	3,265,240,969	\$3,708,242,912
2025	97,670,526	62,930,610	120,866,160	281,467,296	191,815,537	3,413,739,676	\$3,887,022,509
2026	102,110,903	66,494,710	133,508,360	302,113,973	200,536,012	3,568,937,895	\$4,071,587,880
2027	106,744,956	71,695,280	143,455,450	321,895,686	209,636,847	3,730,905,385	\$4,262,437,918
2028	111,586,382	76,261,440	148,183,130	336,030,952	219,144,942	3,900,120,884	\$4,455,296,778
2029	116,646,091	81,342,380	152,999,880	350,988,351	229,081,726	4,076,965,753	\$4,657,035,830
2030	121,933,064	87,902,850	163,779,580	373,615,494	239,464,832	4,261,753,815	\$4,874,834,141
2031	127,455,114	93,101,760	175,367,600	395,924,474	250,309,608	4,454,758,217	\$5,100,992,299
2032	133,229,403	97,559,670	179,344,300	410,133,373	261,649,758	4,656,578,768	\$5,328,361,899
2033	139,262,833	101,712,510	180,166,020	421,141,363	273,498,835	4,867,456,717	\$5,562,096,915
2034	145,569,237	107,660,060	189,572,970	442,802,267	285,884,007	5,087,875,520	\$5,816,561,794
2035	152,166,606	115,217,870	209,809,990	477,194,466	298,840,606	5,318,464,025	\$6,094,499,097
2036	159,077,734	118,363,340	218,307,440	495,748,514	312,413,399	5,560,018,915	\$6,368,180,828
2037	166,339,148	119,438,940	211,366,760	497,144,848	326,674,119	5,813,816,832	\$6,637,635,798
2038	173,985,227	117,450,920	196,479,280	487,915,427	341,690,284	6,081,059,413	\$6,910,665,123
2039	182,043,388	119,532,800	196,235,600	497,811,788	357,515,739	6,362,704,914	\$7,218,032,441
2040	190,510,106	125,148,110	205,009,170	520,667,386	374,143,560	6,658,630,123	\$7,553,441,069
2041	199,399,967	129,543,870	214,154,680	543,098,517	391,602,394	6,969,344,855	\$7,904,045,766
2042	208,729,342	134,584,320	225,065,250	568,378,912	409,924,392	7,295,421,319	\$8,273,724,623
2043	218,516,907	141,132,890	235,810,500	595,460,297	429,146,229	7,637,512,207	\$8,662,118,733
2044	228,775,431	154,030,370	246,728,820	629,534,621	449,292,986	7,996,063,892	\$9,074,891,499
2045	239,519,832	169,451,470	257,796,100	666,767,402	470,393,957	8,371,597,714	\$9,508,759,073
2046	250,770,749	183,698,620	268,778,160	703,247,529	178,312,348	3,173,423,511	\$4,054,983,387

PROJECTED

Notes:

- (1) The administrative staff of the System estimated the Federal Funds contribution for fiscal years prior to 2006.
- (2) Commencing with the contribution for fiscal 2006, total payroll for the valuation is split into State and Federal Fund payrolls, and the required contribution rate for Federal Funds is calculated to be the same as the State contribution rate.
- (3) Post FY 2005 School District contributions under Sec. 16-158(e) in this schedule are projected at .58% of total payroll. Commencing with the contribution for fiscal 2007, School District Sec. 133.2 contributions are included in this schedule. School District contributions under Sec. 16-128(g-10) are projected to be zero in the valuation (and in this schedule). Note (5) and the Additional Information following Schedule IB discuss the School District contributions.
- (4) On this page, the sum of the School District Sec. 16-158(e) contributions and the required State and Federal Funds contributions is equal to the Total Amount of Employer Contribution shown on Schedule XIII.

**SCHEDULE XIII**

**FISCAL YEAR 2007 EMPLOYER CONTRIBUTION BASED ON  
50-YEAR PROJECTION FOR BENEFIT TRUST RESERVE UNDER PUBLIC ACT 94-0004  
(50-YEAR AMORTIZATION WITH 15 YEAR PHASE-IN BEGINNING FISCAL YEAR 1996)**

Year Ended June 30	Amort. Year	Funded Ratio	End of Year Unfunded Pension Benefit Obligation	Employer Rate (see notes)		Amount of Employer Contribution (see notes)		Assumed Payroll
				Total	Normal Cost	Total	Normal Cost	
1995	0	52.7%	\$11,338,701,000	6.03%	8.12%	\$279,364,800	\$376,122,700	\$4,633,650,000
1996	1	52.9%	12,312,083,000	7.02%	8.23%	341,276,242	400,134,055	4,863,544,432
1997	2	64.5%	9,558,477,000	8.06%	8.21%	395,268,984	402,771,457	4,903,151,093
1998	3	66.8%	9,942,354,000	9.09%	8.38%	478,439,267	441,403,004	5,264,732,966
1999	4	67.0%	10,967,804,000	10.83%	7.84%	602,242,600	435,910,961	5,558,349,721
2000	5	68.2%	11,404,991,000	11.66%	8.15%	686,383,626	479,928,856	5,887,080,405
2001	6	59.5%	15,851,051,000	12.37%	8.65%	775,732,339	542,794,806	6,271,637,672
2002	7	52.0%	20,681,389,000	13.09%	8.84%	872,283,104	588,971,933	6,666,272,379
2003	8	49.3%	23,808,609,000	13.55%	8.83%	963,858,291	628,536,783	7,115,762,553
2004	9	61.9%	19,402,722,000	14.96%	8.15%	1,099,263,906	598,462,925	7,345,674,585
2005	10	60.8%	21,989,811,000	12.84%	8.32%	984,584,606	637,971,250	7,669,150,690
2006	11	59.5%	24,117,616,296	7.64%	8.20%	601,554,735	645,705,698	7,871,835,902
2007	12	58.6%	26,207,375,501	10.36%	8.20%	822,890,242	650,855,074	7,939,262,146
2008	13	58.2%	27,794,580,491	13.95%	8.16%	1,156,922,140	676,334,725	8,290,775,885
2009	14	58.4%	29,115,329,502	17.91%	8.06%	1,548,486,111	696,576,448	8,644,879,164
2010	15	59.1%	30,129,411,778	21.86%	7.94%	1,968,573,402	714,808,422	9,005,259,525
2011	16	59.7%	31,150,544,413	21.99%	7.80%	2,061,292,033	730,903,629	9,373,350,814
2012	17	60.2%	32,201,897,901	21.85%	7.65%	2,130,332,947	745,623,816	9,749,677,023
2013	18	60.8%	33,259,438,856	21.99%	7.50%	2,229,522,361	760,140,569	10,138,347,648
2014	19	61.3%	34,335,338,877	21.99%	7.36%	2,319,052,929	775,901,750	10,545,471,629
2015	20	61.7%	35,421,938,421	21.99%	7.20%	2,413,486,209	789,937,129	10,974,889,805
2016	21	62.2%	36,521,800,844	21.99%	7.10%	2,513,157,472	811,131,535	11,428,126,754
2017	22	62.6%	37,627,953,515	21.99%	7.01%	2,618,433,027	834,393,474	11,906,848,204
2018	23	63.0%	38,736,282,855	21.99%	6.94%	2,729,522,738	861,105,069	12,412,008,473
2019	24	63.5%	39,845,260,488	21.99%	6.90%	2,847,121,428	893,026,191	12,946,767,135
2020	25	63.9%	40,950,500,030	21.99%	6.86%	2,971,852,183	926,743,573	13,513,957,568

CERTIFIED

PROJECTED

Notes:

- Above contributions to the Benefit Trust Reserve represent the sum of State and Federal Funds Contributions, as well as School District Contributions for the 2.29% formula (commencing in 1999). A breakdown of the total amounts by source is shown on Schedule XIII. Sec. 16-158 requires calculations of State contribution amounts as shown in Schedule IB beginning in FY 2005.
- The following employer contributions to the Benefit Trust Reserve were taken into account when determining the above schedule, but are not included in this schedule: (a) State ERI contributions of \$1,000,000 for fiscal year 2004 and \$1,684,000 for fiscal year 2005, which were made under a separate funding plan. (Beginning in fiscal year 2006, the cost of ERI is part of the 50-year funding plan, and included in this schedule); (b) School District Contributions to the Benefit Trust Reserve under Sec. 16-133.2 and 16-158(f), which are shown in Schedule XIII; and (c) for FY 1999, additional State funding due to PA 90-0582, and \$9,695,600 in additional State Pensions Fund appropriations. No School District contributions are anticipated under Sec. 16-128(d-10).
- Amortization rate in fiscal years 1995-1997 and 2006 is negative on account of the fact that contributions do not cover normal cost.
- Employer Rates, Contribution Amounts, and Assumed Payroll shown for fiscal years 1995 - 2006 are based on the June 30, 1993 - June 30, 2004 actuarial valuations (2004 as recertified per PA 94-0004) and are certified amounts. Items shown for fiscal years subsequent to 2006 are based on the June 30, 2005 actuarial valuation and are projected rates and amounts.
- Modified ERO retirements are recognized commencing with the June 30, 2005 actuarial liability, while FY 2006 and FY 2007 Pipeline ERO retirements are first recognized in the projected June 20, 2006, and June 30, 2007 accrued liabilities.
- For calculation purposes, Employer Rates include 15 decimal places. For ease of presentation, only 2 decimal places are shown.
- Assumptions and methodology:
  - Prior to 1997: Return on Investment = 8.00%. Payroll Growth based on valuation assumptions. Valuation Interest Rate = 8.00%. Assets at cost value.
  - For 1997 and after: Return on Investment = 8.50%. Payroll Growth based on valuation assumptions. Valuation Interest Rate = 8.50%. Assets at market value.

**SCHEDULE XIII**

**FISCAL YEAR 2006 EMPLOYER CONTRIBUTION BASED ON  
50-YEAR PROJECTION FOR BENEFIT TRUST RESERVE UNDER PUBLIC ACT 93-0002  
(50-YEAR AMORTIZATION WITH 15 YEAR PHASE-IN BEGINNING FISCAL YEAR 1996)**  
(Continued)

Year Ended June 30	Amort. Year	End of Year		Employer Rate (see notes)		Amount of Employer Contribution (see notes)			Assumed Payroll	
		Funded Ratio	Unfunded Pension Benefit Obligation	Total	Normal Cost	Amortization	Total	Normal Cost		Amortization
2021	26	64.4%	\$42,045,624,356	21.99%	6.84%	15.15%	3,103,646,053	965,019,572	2,138,626,480	14,113,266,234
2022	27	64.9%	43,123,074,386	21.99%	6.83%	15.16%	3,242,472,685	1,006,710,612	2,235,762,073	14,744,555,109
2023	28	65.4%	44,175,185,313	21.99%	6.83%	15.16%	3,388,516,206	1,052,053,650	2,336,462,556	15,408,661,471
2024	29	65.9%	45,191,684,719	21.99%	6.83%	15.16%	3,542,134,302	1,099,748,413	2,442,385,889	16,107,211,837
2025	30	66.5%	46,158,266,912	21.99%	6.84%	15.15%	3,703,225,739	1,151,447,446	2,551,778,294	16,839,745,866
2026	31	67.2%	47,066,072,458	21.99%	6.84%	15.15%	3,871,584,810	1,203,795,489	2,667,789,321	17,605,328,134
2027	32	67.9%	47,906,059,216	21.99%	6.83%	15.16%	4,047,287,188	1,256,586,364	2,790,700,824	18,404,302,760
2028	33	68.6%	48,677,038,946	21.99%	6.83%	15.16%	4,230,852,208	1,313,578,934	2,917,273,274	19,239,031,318
2029	34	69.4%	49,363,349,215	21.99%	6.82%	15.17%	4,422,693,570	1,371,129,973	3,051,563,597	20,111,395,040
2030	35	70.2%	49,938,320,285	21.99%	6.80%	15.19%	4,623,151,711	1,429,071,712	3,194,079,998	21,022,941,994
2031	36	71.1%	50,388,313,656	21.99%	6.78%	15.21%	4,832,522,939	1,489,395,869	3,343,127,070	21,975,019,595
2032	37	72.1%	50,708,114,775	21.99%	6.76%	15.23%	5,051,457,929	1,552,278,073	3,499,179,856	22,970,586,664
2033	38	73.1%	50,884,196,002	21.99%	6.74%	15.25%	5,280,218,385	1,617,772,412	3,662,445,973	24,010,833,254
2034	39	74.1%	50,877,498,943	21.99%	6.71%	15.28%	5,519,328,764	1,683,502,472	3,835,826,292	25,098,144,233
2035	40	75.2%	50,646,233,169	21.99%	6.68%	15.31%	5,769,471,237	1,751,930,098	4,017,541,139	26,235,621,659
2036	41	76.4%	50,180,328,200	21.99%	6.64%	15.35%	6,031,510,048	1,820,528,674	4,210,981,374	27,427,195,518
2037	42	77.6%	49,480,974,236	21.99%	6.64%	15.35%	6,306,830,098	1,903,630,259	4,403,199,839	28,679,163,398
2038	43	78.9%	48,528,079,641	21.99%	6.64%	15.35%	6,596,734,923	1,991,134,059	4,605,600,864	29,997,452,890
2039	44	80.2%	47,266,930,153	21.99%	6.64%	15.35%	6,902,264,041	2,083,353,837	4,818,910,203	31,386,791,011
2040	45	81.7%	45,647,477,656	21.99%	6.64%	15.35%	7,223,283,789	2,180,249,250	5,043,034,539	32,846,569,961
2041	46	83.2%	43,628,923,128	21.99%	6.64%	15.35%	7,560,347,216	2,281,987,228	5,278,359,988	34,379,304,621
2042	47	84.7%	41,161,095,834	21.99%	6.64%	15.35%	7,914,075,053	2,388,755,129	5,525,319,924	35,987,817,660
2043	48	86.4%	38,191,528,104	21.99%	6.64%	15.35%	8,285,175,343	2,500,766,667	5,784,408,675	37,675,328,767
2044	49	88.2%	34,659,513,429	21.99%	6.64%	15.35%	8,674,132,309	2,618,167,999	6,035,964,310	39,444,039,866
2045	50	90.0%	30,501,681,734	21.99%	6.64%	15.35%	9,081,511,503	2,741,129,827	6,340,381,675	41,296,522,694
2046	51	90.0%	31,803,206,238	8.33%	6.64%	1.69%	3,602,506,607	2,869,888,377	732,618,231	43,236,336,088

PROJECTED

Notes:

- (1) Above contributions to the Benefit Trust Reserve represent the sum of State and Federal Funds Contributions, as well as School District Contributions for the 2.2% formula (commencing in 1999). A breakdown of the total amounts by source is shown on Schedule XIII. Sec. 16-158 requires calculations of State contribution amounts as shown in Schedule IB beginning in FY 2005.
- (2) The following employer contributions to the Benefit Trust Reserve were taken into account when determining the above schedule, but are not included in this schedule: (a) State ERI contributions of \$1,000,000 for fiscal year 2004 and \$1,684,000 for fiscal year 2005, which were made under a separate funding plan. (Beginning in fiscal year 2006, the cost of ERI is part of the 50-year funding plan, and included in this schedule); (b) School District Contributions to the Benefit Trust Reserve under Sec. 16-133.2 and 16-158(f), which are shown in Schedule XIII; and (c) for FY 1999, additional State funding due to PA 90-0582, and \$9,695,600 in additional State Pensions Fund appropriations. No School District contributions are anticipated under Sec. 16-128(d-10).
- (3) Amortization rate in fiscal years 1995-1997 and 2006 is negative on account of the fact that contributions do not cover normal cost.
- (4) Employer Rates, Contribution Amounts, and Assumed Payroll shown for fiscal years 1995 - 2006 are based on the June 30, 1993 - June 30, 2004 actuarial valuations (2004 as recertified per PA 94-0004) and are certified amounts. Items shown for fiscal years subsequent to 2006 are based on the June 30, 2005 actuarial valuation and are projected rates and amounts.
- (5) Modified ERO retirements are recognized commencing with the June 30, 2005 actuarial liability, while FY 2006 and FY 2007 Pipeline ERO retirements are first recognized in the projected June 20, 2006, and June 30, 2007 accrued liabilities.
- (6) For calculation purposes, Employer Rates include 15 decimal places. For ease of presentation, only 2 decimal places are shown.
- (7) Assumptions and methodology:
  - Prior to 1997: Return on Investment = 8.00%. Payroll Growth based on valuation assumptions. Valuation Interest Rate = 8.00%. Assets at cost value.
  - For 1997 and after: Return on Investment = 8.50%. Payroll Growth based on valuation assumptions. Valuation Interest Rate = 8.50%. Assets at market value.

**SCHEDULE XIV**

**PROJECTION OF ASSETS, EMPLOYER, STATE AND FEDERAL FUNDS CONTRIBUTIONS WITHOUT PENSION OBLIGATION BONDS  
STATE'S DEBT SERVICE ON PENSION OBLIGATION BONDS, AND STATE AND FEDERAL FUND MAXIMUMS  
WITH PENSION OBLIGATION BONDS  
JUNE 30, 2005 VALUATION**

Year Ended June 30	End of Year Assets Without POB	Total Assumed Payroll	Without POB				State's Debt Service	With POB State and Federal Funds Maximum (Required Amount Minus Debt Service)
			Required Employer (including Sec. 16-158(e))		Required State and Federal Funds			
			Amount	Rate	Amount	Rate		
2003	23,124,823,000	7,115,762,553	13.55%	963,858,291	13.37%			
2004	26,501,701,000	7,345,674,585	14.96%	1,099,263,906	14.38%			
2005	28,812,420,000	7,669,150,690	16.67%	1,278,235,766	16.09%	293,651,160	940,103,532	
2006	30,085,519,256	7,871,835,902	11.37%	895,205,895	10.79%	293,651,160	555,898,087	
<b>2007</b>	<b>31,464,152,417</b>	<b>7,939,262,146</b>	<b>14.06%</b>	<b>1,116,541,402</b>	<b>13.48%</b>	<b>293,651,160</b>	<b>776,842,522</b>	
2008	33,071,312,596	8,290,775,885	17.85%	1,480,163,300	17.27%	323,241,160	1,108,835,640	
2009	35,055,549,223	8,644,879,164	21.64%	1,870,987,521	21.06%	322,501,410	1,498,345,812	
2010	37,439,012,815	9,005,259,525	25.43%	2,290,246,292	24.85%	321,672,890	1,916,342,897	
2011	39,894,618,246	9,373,350,814	25.43%	2,383,860,442	24.85%	320,696,420	2,008,798,587	
2012	42,410,042,959	9,749,677,023	25.43%	2,479,568,922	24.85%	349,235,975	2,073,784,820	
2013	44,969,009,827	10,138,347,648	25.43%	2,578,416,874	24.85%	347,016,725	2,172,597,733	
2014	47,569,566,686	10,545,471,629	25.43%	2,681,957,942	24.85%	344,738,295	2,276,055,912	
2015	50,223,148,724	10,974,889,805	25.43%	2,791,168,940	24.85%	342,400,685	2,385,113,894	
2016	52,940,174,199	11,428,126,754	25.43%	2,906,437,605	24.85%	340,003,895	2,500,150,575	
2017	55,736,634,389	11,906,848,204	25.43%	3,028,187,570	24.85%	352,224,565	2,606,903,285	
2018	58,628,818,764	12,412,008,473	25.43%	3,156,661,539	24.85%	363,801,653	2,720,870,237	
2019	61,634,325,613	12,946,767,135	25.43%	3,292,663,065	24.85%	374,735,158	2,842,836,659	
2020	64,773,339,353	13,513,957,568	25.43%	3,436,912,743	24.85%	399,198,690	2,959,333,099	

Note: This schedule shows how the maximum state and federal funds contributions under PA 94-0004 are determined. It shows projections of the amounts shown in Schedule IB, item 2: contributions that would have been required if there were no POB program, minus the debt service. Schedule excludes School District payments required by Sec. 16-128(d-10), 16-133.2, and 16-158(f) (because they are not a set percentage of payroll).

**SCHEDULE XIV**

**PROJECTION OF ASSETS, EMPLOYER, STATE FEDERAL FUNDS CONTRIBUTIONS WITHOUT PENSION OBLIGATION BONDS  
STATE'S DEBT SERVICE ON PENSION OBLIGATION BONDS, AND STATE AND FEDERAL FUND MAXIMUMS  
JUNE 30, 2005 VALUATION**

(Continued)

Year Ended June 30	End of Year Assets Without POB	Total Assumed Payroll	Without POB				State's Debt Service	With POB State and Federal Funds Maximum (Required Amount Minus Debt Service)
			Required Employer (Including Sec. 16-158(e))		Required State and Federal Funds			
			Amount	Rate	Amount	Rate		
2021	68,071,143,473	14,113,266,234	3,589,330,833	25.43%	3,507,473,889	24.85%	3,085,276,371	
2022	71,554,282,140	14,744,555,109	3,749,882,230	25.43%	3,664,363,810	24.85%	3,220,632,170	
2023	75,248,982,143	15,408,661,471	3,918,779,876	25.43%	3,829,409,639	24.85%	3,365,608,582	
2024	79,184,138,246	16,107,211,837	4,096,437,431	25.43%	4,003,015,602	24.85%	3,505,814,832	
2025	83,393,357,025	16,839,745,866	4,282,737,819	25.43%	4,185,067,293	24.85%	3,657,063,333	
2026	87,899,355,116	17,605,328,134	4,477,443,141	25.43%	4,375,332,238	24.85%	3,833,583,723	
2027	92,723,505,397	18,404,302,760	4,680,640,913	25.43%	4,573,895,957	24.85%	4,019,911,977	
2028	97,884,871,323	19,239,031,318	4,892,931,739	25.43%	4,781,345,357	24.85%	4,201,840,002	
2029	103,411,483,995	20,111,395,040	5,114,794,060	25.43%	4,998,147,969	24.85%	4,395,384,874	
2030	109,337,968,087	21,022,941,994	5,346,621,586	25.43%	5,224,688,522	24.85%	4,586,136,322	
2031	115,686,873,345	21,975,019,595	5,588,756,994	25.43%	5,461,301,880	24.85%	4,789,978,755	
2032	122,477,741,914	22,970,586,664	5,841,952,783	25.43%	5,708,723,380	24.85%	5,022,442,510	
2033	129,743,705,839	24,010,833,254	6,106,511,610	25.43%	5,967,248,777	24.85%	5,283,068,797	
2034	137,540,336,301	25,098,144,233	6,383,040,002	25.43%	6,237,470,765	24.85%	6,237,470,765	
2035	145,921,563,338	26,235,621,659	6,672,326,885	25.43%	6,520,160,279	24.85%	6,520,160,279	
2036	154,917,730,076	27,427,195,518	6,975,371,746	25.43%	6,816,294,012	24.85%	6,816,294,012	
2037	164,555,733,191	28,679,163,398	7,293,776,205	25.43%	7,127,437,057	24.85%	7,127,437,057	
2038	174,892,673,365	29,997,452,890	7,629,047,789	25.43%	7,455,062,562	24.85%	7,455,062,562	
2039	186,023,017,041	31,386,791,011	7,982,388,686	25.43%	7,800,345,298	24.85%	7,800,345,298	
2040	198,024,914,373	32,846,569,961	8,353,644,320	25.43%	8,163,134,214	24.85%	8,163,134,214	
2041	210,975,742,728	34,379,304,621	8,743,454,282	25.43%	8,544,054,315	24.85%	8,544,054,315	
2042	224,979,603,706	35,987,817,660	9,152,536,442	25.43%	8,943,807,100	24.85%	8,943,807,100	
2043	240,155,135,200	37,675,328,767	9,581,709,643	25.43%	9,363,192,736	24.85%	9,363,192,736	
2044	256,628,611,465	39,444,039,866	10,031,533,885	25.43%	9,802,758,454	24.85%	9,802,758,454	
2045	274,515,135,612	41,296,522,694	10,502,663,220	25.43%	10,263,143,388	24.85%	10,263,143,388	
2046	286,228,856,148	43,236,336,088	3,602,506,607	8.33%	3,351,735,858	7.75%	3,351,735,858	

Note: This schedule shows how the maximum state and federal funds contributions under PA 94-0004 are determined. It shows projections of the amounts shown in Schedule IB, item 2: contributions that would have been required if there were no POB program, minus the debt service. Schedule excludes School District payments required by Sec. 16-128(d-10), 16-133.2, and 16-158(f) (because they are not a set percentage of payroll).

**SCHEDULE XV**  
**50-YEAR PROJECTION OF FUNDED STATUS**  
**UNDER PUBLIC ACT 94-0004**

Year Ended June 30	End of Year			
	Pension Benefit Obligation	Value of Assets	Unfunded Pension Benefit Obligation	Funded Ratio
1995	23,980,566,000	12,641,865,000	11,338,701,000	52.7%
1996	26,141,794,000	13,829,711,000	12,312,083,000	52.9%
1997	26,951,585,000	17,393,108,000	9,558,477,000	64.5%
1998	29,908,241,000	19,965,887,000	9,942,354,000	66.8%
1999	33,205,513,000	22,237,709,000	10,967,804,000	67.0%
2000	35,886,404,000	24,481,413,000	11,404,991,000	68.2%
2001	39,166,697,000	23,315,646,000	15,851,051,000	59.5%
2002	43,047,674,000	22,366,285,000	20,681,389,000	52.0%
2003	46,933,432,000	23,124,823,000	23,808,609,000	49.3%
2004	50,947,451,000	31,544,729,000	19,402,722,000	61.9%
2005	56,075,029,000	34,085,218,000	21,989,811,000	60.8%
2006	59,618,244,712	35,500,628,416	24,117,616,296	59.5%
<b>2007</b>	<b>63,241,044,520</b>	<b>37,033,669,019</b>	<b>26,207,375,501</b>	<b>58.6%</b>
2008	66,572,119,834	38,777,539,343	27,794,580,491	58.2%
2009	70,026,206,527	40,910,877,025	29,115,329,502	58.4%
2010	73,586,390,054	43,456,978,276	30,129,411,778	59.1%
2011	77,238,657,177	46,088,112,764	31,150,544,413	59.7%
2012	80,968,106,579	48,766,208,678	32,201,897,901	60.2%
2013	84,761,468,334	51,502,029,479	33,259,438,856	60.8%
2014	88,615,217,927	54,279,879,050	34,335,338,877	61.3%
2015	92,532,369,137	57,110,430,716	35,421,938,421	61.7%
2016	96,525,022,309	60,003,221,464	36,521,800,844	62.2%
2017	100,601,180,197	62,973,226,682	37,627,953,515	62.6%
2018	104,771,882,244	66,035,599,389	38,736,282,855	63.0%
2019	109,051,852,058	69,206,591,571	39,845,260,488	63.5%
2020	113,455,325,365	72,504,825,335	40,950,500,030	63.9%

Notes: The projection of assets is based upon the assumption that the Employer maintains the funding policy under Public Act 94-0004 that begins with fiscal year 2006.

Projected amounts may not add to the dollar due to rounding.

**SCHEDULE XV**  
**50-YEAR PROJECTION OF FUNDED STATUS**  
**UNDER PUBLIC ACT 94-0004**  
**(Continued)**

Year Ended June 30	End of Year			
	Pension Benefit Obligation	Value of Assets	Unfunded Pension Benefit Obligation	Funded Ratio
2021	117,999,524,664	75,953,900,308	42,045,624,356	64.4%
2022	122,701,612,996	79,578,538,610	43,123,074,386	64.9%
2023	127,578,145,411	83,402,960,099	44,175,185,313	65.4%
2024	132,645,508,431	87,453,823,712	45,191,684,719	65.9%
2025	137,920,593,568	91,762,326,656	46,158,266,912	66.5%
2026	143,414,677,391	96,348,604,933	47,066,072,458	67.2%
2027	149,137,278,314	101,231,219,098	47,906,059,216	67.9%
2028	155,103,135,526	106,426,096,580	48,677,038,946	68.6%
2029	161,321,147,673	111,957,798,458	49,363,349,215	69.4%
2030	167,795,449,228	117,857,128,943	49,938,320,285	70.2%
2031	174,530,757,930	124,142,444,273	50,388,313,656	71.1%
2032	181,536,745,357	130,828,630,582	50,708,114,775	72.1%
2033	188,827,921,480	137,943,725,478	50,884,196,002	73.1%
2034	196,415,186,136	145,537,687,193	50,877,498,943	74.1%
2035	204,304,477,687	153,658,244,518	50,646,233,169	75.2%
2036	212,509,199,551	162,328,871,351	50,180,328,200	76.4%
2037	221,049,759,748	171,568,785,512	49,480,974,236	77.6%
2038	229,954,623,283	181,426,543,643	48,528,079,641	78.9%
2039	239,254,102,611	191,987,172,457	47,266,930,153	80.2%
2040	248,966,079,449	203,318,601,793	45,647,477,656	81.7%
2041	259,115,952,950	215,487,029,823	43,628,923,128	83.2%
2042	269,745,423,374	228,584,327,540	41,161,095,834	84.7%
2043	280,907,275,319	242,715,747,215	38,191,528,104	86.4%
2044	292,652,474,203	257,992,960,774	34,659,513,429	88.2%
2045	305,016,817,347	274,515,135,613	30,501,681,734	90.0%
2046	318,032,062,386	286,228,856,148	31,803,206,238	90.0%

Notes: The projection of assets is based upon the assumption that the Employer maintains the funding policy under Public Act 94-0004 that begins with fiscal year 2006.

Projected amounts may not add to the dollar due to rounding.

**SECTION IX****STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

(Adopted effective June 30, 2002 except as otherwise noted.)

INTEREST RATE: 8.5% per annum, compounded annually. (Adopted effective June 30, 1997.)  
The interest rate assumption includes the following components, which were revised effective June 30, 2002: inflation 3.5%, and real rate of return 5.0%.

SEPARATIONS FROM ACTIVE SERVICE AND SALARY INCREASES: Representative values of the assumed rates of separation and annual rates of salary increase are as follows:

Age	Annual Rates of					
	Termination		Death	Disability	Retirement	Salary Increase
	Nonvested	Vested				
<u>Males</u>						
25	.0880	.0611	.0005	.0003	—	.0920
30	.0880	.0412	.0005	.0004	—	.0770
40	.0880	.0158	.0007	.0005	—	.0650
50	.0880	.0104	.0016	.0011	—	.0590
55	.0880	.0122	.0026	.0018	.1600	.0590
60	.0880	.0186	.0048	.0037	.2600	.0590
65	.0880	.0272	.0093	.0055	.3500	.0590
70	—	—	.0167	—	1.0000	—
<u>Females</u>						
25	.1050	.0900	.0002	.0007	—	.0920
30	.1050	.0800	.0002	.0008	—	.0770
40	.0750	.0250	.0005	.0011	—	.0650
50	.0650	.0165	.0012	.0023	—	.0590
55	.0650	.0197	.0018	.0039	.1350	.0590
60	.0650	.0228	.0027	.0077	.1850	.0590
65	.0650	.0311	.0055	.0116	.3150	.0590
70	—	—	.0115	—	1.0000	—

The retirement rates in the above table are the regular retirement assumptions applied to all post 6/30/2007 retirements, and to members who are not eligible for the Early Retirement Option at the time of their assumed retirement in fiscal years 2006 and 2007.

The following retirement rates, adopted June 30, 2005, are applied during fiscal years 2006 and 2007, to project retirements of ERO eligible members during the Pipeline ERO period:

Retirement Rates from Active Service FY 2006 – 2007						
Service*	Age**					
	54	55	56	57	58	59
19 - 24	6.7%	14.3%	12.5%	12.6%	12.5%	22.6%
25 - 30	8.9%	19.5%	16.6%	18.8%	16.0%	29.7%
31	17.5%	27.4%	25.6%	27.7%	29.5%	34.3%
32	51.0%	56.3%	52.7%	51.2%	55.1%	54.3%
33	62.7%	51.9%	50.4%	55.9%	50.4%	56.4%

The following ERO utilization rates, adopted June 30, 2005, are applied to retirements during fiscal years 2006 and 2007, to project utilization of the ERO program under Pipeline ERO. 80% of these rates are applied to post-June 30, 2007 retirements to project utilization of the Modified ERO program.

Utilization of ERO among All Active Service Retirees FY 2006 - FY 2007						
Service*	Age**					
	54	55	56	57	58	59
19 – 30	94%	97%	95%	91%	86%	38%
31	96%	97%	97%	95%	97%	54%
32	88%	93%	93%	89%	90%	62%
33	61%	64%	70%	73%	69%	56%

Note: \* Active member service rounded to nearest year on June 30 prior to retirement

\*\* Age rounded to nearest year on June 30 prior to retirement

Rates of termination for vested males were adopted effective June 30, 1997.

The basic salary increase assumption averages 6.25% per annum plus an additional 0.25% per annum to cover employment type and status changes, for a composite recommended increase that averages approximately 6.5% per annum.

The salary increase assumption includes the following components:

- Inflation: 3.5%
- Real wage growth (productivity): 1.2%
- Merit or seniority (includes employment type and status changes): ranges from 5.4 % at age 20 to 1.2% at age 50 and above.

DEATH AFTER RETIREMENT: For annuitants, 95.6% of the 1995 George B. Buck Mortality Table rates for males and 100% of the George B. Buck Mortality Table rates for females. For beneficiaries, the 1995 George B. Buck Mortality Tables rated forward three years for males and rate forward one year for females. For the period after disability retirement, the Pension Benefit Guaranty Corporation rates for male disabled lives not necessarily receiving Social Security benefits, rated back two years for females and rated forward five years for males, but not less than the rate at age 65 (after the setback).

MARITAL DATA: It is assumed that 85% of members are married and that the female spouse is three years younger than the male spouse. (Adopted effective June 30, 1993.)

VALUATION METHOD: Projected unit credit cost method. Gains and losses are reflected in the unfunded pension benefit obligation. (Adopted effective June 30, 1989.)

ASSET VALUATION METHOD: Market value. (Adopted effective June 30, 1997.)

GROWTH IN ACTIVE MEMBERSHIP: For purposes of the projection required by State funding law, it is assumed that the active membership of the System will remain constant in number, with no change in the size of either the full-time/part-time group or the hourly/substitute group. (Adopted effective June 30, 1994.)

SEVERANCE PAY: The percent of retirees assumed to receive severance payments, and the amount of such severance payments, are assumed to be as follows:

Years of Service at Retirement	Percent of Retirees Who Receive Severance Pay	Severance Pay as a Percent of Other Pensionable Earnings in the Last Year of Employment
Less than 20	0%	0.00%
20-24	51%	12.93%
25-29	65%	14.92%
30 or more	79%	16.90%

OPTIONAL SERVICE PURCHASES: The pension benefit obligation for retirement benefits for active members who have not previously purchased optional service is increased by 1.9% to cover the employer cost of out-of-system service purchased in the last two years prior to retirement. This adjustment is based on the following assumptions and data:

- (a) The overall assumption regarding optional service purchases – an average of 0.969 years per full-time/part-time service retiree – will be used;
- (b) Actual optional service credit for the current active membership was provided by TRS;
- (c) No additional optional service purchases will be assumed for members who currently have optional service credit; and

When optional service is purchased within the last two years prior to retirement, 25% of the cost is covered by member payments and the remaining 75% is the responsibility of the employer. The ERO program was extended and modified by PA 94-0004 and future ERO retirements are recognized for the first time in the current valuation.

UNUSED AND UNCOMPENSATED SICK LEAVE SERVICE AT RETIREMENT: Such sick leave credit equals 2.83% of regular service credit at retirement.

Representative assumed amounts of unused and uncompensated sick leave service are as follows:

Regular Service at Retirement	Sick Leave Service Credit
20 years	.748 years
25 years	.812 years
30 years	.861 years
35 years	.890 years

ADMINISTRATIVE EXPENSES: The administrative staff of the System estimates the expected administrative expenses for the fiscal year following the valuation. Total payroll for the same year is projected based on valuation assumptions and the expected administrative expenses are then expressed as a percent of total payroll. Administrative expenses in future years are then assumed to remain constant as a percent of total payroll. (Adopted effective June 30, 1994.)

2.2 UPGRADE ASSUMPTION: For those active members who have already made a payment to upgrade past service prior to June 30, 1998 or have enrolled in the Payroll Deduction Program (PDP), their benefits are based on their upgrading at the valuation date. For all other active members, they are assumed to upgrade at retirement. (Adopted effective June 30, 1999.)

### NEW MEMBER PROFILE

Distribution of New Entrants is as follows:

Age Group	Full Time/Part Time			Hourly/Substitute		
	Males	Females	Total	Males	Females	Total
20 - 24	5.4%	24.2%	29.6%	6.3%	19.2%	25.5%
25 - 29	7.2%	24.4%	31.6%	6.7%	13.4%	20.1%
30 - 34	2.9%	8.8%	11.7%	2.8%	6.5%	9.3%
35 - 39	1.8%	5.4%	7.2%	2.0%	8.0%	10.0%
40 - 44	1.5%	5.5%	7.0%	2.1%	10.5%	12.7%
45 - 49	1.3%	5.2%	6.5%	2.3%	7.7%	9.9%
50 - 54	1.0%	3.2%	4.2%	2.1%	4.3%	6.4%
55 - 59	0.6%	1.2%	1.8%	1.5%	1.8%	3.3%
60 - 64	0.2%	0.2%	0.4%	0.8%	0.8%	1.6%
65 - 69	0.0%	0.0%	0.0%	0.5%	0.4%	0.9%
70	0.0%	0.0%	0.0%	0.2%	0.2%	0.4%
Total	21.9%	78.1%	100.0%	27.2%	72.8%	100.0%

Service Credit Earned in Each Future Year:

Age Group	Full Time/Part Time			Hourly/Substitute		
	Males	Females	Total	Males	Females	Total
20 - 24	0.992	0.994	0.994	0.341	0.333	0.335
25 - 29	0.996	0.998	0.997	0.326	0.326	0.326
30 - 34	0.997	0.982	0.986	0.342	0.281	0.297
35 - 39	0.995	0.984	0.987	0.298	0.312	0.309
40 - 44	0.996	0.972	0.978	0.319	0.355	0.350
45 - 49	0.991	0.969	0.974	0.338	0.377	0.371
50 - 54	0.995	0.987	0.989	0.357	0.376	0.373
55 - 59	0.982	0.966	0.971	0.381	0.389	0.387
60 - 64	0.966	0.893	0.931	0.371	0.339	0.347
65 - 69	-	-	-	0.397	0.327	0.354
70	-	-	-	0.364	0.304	0.328
Average	0.994	0.989	0.990	0.344	0.352	0.350

**NEW MEMBER PROFILE (continued)**

Projected Annual Rate of Pay at 6/30/2005\*  
(for one year of service credit)

Age Group	Full Time/Part Time			Hourly/Substitute		
	Males	Females	Total	Males	Females	Total
20-24	\$ 35,934	\$ 33,828	\$ 34,182	\$ 16,204	\$ 14,936	\$ 15,264
25-29	38,782	37,007	37,392	16,435	15,629	15,904
30-34	42,060	38,982	39,814	16,614	15,279	15,631
35-39	46,514	39,737	41,463	15,706	15,457	15,507
40-44	46,221	39,481	41,173	15,597	15,494	15,506
45-49	46,999	40,652	42,078	16,381	15,737	15,836
50-54	52,077	44,842	46,547	15,976	15,679	15,731
55-59	61,236	44,642	50,191	16,173	15,823	15,912
60-64	48,319	54,556	51,152	15,673	15,408	15,476
65-69	-	-	-	17,078	15,299	15,983
70	-	-	-	15,228	14,742	14,933
Average	\$ 41,701	\$ 37,255	\$ 38,227	\$ 16,133	\$ 15,569	\$ 15,688

\* The rate of pay profile will increase 4.7% per annum. 3.5% of the increase is attributable to inflation and 1.2% to real wage growth.

**PENSION BENEFIT OBLIGATION:** The actuarial accrued liability (AAL) of the System was determined using the projected unit-credit actuarial cost method, and the AAL is equivalent to the Government Accounting Standards Board (GASB) Statement No. 5 pension benefit obligation (PBO). PBO is a measure of the actuarial present value (APV) as of the valuation date of credited projected benefits prorated on service, including an adjustment for the effects of projected salary increases estimated to be payable in the future. Significant actuarial assumptions used to determine the PBO as of June 30, 2005 include the following:

- (1) An assumed rate of return on the investment of present and future assets of 8.5% per annum, compounded annually.
- (2) Assumed projected annual salary increases ranging from 10.2% at age 19 to 5.9% at age 69, which reflect an allowance for inflation and merit or seniority increases.
- (3) Automatic annual post-retirement benefit increases equal to 3% of the member's current benefit.

The PBO at 6/30/2005 includes liability for expected retirements under the Modified ERO program, but does not include liability for expected retirements under Pipeline ERO. In this report the liability for fiscal year 2006 Pipeline ERO retirements are included in the projected June 30, 2006 liabilities, and the liability for fiscal year 2007 Pipeline ERO retirements are included in the projected June 30, 2007 liabilities.

**SECTION X — SUMMARY OF**  
**BENEFIT AND CONTRIBUTION PROVISIONS**

MEMBERSHIP

Employers of the System include:

- (a) the Illinois public common school districts outside of Chicago,
- (b) certain state agencies employing certificated teachers, and
- (c) the State Board of Education, Illinois School Board Association, statewide and national teacher organizations, educational cooperatives and the retirement system.

Employees covered under the System include:

- Any educational, administrative, professional or other staff employed in the public common schools outside the City of Chicago in a position requiring certification under the teacher certification law, including substitute teachers, part-time teachers, and hourly paid teachers who are on a flexible work schedule;
- Any position requiring teacher certification in certain state agencies;
- Any regional superintendent of schools, assistant regional superintendent of schools, State Superintendent of Education; any person employed by the State Board of Education as an executive; any executive of the boards engaged in the service of public common school education in school districts covered under this system of which the State Superintendent of Education is an ex-officio member;
- Any employee of a school board association who is certificated under the teacher certification law;
- Any person employed by the retirement system who was an employee of and a participant in the system on August 17, 2001 or becomes an employee of the system on or after August 17, 2001;
- Any educational, administrative, professional or other staff employed by and under the supervision and control of a regional superintendent of schools, provided such employment position requires the person to be certificated under the teacher certification law;



salary for each year in excess of 10 but not exceeding 20, plus 2.10% of final average salary for each year in excess of 20 but not exceeding 30, and 2.30% of final average salary for each year in excess of 30. For all other service, 2.2% of final average salary.\*

\* Service earned before July 1, 1998 can be upgraded to 2.2% through additional member contributions or 1% of the member's highest salary within the last four years for each year of prior service. Maximum payment is 20% of salary, but all years are upgraded. The number of years to be upgraded is reduced by one for each three full years worked under the 2.2% formula. The 2.2% formula upgrade cost is reduced on a sliding scale for members who have more than 34 years of service credit.

(ii) 1½% of final average salary for each year of creditable service, plus \$7.50 per year for each of the first 20 years of creditable service.

(iii) An actuarially equivalent life annuity, resulting from the member's contributions and State-matching contributions (1.4 times member contributions) plus compound interest on both.

Maximum amount under (i) and (ii) above - 75% of final average salary.

#### Automatic Postretirement Cost-of-Living Adjustment

##### Eligibility

Member contributed for at least an equivalent period of one full year of creditable service after July 1, 1969.

##### Amount

Initial increase of 1½% of base annuity for periods prior to January 1, 1972, 2% for periods from and after January 1, 1972 and prior to January 1, 1978, and 3% for periods thereafter (such periods to exclude any period of retirement that precedes attainment of age 55). Initial increase payable effective with the later of: January 1 following first anniversary of retirement; or January 1 following attainment of age 61.

Following the initial increase, automatic annual increases payable on each January 1 thereafter. Prior to January 1, 1990, annual increases were determined as a percentage of the original retirement annuity. Effective on and after January 1, 1990, automatic annual increases granted to eligible annuitants equal 3% of the total annuity being received, including previous increases granted.

## Early Retirement

## Eligibility

Age 55 with 20 years of service.

## Amount

Equal to the amount computed under normal retirement, reduced by 6% for each year the member is under age 60. There is no reduction for a member who retires prior to age 60 with 35 years of credited service.

Early Retirement Incentive  
for State Employees

Some TRS-covered members employed by state agencies were eligible for an early retirement incentive (ERI) during fiscal year 2003. PA 92-566, enacted in June 2002, allowed certain state employees to purchase up to five years of service credit and an equal amount of age enhancement. Retirement must have occurred between August 1, 2002 and December 31, 2002, with deferrals until April 30, 2003, for key employees. Some employees who were not yet eligible to retire could also purchase the age and service enhancements if they terminated state employment.

Early Retirement  
Option

A member retiring after June 1, 1980 and within six months of the last day of teaching for which retirement contributions were required, may elect to make a one time employee contribution to avoid the early retirement reduction described in the foregoing paragraph. Such employee and employer contributions will be a multiple of the member's last full time annual salary rate as a teacher, the full time equivalent if less than full time, or the highest year's salary used for determining final average salary.

The member lump sum ERO contribution rate for persons who retire on ERO prior to July 1, 2005, or who retire during the "Pipeline ERO" period July 1, 2005 through July 1, 2007 after having properly notified their employer by June 1, 2005 of their intent to retire on ERO during the Pipeline ERO period is 7%, and the employer lump sum ERO contribution rate for such persons is 20%.

The member lump sum ERO contribution rate for other persons is 11.5%, and the employer lump sum ERO contribution rate for such persons is 23.5%. Such other persons are referred to as "Modified ERO" retirees.

The multiple of salary to be contributed by the member equals the member rate times the lesser of the following two periods: (a) the number of years (including fractional years) that the member is less than age 60; or (b) the

number of years (including fractional years) that the member's creditable service is less than 35 years.

The multiple of salary to be contributed by the member's employer equals the employer rate times the number of years (including fractional years) that the member is less than age 60.

Both the member and employer contributions are waived for Pipeline ERO retirees who are at least age 55 with at least 34 years of service. There is no waiver for Modified ERO retirees.

The ERO provisions will not be applicable until the member contributions have been received; however, the date such contributions are received will not be considered in determining the effective date of retirement. The number of employees of a single employer who may retire under this paragraph in any year may be limited at the option of the employer to a specified percentage of those eligible, not lower than 30% for Pipeline ERO retirees, and not lower than 10% for Modified ERO retirees, with the right to participate to be allocated among those applying on the basis of seniority in the service of the employer.

#### Rule of 85 for State Employees

An employee of a state agency retiring on or after January 1, 2001 is entitled to a nondiscounted annuity if his or her attained age at retirement and total creditable service equal at least 85, provided he or she has (i) earned during the period immediately preceding the last day of service at least one year of contributing creditable service as a state employee and (ii) has earned at least 5 years of contributing creditable service as a state employee.

#### Single Sum Benefit

##### Eligibility

Age 65 with fewer than 5 years of creditable service after July 1, 1947.

##### Amount

Lump sum payment actuarially equivalent to a life annuity consisting of 1.67% of final average salary for each year of service.

#### Temporary Disability Benefit

##### Eligibility

3 years of credited service.

##### Amount

Equal to 40% of the member's most recent annual contract salary at time of disablement. The benefit is payable beginning with the 31st day after disablement and ending at the earlier of (1) cessation of disability, (2) when the member requests termination of the benefit, (3) when the

period for which payments have been made equals one-fourth the period of creditable service, or (4) the member is gainfully employed or able to be gainfully employed.

#### Disability Retirement Annuity

##### Eligibility

Termination of temporary disability benefit, provided member remains disabled.

##### Amount

The larger of 35% of the member's most recent annual contract salary or (a) if disability commences prior to age 55, the benefit payable as for normal retirement, but reduced by ½% for each month by which the member is less than age 55, or (b) if disability commences after age 55 and the member has 20 years of service, the benefit payable as for normal retirement with no discount.

Other formulas may be applicable if disability retirement occurred prior to July 1, 1971.

#### Occupational Disability

##### Eligibility

Totally and immediately incapacitated for the performance of duty.

##### Amount

Equal to 60% of salary, if disability is duty-connected or occupational adjudicated by the Illinois Industrial Commission as compensable under either the Workers' Compensation or Occupational Diseases Act. Any amounts payable under these Acts shall be applied as an offset to any occupational disability benefits payable by the Teachers' Retirement System. In general, benefits are payable throughout the period of disability.

#### Deferred Vested Benefits

##### Eligibility

5 years of service.

##### Amount

Equal to the amount computed under normal retirement deferred to age 62 if member has less than 10 years of service. With 10 or more years of service the annuity is payable at age 60.

#### Reversionary Retirement Annuity

Any member entitled to a retirement annuity for age may elect to receive a reduced annuity with the remainder determined on an actuarial basis to become, upon the member's death, an annuity for life to any designated person dependent upon the member at the time of the member's retirement, provided such payment shall not be less than \$10 nor more than the amount of reduced age

retirement monthly annuity to which the member is entitled.

#### Refund of Contributions

A member who ceases to be a member for any reason other than death or retirement, shall be entitled to a refund of all retirement contributions (other than career ERO contributions) and payments made into the fund by him which have not previously been refunded, without interest thereon.

A member who retires on ERO shall not receive a refund of the 0.4% career ERO contributions; otherwise, the 0.4% career ERO contributions are refunded, without interest, to the member, or the member's beneficiary or Estate (if applicable) if any of the following occur: (1) the ERO program is discontinued under Section 16-176; or (2) the member either retires without ERO, terminates employment and withdraws the member account balance, or dies before retirement.

#### Death Benefit

Refunds of the deceased member's accumulated contributions are paid to survivors or to the member's estate. Additional lump sum death benefits are also payable.

#### Survivor Benefit

#### Types of Beneficiaries

<u>Time of Death</u>	<u>Dependents</u>	<u>Non-dependents</u>
While employed	Lump sum up to last salary <b>or</b> \$1,000 and a monthly benefit generally not less than \$400* or \$600 with minor children**	Lump sum up to last salary
Inactive within 12 months of last day of credit	Lump sum up to last salary <b>or</b> \$1,000 and a monthly benefit generally not less than \$400* or \$600 with minor children**	Lump sum up to last salary
Inactive with 20 or more years of service	Lump sum of \$3,000 or 1/6 of last salary*** <b>or</b> \$1,000 and a monthly benefit generally 1/2 of member's earned benefit at time of death	Lump sum of \$3,000 or 1/6 of last salary***

Annuitant	Lump sum of \$3,000 or 1/6 of last salary*** or \$1,000 and a monthly benefit generally 1/2 of annuitant's earned benefit at time of death	Lump sum of \$3,000 or 1/6 of last salary***
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- \* Certain circumstances might provide a monthly annuity less than \$400 per month for an active member.
- \*\* TRS will pay 50 percent of the member's earned retirement annuity at death if it is greater than the above amounts.
- \*\*\* Certain lump sums may be greater if the annuitant or inactive member has been in retirement or out of service for less than five years.

### Member Contributions

Beginning July 1, 2005, each member contributes an additional 0.4% of pay "career ERO contribution." This contribution requirement shall cease if the Early Retirement Option program ends.

Beginning July 1, 1998, contributions for creditable service are made at the rate of 8% (exclusive of amounts paid toward Survivor Benefits) of salary which is comprised of a rate of 7½% of salary towards the cost of the retirement annuity plus ½% of salary toward the cost of the automatic annual increase in retirement annuity.

Beginning July 24, 1959, each member contributes an additional 1% of salary toward Survivor's Benefits. These contributions are subject to refund if there is no dependent beneficiary at retirement, provided the member elects such refund.

Beginning July 1, 1995, each member not employed by a State agency contributes to the Teachers' Health Insurance Security Fund, administered by the Department of Central Management Services. These contributions are not refundable and do not become part of the System's assets.

Additional contributions as are necessary to receive credit for service during which contributions were not made, such as military service or service outside the System.

### New Benefit Increases:

The term "new benefit increase" means an increase in the amount of any benefit provided by the statute, or an expansion of the eligibility requirements for any benefit provided by the statute, resulting from an amendment that takes effect on or after June 1, 2005.

Every new benefit increase must have an identified funding source whose adequacy is verified and

periodically confirmed by the Commission on Government Forecasting and Accountability (CGFA).

Every new benefit increase will automatically expire at the earlier of (i) five years after its effective date ; (ii) at an earlier time specified in the amendment creating the benefit; or (iii) at the end of the fiscal year in which CGFA certifies that the identified funding source is inadequate; except that any new benefit increase will continue to apply to persons who applied for and qualified for the increase while it was in effect, and except that any new benefit increase may be extended or recreated by the General Assembly (subject to the adequacy of the funding source).

Sick Leave Service Accruals:

Any unused and uncompensated accumulated sick leave is counted as creditable service provided that each former employer certifies to the System the number of unused and uncompensated accumulated sick leave days upon termination of the member. The service granted is the ratio of the number of unused and uncompensated accumulated sick leave days to 170 days, subject to a maximum of 2 years of service credit. The period of sick leave shall not be considered in determining the effective date of retirement.

SECTION XI — DETAILED TABULATIONS OF DATA

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EXHIBIT

ACTIVE MEMBERSHIP

NUMBER AS OF JUNE 30, 2004 AND  
AVERAGE ANNUAL SALARY PROJECTED TO JUNE 30, 2005

Age	Full - Time and Regular Part - Time Members										Substitutes	Grand Total	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total			
Under 25	4,942 \$ 36,113	1 \$ 56,074									4,943 \$ 36,117	4,118 \$ 3,928	9,061 \$ 21,488
25-29	13,597 \$ 40,411	4,961 \$ 46,179	1 \$ 47,929								18,559 \$ 41,953	4,165 \$ 4,324	22,724 \$ 35,056
30-34	4,979 \$ 42,786	9,221 \$ 49,383	2,976 \$ 55,345								17,176 \$ 48,504	2,616 \$ 3,766	19,792 \$ 42,591
35-39	2,801 \$ 43,249	3,604 \$ 50,837	5,710 \$ 58,408	1,514 \$ 63,433							13,629 \$ 53,849	3,324 \$ 3,806	16,953 \$ 44,037
40-44	2,495 \$ 42,530	2,638 \$ 49,296	2,844 \$ 58,540	3,888 \$ 65,855	1,274 \$ 69,711						13,139 \$ 56,892	3,969 \$ 4,284	17,108 \$ 44,687
45-49	2,311 \$ 42,927	2,743 \$ 50,421	2,832 \$ 57,512	2,468 \$ 65,918	3,684 \$ 71,207	2,640 \$ 74,107	1 \$ 47,120				16,679 \$ 61,220	4,005 \$ 4,554	20,684 \$ 50,248
50-54	1,709 \$ 45,965	2,679 \$ 51,536	3,632 \$ 60,179	3,217 \$ 66,094	2,805 \$ 71,709	6,292 \$ 75,940	4,973 \$ 81,536				25,307 \$ 68,449	3,590 \$ 4,841	28,897 \$ 60,547
55-59	815 \$ 50,868	1,164 \$ 53,941	1,925 \$ 60,925	2,142 \$ 67,944	1,791 \$ 71,826	2,030 \$ 77,178	3,733 \$ 85,944	735 \$ 90,605			14,335 \$ 72,535	2,545 \$ 4,782	16,880 \$ 62,320
60-64	221 \$ 53,362	263 \$ 54,888	408 \$ 62,667	446 \$ 69,838	426 \$ 73,120	483 \$ 78,039	461 \$ 82,823	334 \$ 86,371	71 \$ 80,018		3,113 \$ 72,116	1,199 \$ 4,458	4,312 \$ 53,303
Over 64	39 \$ 50,974	37 \$ 49,184	58 \$ 61,426	60 \$ 67,367	76 \$ 68,328	72 \$ 76,520	65 \$ 82,003	52 \$ 78,818	66 \$ 88,345		525 \$ 71,189	707 \$ 4,288	1,232 \$ 32,797
Total	33,909 \$ 41,323	27,311 \$ 49,547	20,386 \$ 58,501	13,735 \$ 66,117	10,056 \$ 71,327	11,517 \$ 75,830	9,233 \$ 83,382	1,121 \$ 88,796	137 \$ 84,030		127,405 \$ 57,507	30,238 \$ 4,294	157,643 \$ 47,300

The data shown in this exhibit was further adjusted to better represent the true active full-time and part-time membership as of 6/30/2005 as explained in Item 4 of Section 1 - Principal Results.

TABLE 1

**THE NUMBER AND ANNUAL SALARIES  
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY  
AGE AS OF JUNE 30, 2004  
WITH SALARIES PROJECTED TO JUNE 30, 2005  
(FULL TIME AND REGULAR PART TIME)**

Age	Males		Females		Totals	
	Number	Salaries	Number	Salaries	Number	Salaries
21	1	24,913	10	335,071	11	359,985
22	45	1,638,962	369	11,935,765	414	13,574,727
23	224	8,293,018	1,413	49,467,444	1,637	57,760,463
24	530	20,510,250	2,351	86,319,279	2,881	106,829,529
25	667	27,250,625	2,570	98,621,067	3,237	125,871,693
26	780	33,300,028	2,939	116,705,434	3,719	150,005,462
27	886	39,616,548	3,027	124,615,663	3,913	164,232,211
28	892	41,399,623	2,753	117,094,009	3,645	158,493,632
29	940	44,700,653	3,105	135,308,916	4,045	180,009,569
30	923	46,379,696	2,620	117,296,664	3,543	163,676,360
31	846	45,038,782	2,534	114,105,292	3,380	159,144,074
32	903	49,321,867	2,473	115,936,231	3,376	165,258,099
33	986	54,657,439	2,560	121,360,118	3,546	176,017,557
34	910	52,511,568	2,421	116,493,075	3,331	169,004,643
35	918	56,298,196	2,183	106,749,487	3,101	163,047,683
36	823	49,404,140	2,017	99,898,458	2,840	149,302,597
37	758	47,325,622	1,912	97,176,926	2,670	144,502,548
38	743	46,607,318	1,846	95,171,175	2,589	141,778,493
39	681	43,707,903	1,748	91,566,752	2,429	135,274,655
40	648	41,596,697	1,870	99,431,594	2,518	141,028,291
41	686	45,697,608	1,862	99,284,748	2,548	144,982,356
42	650	44,620,953	2,041	108,173,214	2,691	152,794,167
43	653	44,715,109	2,065	111,071,788	2,718	155,786,897
44	585	40,287,500	2,079	112,620,711	2,664	152,908,212
45	611	43,640,551	2,190	120,359,511	2,801	164,000,062
46	655	46,522,519	2,505	140,315,159	3,160	186,837,678
47	694	51,367,523	2,638	151,911,273	3,332	203,278,796
48	785	58,688,118	2,767	163,772,666	3,552	222,460,785
49	834	63,252,347	3,000	181,255,670	3,834	244,508,017
50	904	68,188,394	3,245	200,345,603	4,149	268,533,997
51	1,033	80,503,844	3,721	235,174,964	4,754	315,678,808
52	1,179	93,985,205	4,183	269,918,982	5,362	363,904,187
53	1,349	111,886,608	4,397	289,549,599	5,746	401,436,207
54	1,393	121,153,554	3,903	261,541,325	5,296	382,694,878
55	1,134	99,130,959	3,157	209,624,218	4,291	308,755,176
56	845	73,587,767	2,652	178,697,104	3,497	252,284,871
57	822	71,538,396	2,343	160,771,687	3,165	232,310,083
58	481	41,335,487	1,447	98,280,978	1,928	139,616,465
59	326	28,785,327	1,128	78,043,488	1,454	106,828,815

Amounts may not add to the dollar due to rounding.

TABLE 1  
(Continued)  
THE NUMBER AND ANNUAL SALARIES  
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY  
AGE AS OF JUNE 30, 2004  
WITH SALARIES PROJECTED TO JUNE 30, 2005  
(FULL TIME AND REGULAR PART TIME)

Age	Males		Females		Totals	
	Number	Salaries	Number	Salaries	Number	Salaries
60	239	20,194,207	750	50,966,740	989	71,160,947
61	207	17,389,069	696	47,589,168	903	64,978,237
62	143	11,870,214	467	32,376,782	610	44,246,996
63	86	7,261,325	306	21,478,299	392	28,739,624
64	57	4,631,599	162	10,739,681	219	15,371,280
65	30	2,504,000	115	7,997,659	145	10,501,659
66	32	2,827,824	94	6,590,977	126	9,418,802
67	19	1,524,109	66	4,701,816	85	6,225,925
68	9	651,358	47	3,026,028	56	3,677,385
69	9	749,984	25	1,716,214	34	2,466,198
70	2	156,288	17	1,234,073	19	1,390,361
71	6	474,010	16	982,468	22	1,456,479
72	5	374,686	4	176,182	9	550,867
73	1	43,532	8	396,879	9	440,411
74	1	79,545	4	269,827	5	349,372
75	2	68,330	3	152,918	5	221,249
76			2	78,349	2	78,349
77	2	124,560			2	124,560
78			1	102,819	1	102,819
79			1	108,297	1	108,297
80	1	55,307			1	55,307
81						
82	1	36,595	1	95,436	2	132,032
83			1	74,311	1	74,311
<b>Total</b>	30,575	\$ 2,049,488,161	96,830	\$ 5,277,156,032	127,405	\$ 7,326,644,192

Amounts may not add to the dollar due to rounding.

The data shown in this exhibit was further adjusted to better represent the true active full-time and part-time membership as of 6/30/2005 as explained in Item 4 of Section I - Principal Results.

In addition, there are the following active members:

**SUBSTITUTES, PART-TIME, AND HOURLY-PAID  
TEACHERS WHO ARE ON A FLEXIBLE OR  
LIMITED WORK SCHEDULE**

Number	30,238
Annual Salaries	\$ 129,854,313
Average Age	40.95 years
Average Service	1.52 years

TABLE 2

**THE NUMBER AND ANNUAL SALARIES  
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY  
YEARS OF CREDITED SERVICE AS OF JUNE 30, 2004  
WITH SALARIES PROJECTED TO JUNE 30, 2005  
(FULL TIME AND REGULAR PART TIME)**

Service	Males		Females		Totals	
	Number	Salaries	Number	Salaries	Number	Salaries
0	260	\$ 9,234,346	1,154	\$ 35,068,085	1,414	\$ 44,302,430
1	1,826	77,236,072	6,084	227,564,138	7,910	304,800,210
2	1,927	86,622,782	6,561	260,954,577	8,488	347,577,359
3	1,772	82,948,031	6,470	269,355,559	8,242	352,303,590
4	1,722	86,033,777	6,133	266,203,127	7,855	352,236,904
5	1,607	82,087,722	5,509	247,789,342	7,116	329,877,064
6	1,341	71,933,654	4,774	221,742,562	6,115	293,676,216
7	1,203	67,144,875	3,962	189,681,374	5,165	256,826,249
8	1,065	62,740,231	3,401	168,810,778	4,466	231,551,009
9	1,028	64,695,894	3,421	176,557,775	4,449	241,253,669
10	1,440	93,849,305	4,086	217,491,878	5,526	311,341,183
11	999	66,350,923	3,184	172,610,644	4,183	238,961,568
12	720	49,248,552	2,812	157,162,819	3,532	206,411,371
13	761	53,344,728	2,875	166,381,787	3,636	219,726,515
14	684	48,922,856	2,825	167,247,390	3,509	216,170,246
15	561	41,431,488	2,316	140,555,622	2,877	181,987,109
16	520	38,355,628	2,223	139,235,814	2,743	177,591,442
17	534	41,384,492	2,144	136,094,547	2,678	177,479,040
18	572	45,121,029	2,217	143,976,193	2,789	189,097,222
19	532	41,914,336	2,116	140,049,240	2,648	181,963,577
20	500	39,630,613	1,718	115,761,718	2,218	155,392,331
21	378	30,159,641	1,453	97,728,655	1,831	127,888,296
22	356	29,087,923	1,413	97,630,908	1,769	126,718,831
23	425	35,082,539	1,563	107,670,472	1,988	142,753,011
24	523	44,361,251	1,727	120,149,678	2,250	164,510,929
25	590	48,610,139	1,811	128,007,843	2,401	176,617,981
26	662	55,860,295	1,763	126,118,157	2,425	181,978,452
27	673	56,005,647	1,633	119,089,217	2,306	175,094,864
28	620	52,680,612	1,517	111,277,081	2,137	163,957,693
29	743	65,147,195	1,505	110,532,120	2,248	175,679,315
30	877	77,587,469	1,652	122,558,588	2,529	200,146,057
31	1,080	97,154,094	1,667	127,568,039	2,747	224,722,133
32	941	92,984,483	1,366	107,230,164	2,307	200,214,648
33	344	36,525,482	686	54,860,491	1,030	91,385,973
34	233	22,633,734	387	30,763,082	620	53,396,816
35	214	21,042,468	246	19,848,055	460	40,890,524
36	154	15,591,133	161	12,929,306	315	28,520,439
37	69	6,872,432	99	7,722,062	168	14,594,494
38	43	4,911,181	67	5,055,030	110	9,966,211

Amounts may not add due to rounding.

TABLE 2  
(Continued)

THE NUMBER AND ANNUAL SALARIES  
OF MEMBERS IN ACTIVE SERVICE DISTRIBUTED BY  
YEARS OF CREDITED SERVICE AS OF JUNE 30, 2004  
WITH SALARIES PROJECTED TO JUNE 30, 2005  
(FULL TIME AND REGULAR PART TIME)

Service	Males		Females		Totals	
	Number	Salaries	Number	Salaries	Number	Salaries
39	21	1,988,848	47	3,580,318	68	5,569,165
40	14	1,338,060	31	2,373,816	45	3,711,876
41	11	800,350	20	1,592,206	31	2,392,556
42	9	746,744	10	800,692	19	1,547,435
43	9	947,515	5	411,130	14	1,358,645
44	4	421,446	4	395,529	8	816,975
45	4	436,152	3	287,330	7	723,481
46	3	200,447	3	261,745	6	462,192
47			3	223,674	3	223,674
48						
49			1	62,055	1	62,055
50	1	79,545	1	69,480	2	149,025
51			1	64,141	1	64,141
<b>Total</b>	30,575	\$ 2,049,488,161	96,830	\$ 5,277,156,032	127,405	\$ 7,326,644,192

Amounts may not add due to rounding.

The data shown in this exhibit was further adjusted to better represent the true active full-time and part-time membership as of 6/30/2005 as explained in item 4 of Section I - Principal Results.

In addition, there are the following active members:

**SUBSTITUTES, PART-TIME, AND HOURLY-PAID  
TEACHERS WHO ARE ON A FLEXIBLE OR  
LIMITED WORK SCHEDULE**

Number	30,238
Annual Salaries	\$ 129,854,313
Average Age	40.95 years
Average Service	1.52 years

**TABLE 3**  
**THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM**  
**THE BENEFIT TRUST RESERVE**  
**OF RETIRED ANNUITANTS**  
**AS OF JUNE 30, 2005**

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
50	1	\$ 51,871	2	\$ 92,718	3	\$ 144,589
51	1	48,271	2	56,709	3	104,979
52	2	97,962	8	306,401	10	404,363
53	4	185,298	4	136,614	8	321,913
54	142	9,009,461	209	11,289,613	351	20,299,074
55	629	36,901,295	1,194	55,845,790	1,823	92,747,085
56	835	48,805,201	1,513	70,720,585	2,348	119,525,786
57	1,161	66,481,818	1,807	84,776,941	2,968	151,258,759
58	1,550	87,669,029	2,140	95,951,462	3,690	183,620,490
59	1,244	67,807,515	1,563	66,731,596	2,807	134,539,112
60	1,313	65,242,189	1,915	75,155,582	3,228	140,397,771
61	1,333	67,037,746	2,041	74,288,438	3,374	141,326,184
62	1,497	74,643,738	2,402	87,530,640	3,899	162,174,377
63	1,237	61,542,063	2,040	73,162,967	3,277	134,705,030
64	1,140	55,080,850	1,818	62,588,000	2,958	117,668,850
65	1,019	49,061,982	1,691	57,192,879	2,710	106,254,860
66	977	46,169,152	1,683	55,484,634	2,660	101,653,786
67	1,022	47,468,562	1,547	50,105,884	2,569	97,574,446
68	890	40,517,625	1,477	46,145,798	2,367	86,663,423
69	957	40,014,488	1,359	43,043,411	2,316	83,057,899
70	921	40,614,612	1,287	38,855,055	2,208	79,469,667
71	802	34,464,249	1,117	32,277,035	1,919	66,741,284
72	821	33,694,129	1,219	34,886,985	2,040	68,581,115
73	755	30,839,890	1,100	30,503,149	1,855	61,343,040
74	794	29,789,767	1,088	29,190,259	1,882	58,980,026
75	710	27,625,819	1,136	29,672,239	1,846	57,298,058
76	625	22,931,838	1,078	26,526,349	1,703	49,458,187
77	612	21,845,521	1,066	25,278,040	1,678	47,123,562
78	562	19,586,121	976	22,112,199	1,538	41,698,320
79	532	18,956,661	832	17,756,244	1,364	36,712,905
80	483	16,005,770	821	17,377,549	1,304	33,383,320
81	418	12,967,555	728	15,212,971	1,146	28,180,526
82	338	10,064,852	814	14,867,212	1,152	24,932,064
83	290	7,943,698	805	14,756,687	1,095	22,700,385
84	225	6,085,681	771	13,276,822	996	19,362,504
85	180	4,478,939	696	11,803,334	876	16,282,273
86	166	4,045,645	653	10,791,102	819	14,836,746
87	127	2,868,009	613	9,699,863	740	12,567,872

Amounts may not add to the dollar due to rounding.

**TABLE 3**  
**(Continued)**  
**THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM**  
**THE BENEFIT TRUST RESERVE**  
**OF RETIRED ANNUITANTS**  
**AS OF JUNE 30, 2005**

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
88	113	2,672,774	502	7,727,900	615	10,400,674
89	94	2,102,009	462	7,002,442	556	9,104,451
90	81	2,025,799	413	5,958,506	494	7,984,305
91	63	1,662,234	393	5,775,676	456	7,437,910
92	48	846,618	347	4,944,494	395	5,791,113
93	38	635,709	244	3,389,232	282	4,024,941
94	22	505,414	260	3,596,804	282	4,102,218
95	24	599,196	184	2,365,100	208	2,964,295
96	16	302,757	147	1,707,668	163	2,010,425
97	5	88,954	98	1,289,513	103	1,378,467
98	8	121,198	93	1,016,994	101	1,138,191
99	2	31,076	53	603,839	55	634,915
100	6	88,970	44	520,102	50	609,072
101	1	15,834	23	210,098	24	225,932
102			10	109,718	10	109,718
103			7	73,830	7	73,830
104			5	47,869	5	47,869
105			2	23,215	2	23,215
106			3	20,298	3	20,298
<b>Total</b>	26,836	\$ 1,220,343,414	46,505	\$ 1,451,833,053	73,341	\$ 2,672,176,467

Amounts may not add to the dollar due to rounding.

TABLE 4  
 THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
 THE BENEFIT TRUST RESERVE  
 OF SURVIVOR ANNUITANTS  
 AS OF JUNE 30, 2005

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
7			1	\$ 9,027	1	\$ 9,027
8	1	3,600			1	3,600
9	2	7,853			2	7,853
10						
11	2	8,706			2	8,706
12	2	10,735			2	10,735
13	1	7,361	3	34,238	4	41,599
14	2	5,838	1	4,299	3	10,136
15	4	16,059	5	26,348	9	42,407
16	4	23,153	4	23,435	8	46,589
17	4	20,437	9	62,098	13	82,536
18	6	44,351	8	109,857	14	154,208
19	5	78,562	7	65,668	12	144,230
20	9	70,463	9	67,460	18	137,922
21	4	21,699	7	45,582	11	67,281
22						
23						
24						
25	1	5,068			1	5,068
26						
27						
28						
29	1	7,416			1	7,416
30	1	7,416			1	7,416
31	1	7,200			1	7,200
32	1	7,638			1	7,638
33	1	8,347			1	8,347
34	3	28,845			3	28,845
35	1	7,638	1	7,638	2	15,277
36	1	7,868	1	21,910	2	29,778
37	1	25,093			1	25,093
38	1	7,638	1	10,574	2	18,212
39			4	37,619	4	37,619
40	2	14,616	1	8,347	3	22,963
41	1	9,676	2	18,289	3	27,965
42	2	17,202	2	17,430	4	34,632
43	2	17,202	2	38,346	4	55,548
44	2	16,055	5	87,194	7	103,249

Amounts may not add to the dollar due to rounding.

TABLE 4  
(Continued)  
THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE BENEFIT TRUST RESERVE  
OF SURVIVOR ANNUITANTS  
AS OF JUNE 30, 2005

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
45	3	30,325	7	89,113	10	119,438
46	5	46,692	3	40,752	8	87,444
47	4	56,087	8	101,436	12	157,523
48	7	59,848	3	24,416	10	84,264
49	7	72,066	7	82,336	14	154,401
50	5	64,669	11	187,639	16	252,307
51	11	146,944	11	173,166	22	320,109
52	14	142,966	31	630,898	45	773,864
53	12	120,854	27	501,276	39	622,130
54	19	204,630	41	752,129	60	956,759
55	19	210,241	33	584,313	52	794,553
56	23	269,339	42	843,067	65	1,112,406
57	32	391,131	63	1,183,442	95	1,574,573
58	26	319,405	64	1,198,800	90	1,518,206
59	36	476,915	61	1,127,440	97	1,604,355
60	24	256,707	60	1,056,981	84	1,313,688
61	45	695,190	79	1,667,828	124	2,363,017
62	54	734,186	88	1,833,852	142	2,568,038
63	38	506,515	102	1,780,417	140	2,286,932
64	43	562,662	88	1,630,143	131	2,192,805
65	44	597,976	100	1,916,138	144	2,514,113
66	41	615,629	116	2,224,494	157	2,840,124
67	43	595,006	138	2,603,389	181	3,198,395
68	46	582,924	132	2,325,382	178	2,908,306
69	59	755,053	123	2,268,369	182	3,023,422
70	48	636,802	154	2,507,915	202	3,144,716
71	59	870,984	125	2,111,798	184	2,982,783
72	61	685,583	163	2,737,739	224	3,423,322
73	61	685,578	147	2,303,982	208	2,989,560
74	85	1,021,388	216	3,260,631	301	4,282,019
75	76	879,411	188	2,856,986	264	3,736,396
76	70	798,713	196	3,004,635	266	3,803,348
77	85	889,431	208	2,894,696	293	3,784,127
78	71	648,391	193	2,783,467	264	3,431,858
79	80	768,681	194	2,539,749	274	3,308,430
80	94	916,812	185	2,364,277	279	3,281,089
81	120	1,260,225	165	2,033,027	285	3,293,252
82	98	861,123	179	2,198,567	277	3,059,689

Amounts may not add to the dollar due to rounding.

TABLE 4  
(Continued)  
THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE BENEFIT TRUST RESERVE  
OF SURVIVOR ANNUITANTS  
AS OF JUNE 30, 2005

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
83	83	686,688	165	1,923,145	248	2,609,833
84	93	758,966	186	1,940,280	279	2,699,246
85	86	639,345	161	1,558,910	247	2,198,256
86	73	530,817	173	1,740,832	246	2,271,648
87	81	560,304	161	1,405,210	242	1,965,513
88	61	369,912	150	1,472,990	211	1,842,902
89	72	513,833	140	1,241,979	212	1,755,812
90	53	393,697	129	1,185,150	182	1,578,847
91	57	356,152	95	840,425	152	1,196,577
92	32	225,700	81	759,418	113	985,118
93	31	185,183	70	558,069	101	743,252
94	27	177,519	66	485,713	93	663,232
95	25	156,430	43	318,972	68	475,402
96	19	87,967	34	229,449	53	317,416
97	11	50,312	18	134,812	29	185,124
98	6	39,582	26	170,268	32	209,850
99	5	18,362	12	94,133	17	112,495
100	4	15,012	7	40,239	11	55,252
101			3	13,013	3	13,013
102						
103			1	3,132	1	3,132
104			1	3,851	1	3,851
105						
106			1	5,581	1	5,581
<b>Total</b>	2,555	\$ 25,716,597	5,547	\$ 77,245,612	8,102	\$ 102,962,208

Amounts may not add to the dollar due to rounding.

TABLE 5

**THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE BENEFIT TRUST RESERVE  
OF DISABILITY BENEFIT RECIPIENTS  
AS OF JUNE 30, 2005**

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
26			2	\$ 28,180	2	\$ 28,180
27			1	15,616	1	15,616
28			2	27,151	2	27,151
29			2	40,334	2	40,334
30			3	46,823	3	46,823
31			4	42,470	4	42,470
32	1	15,320	1	11,260	2	26,580
33	1	14,439	3	51,429	4	65,867
34			2	37,977	2	37,977
35			12	176,849	12	176,849
36			8	116,255	8	116,255
37	3	58,754	2	23,821	5	82,574
38			7	106,242	7	106,242
39	1	17,007	7	118,082	8	135,088
40	3	51,364	2	28,100	5	79,464
41	2	33,040	6	119,153	8	152,194
42	2	46,492	6	123,226	8	169,718
43	1	10,070	5	68,708	6	78,778
44	1	11,961	6	102,502	7	114,463
45	1	32,725	6	94,670	7	127,395
46	1	20,658	18	300,202	19	320,860
47	3	45,085	11	227,826	14	272,912
48	2	42,365	15	246,360	17	288,726
49	8	159,716	14	252,550	22	412,266
50	4	65,803	24	479,276	28	545,079
51	5	103,677	28	582,249	33	685,927
52	7	150,162	37	773,925	44	924,087
53	8	211,224	35	665,273	43	876,497
54	14	358,045	49	1,027,650	63	1,385,695
55	11	280,425	52	1,225,881	63	1,506,306
56	13	414,078	46	1,107,505	59	1,521,584
57	10	296,695	59	1,395,455	69	1,692,150
58	15	447,382	47	1,143,463	62	1,590,845
59	7	195,835	39	1,091,773	46	1,287,607
60	13	452,400	35	838,396	48	1,290,796
61	12	280,870	20	341,679	32	622,549
62	6	182,270	25	538,164	31	720,434
63	4	127,342	14	229,786	18	357,128

Amounts may not add to the dollar due to rounding.

TABLE 5  
(Continued)  
THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE BENEFIT TRUST RESERVE  
OF DISABILITY BENEFIT RECIPIENTS  
AS OF JUNE 30, 2005

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
64	2	34,167	11	214,659	13	248,827
65	5	108,581	15	283,106	20	391,687
66	1	5,812	9	165,476	10	171,288
67	1	27,708	18	249,443	19	277,151
68	1	30,647	7	69,266	8	99,912
69	5	70,399	11	198,954	16	269,353
70	4	159,304	15	285,354	19	444,658
71	2	43,236	9	140,339	11	183,574
72	2	64,715	9	174,307	11	239,022
73	4	69,863	8	116,942	12	186,804
74	3	39,660	6	60,010	9	99,670
75			4	75,670	4	75,670
76	3	28,881	9	88,168	12	117,049
77	3	34,937	4	51,794	7	86,732
78	2	40,623	8	74,396	10	115,018
79	2	20,923	5	49,747	7	70,670
80	1	22,599	7	83,901	8	106,500
81			4	56,877	4	56,877
82			4	71,204	4	71,204
83	1	12,714	8	76,422	9	89,136
84	1	13,257	3	34,609	4	47,866
85			4	39,401	4	39,401
86			2	14,637	2	14,637
87	1	16,664	5	46,998	6	63,662
88			1	10,879	1	10,879
89			3	23,235	3	23,235
90						
91						
92						
93						
94						
95						
96						
97						
98						
99			1	6,046	1	6,046
<b>Total</b>	203	\$ 4,969,894	845	\$ 16,608,102	1,048	\$ 21,577,996

Amounts may not add to the dollar due to rounding.

TABLE 6

**THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE GUARANTEED MINIMUM ANNUITY RESERVE  
OF RETIRED ANNUITANTS  
AS OF JUNE 30, 2005**

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
60			2	\$ 2,658	2	\$ 2,658
61			2	496	2	496
62	1	32	5	3,319	6	3,351
63			8	2,633	8	2,633
64	1	208	7	8,108	8	8,316
65			9	4,747	9	4,747
66	3	1,536	18	9,501	21	11,037
67			28	14,110	28	14,110
68	3	1,483	28	18,046	31	19,529
69	3	3,368	26	13,373	29	16,740
70	2	584	28	14,271	30	14,855
71	2	968	21	14,559	23	15,527
72	4	1,003	16	8,935	20	9,937
73	4	2,590	25	19,329	29	21,919
74	4	1,836	47	30,307	51	32,143
75	10	5,848	53	35,847	63	41,695
76	6	4,200	69	44,283	75	48,482
77	11	7,629	64	49,135	75	56,763
78	18	16,175	75	66,572	93	82,747
79	8	6,529	63	52,889	71	59,418
80	13	14,384	73	74,856	86	89,240
81	16	14,754	57	58,133	73	72,887
82	11	10,369	108	115,961	119	126,330
83	14	10,311	96	110,022	110	120,333
84	8	8,762	107	120,511	115	129,273
85	15	21,810	111	135,583	126	157,392
86	13	18,522	86	95,089	99	113,611
87	14	24,356	103	128,541	117	152,897
88	6	6,572	77	101,252	83	107,824
89	7	10,700	70	85,038	77	95,737
90	6	9,368	78	114,423	84	123,791
91	5	8,390	67	94,784	72	103,175
92	6	11,332	66	95,028	72	106,359
93	7	13,387	55	81,175	62	94,562
94	1	2,979	60	94,891	61	97,870
95			59	79,769	59	79,769
96	2	2,794	51	86,176	53	88,970
97	1	1,256	27	43,202	28	44,458

Amounts may not add to the dollar due to rounding.

TABLE 6  
(Continued)  
THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE GUARANTEED MINIMUM ANNUITY RESERVE  
OF RETIRED ANNUITANTS  
AS OF JUNE 30, 2005

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
98	2	6,197	40	70,036	42	76,233
99	1	3,123	27	41,701	28	44,824
100	1	3,091	21	35,867	22	38,958
101			14	28,563	14	28,563
102			6	7,472	6	7,472
103			4	5,908	4	5,908
104			3	5,933	3	5,933
105			2	976	2	976
106			3	6,325	3	6,325
<b>Total</b>	229	\$ 256,444	2,065	\$ 2,330,330	2,294	\$ 2,586,774

Amounts may not add to the dollar due to rounding.

TABLE 7

**THE NUMBER AND ANNUAL BENEFITS PAYABLE FROM  
THE GUARANTEED MINIMUM ANNUITY RESERVE  
OF DISABILITY BENEFIT RECIPIENTS  
AS OF JUNE 30, 2005**

Age	Males		Females		Totals	
	Number	Annuities	Number	Annuities	Number	Annuities
78			1	\$ 936	1	\$ 936
79						
80			1	696	1	696
81						
82						
83						
84						
85						
86			1	686	1	686
87			1	634	1	634
88						
89			1	1,398	1	1,398
90						
91						
92						
93						
94						
95						
96						
97						
98						
99			1	3,488	1	3,488
<b>Total</b>			6	\$ 7,838	6	\$ 7,838

Amounts may not add to the dollar due to rounding.