

**PUBLIC EMPLOYEES'
RETIREMENT ASSOCIATION
OF COLORADO**

*Actuarial Report
As of December 31, 2005
June 2006*

buckconsultants 
an ACS company A C S

1200 Seventeenth Street, Suite 1200
Denver, CO 80202

June 1, 2006

The Board of Trustees
Public Employees' Retirement Association of Colorado
1300 Logan Street
Denver, Colorado 80203-2386

Dear Trustees:

Subject: Actuarial Valuation for the Public Employees' Retirement Association of Colorado (PERA) as of December 31, 2005

This report summarizes the results of the December 31, 2005 actuarial valuation for the Public Employees' Retirement Association of Colorado (PERA) as well as the results of the December 31, 2005 actuarial valuation of the postretirement health care program (HCTF).

These valuations are based on the financial and member data provided by PERA and the plan provisions, actuarial assumptions and methods in effect on the valuation date.

No material changes in the PERA pension plan provisions were made during 2005. No material changes in the Health Care Program plan provisions for PERA were made in 2005. Please see page 14 for a summary of the PERA plan provisions. There were changes made to the assumptions since the last actuarial valuation was performed. In July 2005, the Board approved the assumptions from the experience analysis. Please see page 23 for a summary of these assumptions.

The valuations were completed in accordance with generally accepted actuarial methods. Our analysis indicates the funded position for the plans has improved since last year's valuation, but without strong investment returns, future contribution increases will be necessary to maintain the long-term viability of the State and School Divisions.

Respectfully submitted,



David H. Slisinsky, A.S.A., E.A.
Principal and Consulting Actuary



Michelle DeLange, F.S.A., E.A.
Senior Consultant, Actuary

The undersigned are responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates. The undersigned actuary hereby affirms his qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.



Chris Hulla
Principal, Health & Welfare



Trey Sarsfield, A.S.A.
Senior Consultant, Health & Welfare

Enclosure

PUBLIC EMPLOYEES' RETIREMENT
ASSOCIATION OF COLORADO

Actuarial Report as of December 31, 2005

submitted to
The Board of Trustees
Public Employees' Retirement Association of Colorado



June 2006

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MANAGEMENT SUMMARY OF VALUATION RESULTS

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VALUATION HIGHLIGHTS

The December 31, 2005 actuarial valuation indicates the following:

1. Due to recognition of investment losses experienced in prior years, the unfunded liability (UAAL) has increased in all Divisions.
2. Changes in the actuarial assumptions were approved by the PERA Board in July 2005 based on the results of an experience analysis, effective for the December 31, 2005 valuation. Generally, the change in assumptions had the effect of decreasing normal cost rates and increasing accrued liabilities. Also, the actuarial asset valuation method was changed effective December 31, 2005. The Actuarial Value of Assets was re-initialized to Market Value as of December 31, 2004, and the asset smoothing method is being phased-in over the four-year period beginning January 1, 2005.
3. For the State Division, the School Division, the Judicial Division, and the Local Government (Municipal) Division, the combined employer and member contribution rates are sufficient to fund the costs of the benefit commitments being made to the members for their service currently being rendered (normal cost) of the system, but are not sufficient to fully fund the normal cost and amortize the unfunded actuarial accrued liability over 40 years. By considering the AED during the entire amortization period, the funding period for the Local Government (Municipal) Division is reduced to 35 years.
4. In accordance with SB 04-257, the State and School Divisions are separated into two separate divisions effective January 1, 2006, and have been separated for this valuation. Assets on Market Value have been maintained separately by division, and were used to re-initialize the actuarial value of assets for both divisions as of December 31, 2004.
5. For the Health Care Trust Fund, the employer contribution rate is sufficient to fully fund the costs of the benefit commitments being made to members for their service currently being rendered and amortize the unfunded actuarial accrued liability over 35 years.

Key valuation results are summarized below.

Member Information

| | Active Members | | | Retired Members | |
|------------------------------------|----------------|---------------------------------|-------------------------------|-----------------|----------------------------------|
| | Number | Annual Payroll (\$ Millions) | Normal Cost Rate ¹ | Number | Annual Benefits (\$ Millions) |
| State | 53,351 | \$ 2,179.8 | 14.19% | 27,692 | \$ 801.4 |
| School | 111,449 | 3,438.0 | 14.53% | 39,896 | 1,139.3 |
| Local Government (Municipal) | 15,555 | 642.6 | 14.22% | 3,562 | 94.7 |
| Judicial | <u>275</u> | <u>28.3</u> | 18.09% | <u>251</u> | <u>10.1</u> |
| Totals | 180,630 | \$ 6,288.7 | 14.40% | 71,401 | \$ 2,045.5 |

¹ Cost of the accruing benefits allocated to the current year, expressed as a percent of total salary.

VALUATION HIGHLIGHTS

Actuarial Information

| | Asset Value Basis | | | | | |
|------------------------------------|---|-----------------------|--------------|---|-----------------------|--------------|
| | Actuarial Value | | | Market Value | | |
| | Employer Contribution Rate ² | UAAL (\$ Millions) | Funded Ratio | Employer Contribution Rate ² | UAAL (\$ Millions) | Funded Ratio |
| State | 14.86% | \$ 5,004.8 | 71.5% | 14.65% | \$ 4,912.6 | 72.0% |
| School | 13.37% | 6,779.7 | 73.9% | 13.15% | 6,636.4 | 74.4% |
| Local Government (Municipal) | 8.70% | 663.9 | 78.0% | 8.56% | 645.1 | 78.7% |
| Judicial | 12.77% | <u>30.7</u> | 86.3% | 12.53% | <u>29.3</u> | 86.9% |
| Totals | 13.38% | \$ 12,479.1 | 73.3% | 13.18% | \$ 12,223.4 | 73.9% |

Overall Condition: Based upon this December 31, 2005 valuation, the Public Employees' Retirement Association of Colorado funded ratio has increased from 70.6 to 73.3% (based on the actuarial value of assets). Although the current funding is sufficient to pay expected benefit payments for decades, the contribution rates are not currently sufficient to support all the current benefit structures of the System. If there is not a significant recovery in the investment markets in the near future, the long-term ability of the System to support the benefits will be challenged in the absence of a significant increase in the contribution rates.

² Employer portion of cost to pay normal cost and amortize UAAL over 40 years, expressed as a percent of total salary.

VALUATION HIGHLIGHTS

Allocation of Statutory Contribution Rates (State Division)

| | Percent of Covered Payroll | |
|---|-----------------------------------|-----------------------------------|
| | 2007 Rates | 2006 Rates³ |
| 1. Statutory Employer Contribution Rate ⁴ | 10.21% | 10.17% |
| 2. Amortization Equalization Disbursement | 1.00% | 0.50% |
| 3. Less: Statutory HCTF Allocation | <u>(1.02)%</u> | <u>(1.02)%</u> |
| 4. Contribution Available for PERA Pre-Funded Benefits 1 + 2 + 3 | 10.19% | 9.65% |
| 5. Normal Cost of Pre-Funded Benefits | | |
| a) Service Retirement Benefits | 8.92% | 11.80% |
| b) Disability Retirement Benefits | 0.95% | 0.96% |
| c) Survivor Benefits | 0.41% | 0.46% |
| d) Separation Benefits | <u>3.91%</u> | <u>3.02%</u> |
| e) Total Normal Cost | 14.19% | 16.24% |
| 6. Member Contributions ³ | <u>8.05%</u> | <u>8.02%</u> |
| 7. Employer Normal Cost | 6.14% | 8.22% |
| 8. Percent Available to Amortize UAAL | 4.05% | 1.43% |
| 9. Number of Years to Amortize UAAL ⁵ | Infinite | Infinite |

Determination of Employer Contribution Rates (State Division) (\$ in Thousands)

| | December 31 | |
|---|---------------------|-------------------------|
| | 2005 | 2004³ |
| <u>Valuation Results:</u> | | |
| Actuarial Accrued Liability | \$17,541,744 | \$40,783,531 |
| Actuarial Value of Assets | <u>\$12,536,916</u> | <u>\$28,594,699</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) | \$5,004,828 | \$12,188,832 |
| Forty-Year Amortization of UAAL | \$241,832 | \$588,961 |
| Valuation Payroll | \$2,179,762 | \$5,303,439 |
| Amortization Rate | 11.09% | 11.11% |
| Employer Normal Cost Rate | <u>6.14%</u> | <u>8.22%</u> |
| Annual Required Contribution | 17.23% | 19.33% |
| Reduction for AED | <u>(2.37)%</u> | <u>(2.42)%</u> |
| Total Employer Contribution Rate | 14.86% | 16.91% |

³ Based on State and School Divisions, combined.

⁴ Weighted average of more than one statutory rate.

⁵ Includes Amortization Equalization Disbursement scheduled during the respective year.

VALUATION HIGHLIGHTS

Allocation of Statutory Contribution Rates (School Division)

| | Percent of Covered Payroll | |
|---|----------------------------|----------------------------|
| | 2007 Rates | 2006 Rates ⁶ |
| 1. Statutory Employer Contribution Rate | 10.15% | 10.17% ⁷ |
| 2. Amortization Equalization Disbursement | 1.00% | 0.50% |
| 3. Less: Statutory HCTF Allocation | <u>(1.02)%</u> | <u>(1.02)%</u> |
| 4. Contribution Available for PERA Pre-Funded Benefits 1 + 2 + 3 | 10.13% | 9.65% |
| 5. Normal Cost of Pre-Funded Benefits | | |
| a) Service Retirement Benefits | 9.98% | 11.80% |
| b) Disability Retirement Benefits | 0.41% | 0.96% |
| c) Survivor Benefits | 0.34% | 0.46% |
| d) Separation Benefits | <u>3.80%</u> | <u>3.02%</u> |
| e) Total Normal Cost | 14.53% | 16.24% |
| 6. Member Contributions | <u>8.00%</u> | <u>8.02%</u> ⁷ |
| 7. Employer Normal Cost | 6.53% | 8.22% |
| 8. Percent Available to Amortize UAAL | 3.60% | 1.43% |
| 9. Number of Years to Amortize UAAL ⁸ | Infinite | Infinite |

Determination of Employer Contribution Rates (School Division) (\$ in Thousands)

| | December 31 | |
|---|---------------------|---------------------|
| | 2005 | 2004 ⁶ |
| <u>Valuation Results:</u> | | |
| Actuarial Accrued Liability | \$25,963,972 | \$40,783,531 |
| Actuarial Value of Assets | <u>\$19,184,225</u> | <u>\$28,594,699</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) | \$6,779,747 | \$12,188,832 |
| Forty-Year Amortization of UAAL | \$327,595 | \$588,961 |
| Valuation Payroll | \$3,437,979 | \$5,303,439 |
| Amortization Rate | 9.53% | 11.11% |
| Employer Normal Cost Rate | <u>6.53%</u> | <u>8.22%</u> |
| Annual Required Contribution | 16.06% | 19.33% |
| Reduction for AED | <u>(2.69)%</u> | <u>(2.42)%</u> |
| Total Employer Contribution Rate | 13.37% | 16.91% |

⁶ Based on State and School Divisions, combined.

⁷ Weighted average of more than one statutory rate.

⁸ Includes Amortization Equalization Disbursement scheduled during the respective year.

VALUATION HIGHLIGHTS

Allocation of Statutory Contribution Rates (Local Government (Municipal) Division)

| | <u>Percent of Covered Payroll</u> | |
|---|-----------------------------------|-----------------------|
| | <u>2007 Rates</u> | <u>2006 Rates</u> |
| 1. Statutory Employer Contribution Rate | 10.00% | 10.00% |
| 2. Amortization Equalization Disbursement | 1.00% | 0.50% |
| 3. Less: Statutory HCTF Allocation | <u>(1.02)%</u> | <u>(1.02)%</u> |
| 4. Contribution Available for PERA Pre-Funded Benefits 1 + 2 + 3 | 9.98% | 9.48% |
| 5. Normal Cost of Pre-Funded Benefits | | |
| a) Service Retirement Benefits | 8.71% | 11.08% |
| b) Disability Retirement Benefits | 1.01% | 1.67% |
| c) Survivor Benefits | 0.41% | 0.58% |
| d) Separation Benefits | <u>4.09%</u> | <u>3.62%</u> |
| e) Total Normal Cost | 14.22% | 16.95% |
| 6. Member Contributions | <u>8.00%</u> | <u>8.00%</u> |
| 7. Employer Normal Cost | 6.22% | 8.95% |
| 8. Percent Available to Amortize UAAL | 3.76% | 0.53% |
| 9. Number of Years to Amortize UAAL ⁹ | Infinite | Infinite |

Determination of Employer Contribution Rates (Local Government (Municipal) Division) (\$ in Thousands)

| | <u>December 31</u> | |
|---|--------------------|--------------------|
| | <u>2005</u> | <u>2004</u> |
| <u>Valuation Results:</u> | | |
| Actuarial Accrued Liability | \$3,022,624 | \$2,576,988 |
| Actuarial Value of Assets | <u>\$2,358,719</u> | <u>\$1,990,652</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) | \$663,905 | \$586,336 |
| Forty-Year Amortization of UAAL | \$32,080 | \$28,332 |
| Valuation Payroll | \$642,574 | \$549,607 |
| Amortization Rate | 4.99% | 5.15% |
| Employer Normal Cost Rate | <u>6.22%</u> | <u>8.95%</u> |
| Annual Required Contribution | 11.21% | 14.10% |
| Reduction for AED | <u>(2.51)%</u> | <u>(2.37)%</u> |
| Total Employer Contribution Rate | 8.70% | 11.73% |

⁹ Includes Amortization Equalization Disbursement scheduled during the respective year.

VALUATION HIGHLIGHTS

Allocation of Statutory Contribution Rates (Judicial Division)

| | Percent of Covered Payroll | |
|---|----------------------------|----------------|
| | 2007 Rates | 2006 Rates |
| 1. Statutory Employer Contribution Rate | 13.66% | 13.66% |
| 2. Amortization Equalization Disbursement | 1.00% | 0.50% |
| 3. Less: Statutory HCTF Allocation | <u>(1.02)%</u> | <u>(1.02)%</u> |
| 4. Contribution Available for PERA Pre-Funded Benefits 1 + 2 + 3 | 13.64% | 13.14% |
| 5. Normal Cost of Pre-Funded Benefits | | |
| a) Service Retirement Benefits | 12.18% | 13.07% |
| b) Disability Retirement Benefits | 1.30% | 2.30% |
| c) Survivor Benefits | 1.08% | 1.14% |
| d) Separation Benefits | <u>3.53%</u> | <u>1.38%</u> |
| e) Total Normal Cost | 18.09% | 17.89% |
| 6. Member Contributions | <u>8.00%</u> | <u>8.00%</u> |
| 7. Employer Normal Cost | 10.09% | 9.89% |
| 8. Percent Available to Amortize UAAL | 3.55% | 3.25% |
| 9. Number of Years to Amortize UAAL ¹⁰ | Infinite | Infinite |

Determination Of Employer Contribution Rates (Judicial Division) (\$ in Thousands)

| | December 31 | |
|---|------------------|------------------|
| | 2005 | 2004 |
| <u>Valuation Results:</u> | | |
| Actuarial Accrued Liability | \$223,955 | \$209,954 |
| Actuarial Value of Assets | <u>\$193,305</u> | <u>\$170,111</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) | \$30,650 | \$39,843 |
| Forty-Year Amortization of UAAL | \$1,481 | \$2,214 |
| Valuation Payroll | \$28,290 | \$26,309 |
| Amortization Rate | 5.24% | 7.32% |
| Employer Normal Cost Rate | <u>10.09%</u> | <u>9.89%</u> |
| Annual Required Contribution | 15.33% | 17.21% |
| Reduction for AED | <u>(2.56)%</u> | <u>(2.34)%</u> |
| Total Employer Contribution Rate | 12.77% | 14.87% |

¹⁰ Includes Amortization Equalization Disbursement scheduled during the respective year.

SUMMARY OF RETIRED AND INACTIVE DATA INCLUDED IN VALUATION

Benefit recipients on rolls included in the December 31, 2005 valuation totaled 71,401 with annual benefits of \$2,045,457,012 distributed as follows (\$ in thousands):

| <u>Divisions</u> | <u>Retirement Benefits</u> | | <u>Survivor Benefits</u> | | <u>Total</u> | |
|------------------------------|----------------------------|------------------------|--------------------------|------------------------|---------------|------------------------|
| | <u>Number</u> | <u>Annual Benefits</u> | <u>Number</u> | <u>Annual Benefits</u> | <u>Number</u> | <u>Annual Benefits</u> |
| State | 26,814 | \$786,618 | 878 | \$14,783 | 27,692 | \$801,401 |
| School | 38,952 | 1,126,497 | 944 | 12,757 | 39,896 | 1,139,254 |
| Local Government (Municipal) | 3,428 | 92,863 | 134 | 1,883 | 3,562 | 94,746 |
| Judicial | <u>237</u> | <u>9,713</u> | <u>14</u> | <u>343</u> | <u>251</u> | <u>10,056</u> |
| Totals | 69,431 | \$2,015,691 | 1,970 | \$29,766 | 71,401 | \$2,045,457 |

Inactive members and deferred survivor beneficiaries totaled 13,289 as follows:

| <u>Divisions</u> | <u>Inactive Members</u> | <u>Deferred Survivors</u> | <u>Total</u> |
|------------------------------|-------------------------|---------------------------|--------------|
| State | 4,166 | 128 | 4,294 |
| School | 7,869 | 169 | 8,038 |
| Local Government (Municipal) | 926 | 16 | 942 |
| Judicial | <u>14</u> | <u>1</u> | <u>15</u> |
| Totals | 12,975 | 314 | 13,289 |

RETIREMENT SYSTEM TOTALS

(\$ in Millions)

| Division | Actuarial Accrued Liabilities | | | Actuarial Value of Assets | Unfunded (Overfunded) Accrued Liabilities | Ratio of Assets/Liabilities |
|------------------------------|-------------------------------|-----------------------------|--------------|---------------------------|---|-----------------------------|
| | Active Members | Retired Lives ¹¹ | Totals | | | |
| State | \$7,034.9 | \$10,506.8 | \$17,541.7 | \$12,536.9 | \$5,004.8 | 0.71 |
| School | 10,649.1 | 15,314.9 | 25,964.0 | 19,184.2 | 6,779.7 | 0.74 |
| Local Government (Municipal) | 1,693.2 | 1,329.4 | 3,022.6 | 2,358.7 | 663.9 | 0.78 |
| Judicial | <u>104.3</u> | <u>119.7</u> | <u>224.0</u> | <u>193.3</u> | <u>30.7</u> | 0.86 |
| Totals | \$19,481.5 | \$27,270.8 | \$46,752.3 | \$34,273.1 | \$12,479.1 | 0.73 |

| Divisions | UAAL/Active Member Payroll December 31 | | | | | | | | | |
|------------------------------|---|------|------|------|------|------|------|------|------|------|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| State and School | N/A | 2.30 | 1.83 | .74 | .11 | * | * | .21 | .44 | .19 |
| State | 2.30 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | .42 |
| School | 1.97 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | .02 |
| Local Government (Municipal) | 1.03 | 1.07 | .98 | .27 | * | * | * | .003 | .07 | * |
| Judicial | 1.08 | 1.51 | 1.25 | .11 | * | * | * | * | .10 | * |

*Division was in surplus this year.

¹¹ Includes deferred benefits for inactive members and survivors.

ANALYSIS OF CHANGES IN THE UNFUNDED ACTUARIAL ACCRUED LIABILITIES DURING 2005

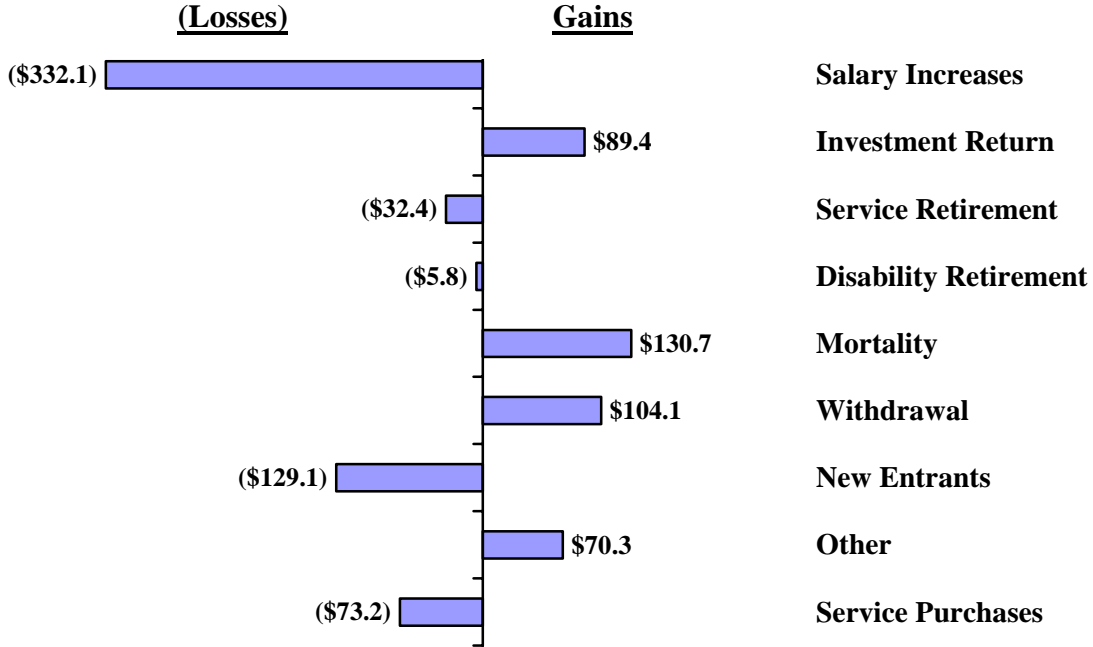
(\$ in Millions)

| | State | School | Local Government (Municipal) | Judicial | Total |
|---|-------------------|-------------------|------------------------------------|----------------|--------------------|
| 1. Beginning of Year: | | | | | |
| a) Unfunded actuarial accrued liabilities (UAAL) | \$ 5,062.7 | \$ 7,126.1 | \$ 586.3 | \$ 39.8 | \$ 12,814.9 |
| b) Normal Cost | 334.6 | 526.5 | 93.2 | 4.7 | 959.0 |
| c) Total contribution required to pay Normal Cost and amortize the UAAL over 40 years | 579.2 | 871.0 | 121.5 | 6.6 | 1,578.3 |
| d) Actual Total Contribution (excluding service purchases) | 357.8 | 558.9 | 102.8 | 5.6 | 1,025.1 |
| 2. Unfunded actuarial accrued liabilities, end of year: | | | | | |
| a) Expected UAAL, from last year's valuation: (1a) x 1.085 + (1b) x 1.0425 - (1c) x 1.0425 | \$ 5,238.0 | \$ 7,372.8 | \$ 606.6 | \$ 41.2 | \$ 13,258.6 |
| b) Expected UAAL based on actual contribution (1a) x 1.085 + (1b) x 1.0425 - (1d) x 1.0425 | 5,468.8 | 7,698.1 | 626.2 | 42.3 | 13,835.4 |
| c) Increase in UAAL due to contribution deficiency (2b)-(2a) | 230.8 | 325.3 | 19.6 | 1.1 | 576.8 |
| 3. Gains (Losses) on year's activities: | | | | | |
| a) From differences between assumed and actual experience on liabilities | \$ (46.6) | \$ 4.9 | \$ (153.8) | \$ 1.2 | \$ (194.3) |
| b) From differences between assumed and actual experience on assets | 34.0 | 48.7 | 5.4 | 1.3 | 89.4 |
| c) From service purchases | (23.6) | (44.9) | (4.7) | 0.0 | (73.2) |
| d) From change in plan assumptions | (112.9) | (23.5) | 10.1 | 0.0 | (126.3) |
| e) From change in asset method | <u>613.1</u> | <u>933.2</u> | <u>105.3</u> | <u>9.1</u> | <u>1,660.7</u> |
| f) Total (a) + (b) + (c) + (d) | \$ 464.0 | \$ 918.4 | \$ (37.7) | \$ 11.6 | \$ 1,356.3 |
| 4. Actual UAAL at end of year (2a) + (2c) - (3f) | \$ 5,004.8 | \$ 6,779.7 | \$ 663.9 | \$ 30.7 | \$ 12,479.1 |

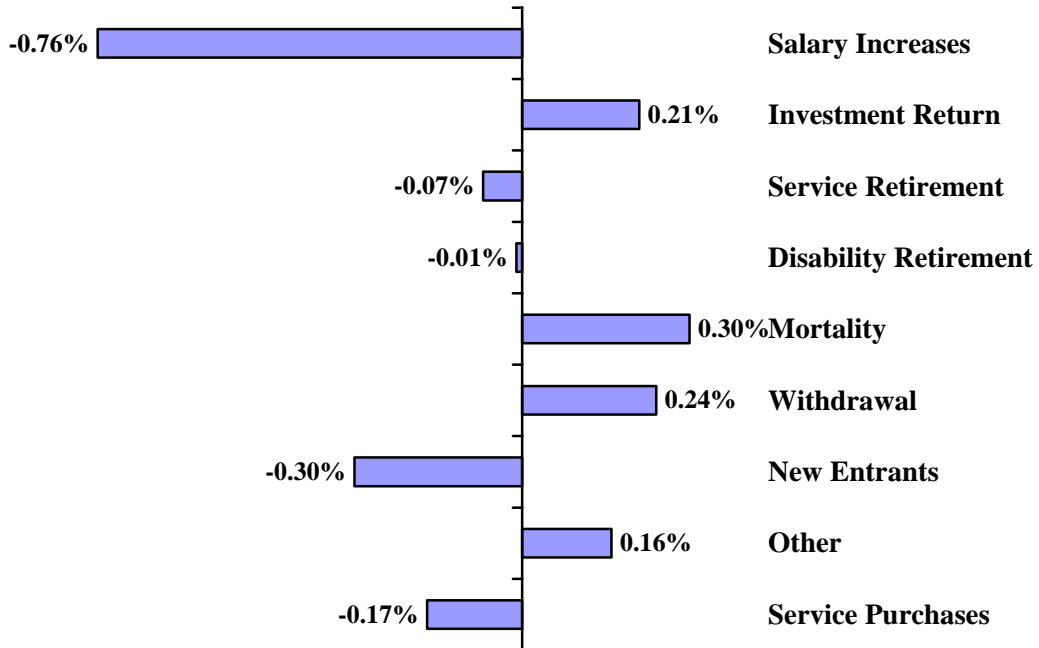
GAIN/(LOSS) ANALYSIS

2005 Experience: Divisions Combined

(\$ in Millions)



% of Beginning of Year Accrued Liabilities



SUPPLEMENTAL INFORMATION

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BENEFIT PROVISIONS EVALUATED

BENEFIT PROVISIONS EVALUATED

PENSION PLAN

| | | | | | |
|------------------------------|---|-----------------|-------|-----------------------|-------|
| Effective Date | Established in 1931, most recently amended during 2004. | | | | |
| Definitions | | | | | |
| Affiliated Employers | State agencies, political subdivisions of the state, school districts, courts, cities and municipalities and any other public entities which affiliate with PERA. | | | | |
| Covered Members | Employees of Affiliated Employers who work in a position subject to membership and for whom contributions are made. | | | | |
| Division | One of four separate divisions which include: State, School, Local Government (Municipal), and Judicial. Upon affiliation, employers are assigned to one of these divisions. The financial activities of each division are accounted for in separate trust funds. | | | | |
| Highest Average Salary (HAS) | For members not in the Judicial Division, one-twelfth of the average of the highest annual salaries upon which contributions were made during three periods of twelve consecutive months of Service Credit; or for a member with less than three years of Service Credit, one-twelfth of the average of the annual salaries upon which contributions were made. Annual salary increases recognized in the determination of HAS are limited to 15% a year. For Judicial Division members, one-twelfth of the highest annual salary upon which contributions were made during one period of twelve consecutive months of Service Credit. | | | | |
| Service Credit | The total of all earned, purchased, (disability) projected, and military service credit. | | | | |
| Contributions | | | | | |
| Member Contributions | Members, except for State Troopers, contribute 8.0% of salary. State Troopers contribute 10.0% of salary. | | | | |
| Employer Contributions | <p>State Division (except State Troopers): 10.04% of salary through 6/30/2003, 10.15% after 7/1/2003</p> <p>School Division: 10.04% of salary through 6/30/2003, 10.15% after 7/1/2003 and further increased to 10.55% on 1/1/2013</p> <p>State Troopers: 12.74% of salary through 6/30/2003, 12.85% after 7/1/2003</p> <p>Local Government (Municipal) Division: 9.60% of salary through 12/31/2003, 10.00% on and after 1/1/2004</p> <p>Judicial Division: 11.82% of salary through 6/30/2003, 12.66% from 7/1/2003 to 6/30/2004, 13.66% after 7/1/2004</p> <p>These contribution rates include the contributions allocated to the Health Care Trust Fund for all divisions as follows:</p> <table border="0" style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Before 7/1/2004</td> <td style="text-align: right;">1.10%</td> </tr> <tr> <td>On and after 7/1/2004</td> <td style="text-align: right;">1.02%</td> </tr> </table> | Before 7/1/2004 | 1.10% | On and after 7/1/2004 | 1.02% |
| Before 7/1/2004 | 1.10% | | | | |
| On and after 7/1/2004 | 1.02% | | | | |

BENEFIT PROVISIONS EVALUATED PENSION PLAN

Matching Employer
Contributions

A percentage of the member contribution account less:

1. Any amount paid for the purchase of service credit,
2. Any payments in lieu of member contributions, and
3. Any interest accrued on 1 and 2.

For members who meet the requirements for a service or reduced service retirement at the time the refund is paid, or for payments made to survivors or beneficiaries of members who die before retirement, the percentage is 100%.

For members who receive a refund prior to meeting the requirements for a service or reduced service retirement, the percentage is 50%.

Amortization
Equalization
Disbursement (AED)

Beginning January 1, 2006, each employer shall pay to PERA a disbursement equal to a percent of total payroll in accordance with the following schedule:

| <u>Year</u> | <u>Percent of Total Payroll</u> |
|--------------|---------------------------------|
| 2006 | 0.50% |
| 2007 | 1.00% |
| 2008 | 1.40% |
| 2009 | 1.80% |
| 2010 | 2.20% |
| 2011 | 2.60% |
| 2012 & after | 3.00% |

If, at any time, the amortization period of the liabilities for a division is less than 40 years, then the amount of the disbursement is reduced in the following year to an amount necessary to meet the 40-year amortization standard.

BENEFIT PROVISIONS EVALUATED PENSION PLAN

Eligibility for Benefits or Other Payments

Service Retirement Retire with one of the following age and Service Credit requirements:

-- Members except State Troopers hired before 7/1/2005

| <u>Age</u> | <u>Service Credit</u> |
|------------|------------------------------------|
| 50 | 30 |
| 55 | Age and Service = 80 years or more |
| 65 | 5 |

-- Members except State Troopers hired on or after 7/1/2005

| <u>Age</u> | <u>Service Credit</u> |
|------------|------------------------------------|
| 55 | Age and Service = 80 years or more |
| 65 | 5 |

-- State Troopers

| <u>Age</u> | <u>Service Credit</u> |
|------------|-----------------------|
| Any Age | 30 |
| 50 | 25 |
| 55 | 20 |
| 65 | 5 |

Reduced Service Retirement Retire with one of the following age and Service Credit requirements:

-- Members except State Troopers

| <u>Age</u> | <u>Service Credit</u> |
|------------|-----------------------|
| 50 | 25 |
| 55 | 20 |
| 60 | 5 |

-- State Troopers

| <u>Age</u> | <u>Service Credit</u> |
|------------|-----------------------|
| 50 | 20 |
| 60 | 5 |

BENEFIT PROVISIONS EVALUATED PENSION PLAN

| | |
|-----------------------|--|
| Vested Benefit | Terminate with five or more years of Service Credit and leave member contributions in the plan. |
| Disability Retirement | Become permanently disabled prior to being eligible for service retirement with five or more years of Service Credit (at least 6 months being earned during the last period of membership). The five-year service requirement is waived for State Troopers disabled because of job-related injuries and for members of the Judicial Division who are found to be permanently disabled by the Colorado Supreme Court. |
| Survivor Benefits | Die prior to retirement with at least one year of Service Credit. (The one-year Service Credit requirement is waived if death is job-related.) |

Monthly Benefit Amounts

Service Retirement

| | |
|--|---|
| | The greater of a or b |
| – State, School and Local Government (Municipal) Divisions and Members of the Judicial Division with no Service Credit prior to July 1, 1973 | a) 2.5% of HAS times years of Service Credit up to 40 b) The money purchase benefit which is actuarially determined based on the value of the member contribution account and matching employer contributions on the effective date of retirement. |
| | The greater of c or d |
| – Members of the Judicial Division with Service Credit prior to July 1, 1973 | c) The greater of a or b above d) 1. 4% of HAS times years of Service Credit up to 10, <u>plus</u> 2. 1 2/3% of HAS times years of Service Credit in excess of 10 up to 16, <u>plus</u> 3. 1.5% of HAS times years of Service Credit in excess of 16 up to 20, <u>plus</u> 4. 2.5% of HAS times years of Service Credit in excess of 20, the total not to exceed 100% of HAS. |

BENEFIT PROVISIONS EVALUATED PENSION PLAN

Reduced Service Retirement

For members except State Troopers:

The service retirement benefit calculated above reduced 4% for each year after age 60, 3% for each year from age 55 to age 60, 6% for each year prior to 55, and proportionately for fractions of a year, from the effective date of reduced service retirement to the date the member would have been eligible for a service retirement benefit.

For State Troopers:

The service retirement benefit calculated above reduced 4% for each year after age 60, 3% for each year from age 50 to age 60, and proportionately for fractions of a year, from the effective date of reduced service retirement to the date the member would have been eligible for a service retirement benefit.

Vested Benefit

The greater of the benefit calculated based on Service Credit and HAS at the date of termination or the money purchase benefit based on the value of the member contribution account and the matching employer contribution account on the date payments begin. The vested benefit is payable upon reaching the age required for a reduced service retirement benefit. If the member elects to begin receiving payments prior to reaching the age required for a service retirement benefit, the benefit calculated based on Service Credit and HAS will be reduced in accordance with the reduced service retirement provisions.

Disability Retirement

If years of Service Credit at disability are greater than 20, the disability retirement benefit is calculated based on actual Service Credit at disability; otherwise, the disability retirement benefit is calculated based on actual Service Credit at disability plus Service Credit projected to age 65, but not to exceed a total of 20 years of Service Credit.

Benefits for disability retirees with an effective disability retirement date on or after July 1, 1988 and before January 1, 1999, who work after retirement will be reduced by 1/3 of the amount, if any, by which the initial annual PERA benefit plus earned income exceeds the annualized HAS.

BENEFIT PROVISIONS EVALUATED

PENSION PLAN

Survivor Benefits

- Not Eligible for Reduced Service Retirement

Benefits are payable in the following order:

- a) Qualified Children Under Age 23: 40% of HAS for one child, an equal share of 50% of HAS if there are two or more children.
- b) Spouse: If no qualified children in (a) exist: i) less than 10 years of Service Credit, 25% of HAS, benefits begin at age 60; ii) 10 or more years of Service Credit, the greater of 25% of HAS or the benefit which would have been payable as a 100% joint and survivor option if the deceased member had been eligible for service retirement and retired on the date of death, benefits begin immediately.
- c) Qualified Children Age 23 or Over: If no persons in (a) or (b) exist, 40% of HAS for one child, an equal share of 50% of HAS if there are two or more children.
- d) Dependent Parents: If no persons in (a) to (c) exist, 25% of HAS for one dependent parent or 40% of HAS for two dependent parents (minimum of \$100 per month for each dependent parent). Benefits begin immediately and continue until the death of the parent(s).
- e) Named Beneficiary: If no persons in (a) to (d) exist, single payment equal to the member contribution account plus the matching employer contribution, plus interest.
- f) Estate of Deceased Member: If no persons in (a) to (e) exist, single payment equal to the member contribution account plus the matching employer contribution, plus interest.

- Eligible for Reduced or Service Retirement

The benefit that would have been payable had the member retired on the date of death and elected the 100% joint and survivor option. If there is no designated co-beneficiary or surviving spouse, then qualified children, dependent parents, named beneficiary or estate are eligible for the same benefits payable on behalf of a deceased member who was not eligible for reduced service retirement.

Refund of Member Contributions

In the event a member leaves service for a reason other than death or retirement, member contribution accounts including interest plus matching employer contributions with interest are refunded upon request.

BENEFIT PROVISIONS EVALUATED PENSION PLAN

Benefit Options

Benefits are payable for the life of the retired member. Optional reduced benefits may be elected at the time of retirement to provide for continuation of 50% or 100% of a reduced benefit amount to a designated co-beneficiary. If the member retires any time after the date on which service retirement eligibility is first met, the reduction for 50% or 100% continuation option will be actuarially determined as of the date the member first became eligible for service retirement.

Post-Retirement Benefit Increases

Each year on March 1, benefits which have been paid for at least three months preceding March 1 are increased. The increase is 3.5% compounded annually for each year of retirement for members hired before July 1, 2005 and 3.0% compounded annually for each year of retirement for members hired on or after July 1, 2005.

Changes in Plan Provisions Since Prior Year

No material changes.

BENEFIT PROVISIONS EVALUATED POSTRETIREMENT HEALTH CARE PROGRAM

| | | |
|---|--|-------|
| Effective Date | On July 1, 1985, employer contributions to the Program commenced. Premium subsidy payments began July 1, 1986. | |
| Type of Program | Partially pre-funded postretirement health care plan covering PERA benefit recipients and other eligible persons. | |
| Eligibility for Health Care Program Coverage | <p>Anyone receiving a monthly PERA benefit, spouses, and unmarried, dependent children under age 19 (under age 24 if enrolled in school full-time).</p> <p>Members receiving short-term disability payments.</p> <p>Guardians of children receiving PERA survivor benefits if children are enrolled in Program.</p> <p>Retirees temporarily not receiving PERA benefits.</p> <p>Surviving spouses of deceased retirees who are not receiving PERA benefits but were enrolled in the Program when death occurred.</p> <p>Divorced spouses of retirees who are not receiving PERA benefits, but were enrolled in the Program when the divorce occurred.</p> | |
| Employer Contributions to Health Care Trust Fund (HCTF) | Before 7/1/2004 | 1.10% |
| | On and after 7/1/2004 | 1.02% |
| Enrollment | Enrollment in the Program is voluntary. Open enrollment is held annually for coverage effective January 1. | |
| Program Premium Subsidy | <p>The Program pays a portion or all of the monthly premium for health care coverage up to \$5.75 times the benefit recipient's years of service credit, with a maximum subsidy of \$115 per month if the benefit recipient is over age 65, or \$11.50 times the service credit, with a maximum of \$230 per month, if the benefit recipient is under age 65. The subsidy, known as the fixed subsidy, is paid from the HCTF. Any additional cost of the health insurance coverage, except for members not fully covered by Medicare Part A, is paid by the benefit recipient. Eligible persons not receiving a monthly benefit from PERA do not receive the subsidy. They pay the entire cost of the health insurance coverage.</p> | |

BENEFIT PROVISIONS EVALUATED POSTRETIREMENT HEALTH CARE PROGRAM

For members not fully covered by Medicare Part A, the HCTF pays an implicit subsidy. Under the self-insured program, the implicit subsidy is equal to the difference between claims paid for Part A services and what Medicare would have paid had such retirees been enrolled in Part A. For retirees participating in an HMO, the additional subsidy paid by the HCTF for members not covered by Part A is equal to the difference in the premiums the HMO's charge for retirees without Part A coverage, and those covered by Part A.

Health Care Plans Offered

Eligible persons are offered choices of health plans and plan designs. All plans include comprehensive prescription drug benefits. Premiums are established annually for each plan, and vary based upon geographic region for some plans. Premiums for Medicare plans generally are lower than premiums for pre-Medicare plans, as all benefit recipients age 65 or older must be enrolled in Medicare Part B.

Note: All actuarial calculations and analyses made in this report assume no future fixed subsidy increases. Increases in Medicare Part A costs for members not fully covered by Part A are assumed to increase at 5.50% per annum.

Changes in Plan Provisions Since Prior Year

No material changes.

ACTUARIAL METHODS AND ASSUMPTIONS

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL METHODS

The ultimate cost of a retirement plan (such as PERA) is equal to the benefits paid plus the expenses resulting from the administration and financing of the plan. These plan costs are paid for through contributions to the plan as well as through investment earnings on the plan's assets.

Using the plan's schedule of benefits, the member data and a carefully selected set of actuarial assumptions, the plan's actuary estimates the cost of the benefits which will be paid from the plan. Then using a particular actuarial funding method, the actuary will allocate these costs and determine a systematic manner to fund for future plan benefits.

In the case of PERA (as well as most other public sector plans), the objective is to fund in a manner which keeps contribution rates approximately level from generation to generation. The funding method best designed to keep annual costs level (as a percentage of pay) is the Entry Age Actuarial Cost Method. This method is described briefly below.

Entry Age Actuarial Cost Method

Under the Entry Age Actuarial Cost Method, projected pension, termination, disability and death benefits are determined for all active members. Cost factors, which are developed to produce level annual costs in each year from the age at hire (entry age) to the assumed retirement age are applied to the projected benefits to determine the "normal cost." The normal cost is the portion of the total cost of the plan allocated to the current year. The normal cost for contribution refunds is assumed to end in the last year of assumed eligibility, and is spread over all years of service.

The "actuarial accrued liability" for active members is then calculated as the portion of the total cost of the plan allocated to prior years, i.e., the value of the prior years' normal cost amounts. The actuarial accrued liability for members currently receiving benefits, deferred members, and for active members beyond the assumed retirement age is equal to the present value of the benefits expected to be paid. No accrued benefits are available for members entitled to deferred benefits. The present value of the benefits expected to be paid to deferred vested members is calculated as of the valuation date on termination basis using the credited service and salary history as of member's date of termination. No normal costs are now payable for these participants.

The excess of the total actuarial accrued liability over the value of the plan assets is called the "unfunded actuarial accrued liability." Funding requirements under the Entry Age Actuarial Cost Method are determined as the sum of a) the normal cost and b) an amortization of the unfunded liability.

The actuarial assumptions discussed below are used in determining the projected benefits and cost factors. The effect of differences between these assumptions and the actual experience of the plan is calculated each year when the annual actuarial valuation is performed. These

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

differences produce either actuarial gains or losses which result in adjusting the unfunded liability discussed above.

Asset Valuation Method

The method for valuing assets is intended to recognize a “smoothed” market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a four-year period. The actuarial value of assets was reinitialized at Market Value as of December 31, 2004. There will be one year of smoothing in the December 31, 2005 valuation as the method is phased in.

ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were adopted in 2005 by the Board of Trustees based on advice from the actuary and the results of an experience analysis. The assumptions, which are reviewed in depth every four or five years, are used to project the Plan’s future experience.

Economic Assumptions

The investment return rate used in the valuations is 8.50 percent per year compounded annually (net of administrative expenses). The inflation assumption is 3.75 percent per year.

The overall member payroll is assumed to increase 4.50 percent annually. Beginning in 2006, newly hired members of the State Division will have the choice of participating in PERA or the State Defined Contribution Plan. Once credible experience is available, we will review the appropriateness of the annual payroll increase assumption for the State Division and recommend changes, if necessary. Pay increase assumptions for individual members are shown for sample ages in Exhibits I, II, and III. Judicial Division pay increases are determined by the State Legislature.

The interest credit rate assumed on member contribution balances is 5 percent per annum.

Non-Economic Assumptions

The mortality table is based on PERA experience. The table is used to estimate the value of benefits expected to be paid. Related values are shown in Exhibit IV. For disability retirement, impaired longevity is recognized by basing benefit values on an adjusted age midway between attained age and normal retirement age.

The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages in Exhibits I, II, III, and IV. It was assumed that 35 percent of the vested members who terminate elect to withdraw their contributions and matching employer contributions while the remaining 65 percent elect to leave their contributions in the plan in order to be eligible for a benefit at their retirement date, except for Judicial.

100% of members are assumed to be married. Husbands are assumed to be 3 years older than their wives.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Other Assumptions for the Postretirement Health Care Program

Percent of Members electing to participate in Health Care Program:

| Member | Assumption |
|--|---|
| Current PERA benefit recipients under age 65 | Current participants to age 65 plus 70% of all PERA benefit recipients at age 65. |
| Current PERA benefit recipients over age 65 | Current participants |
| Active Members under age 65 | 50% of eligible to age 65, and 70% over age 65 |
| Vested Deferred Members | 20% of eligible members before and after age 65 |

Percent of Active Members electing Option 2 or Option 3: 42%

For purposes of this report, the no-Part A subsidy is valued using 2005 census information, standard valuation assumptions and methods from the December 31, 2005 HCTF valuation, and additional statistics and assumptions as follows:

- **Base Claim Cost Rates**

Additional base-year medical claims paid by the HCTF attributable to the absence of Part A coverage are projected forward with Health Care Cost Trend (HCCTR) for each no-Part A plan member. For 2006, this base claim cost rate under self-funded plans equals \$445.83 per month for gross Part A type claims less \$30.35 per month in average Part A deductibles, etc., not paid by Medicare. For HMOs, the difference between 2006 insured rates applicable to no-Part A members and full-Medicare members is used. The 2006 Medicare Part A premium prior to a 10% late-enrollment penalty is \$393.00 per month. Note that 10% late-enrollment penalty is not applied to current active and pre-Medicare members projected to enroll in the self-funded plan, as PERA is assumed to begin paying Part A premiums on behalf of these members upon their first eligibility for Medicare.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

- **Health Care Cost Trend Rates**

The set of HCCTR assumptions used grades down from recent experience for each plan to an ultimate level 200 basis points below the assumed discount rate, as follows:

| Year | Self-Funded Plans | | Kaiser | | RMHP | |
|-------|--------------------|--------------------------|--------------------|----------------|--------------------|----------------|
| | Part A Type Claims | Part A Deductibles, Etc. | No-Part A Premiums | A & B Premiums | No-Part A Premiums | A & B Premiums |
| 2006 | 12.80% | 6.28% | 10.10% | 8.57% | 5.15% | 1.73% |
| 2007 | 12.10% | 6.30% | 9.70% | 8.34% | 5.30% | 2.26% |
| 2008 | 11.40% | 6.33% | 9.30% | 8.11% | 5.45% | 2.79% |
| 2009 | 10.70% | 6.35% | 8.90% | 7.88% | 5.60% | 3.32% |
| 2010 | 10.00% | 6.38% | 8.50% | 7.65% | 5.75% | 3.85% |
| 2011 | 9.30% | 6.40% | 8.10% | 7.42% | 5.90% | 4.38% |
| 2012 | 8.60% | 6.43% | 7.70% | 7.19% | 6.05% | 4.91% |
| 2013 | 7.90% | 6.45% | 7.30% | 6.96% | 6.20% | 5.44% |
| 2014 | 7.20% | 6.48% | 6.90% | 6.73% | 6.35% | 5.97% |
| 2015+ | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |

Medicare Part A premiums are projected to increase at 5.50% per annum for all years.

- **Morbidity**

Morbidity assumptions account for the growth in average claims as a population ages. Morbidity is typically applied to each covered member for self-funded groups and may or may not be applied in the case of insured plans, depending on the rating mechanisms used by the insurer for the coverage included in the valuation. Because it is assumed that PERA will pay Part A premiums at the point in time when Part A premiums are less than net no-Part A type claims, no morbidity has been assumed. In relation to PERA, Medicare may be thought of as a fully insured, community-rated plan.

- **HCTF Participation and Plan Election**

Participation in the HCTF is a function of premiums paid by retirees, net of the fixed subsidy based on years of service. Over time, no-Part A retirees are assumed to drop coverage as their share of premium and out-of-pocket hospital bill costs increase. On average, 7.5% of no-Part A retirees are assumed to drop PERA coverage in all years. Current benefit recipients are assumed to remain in the self-funded or HMO plan currently elected. Pre-Medicare retirees and active employees projected to be no-Part A HCTF members are assumed to enroll in self-funded and HMO plans in the same ratio as current no-Part A retirees.

- **Active Members Included**

Active membership included in our valuation of PERA's no-Part A subsidy is limited to members with dates of PERA-covered employment prior to March 31, 1986 and who did not have the potential employment prior to joining PERA sufficient to obtain future Medicare Part A coverage free of charge. Determination of hire date for each member is based on earned service reported. Members with at least 10 years between age 20 and their date of PERA-covered employment are assumed to have 40 quarters of Social Security coverage and are therefore excluded from the valuation. Members with at least 7.5 years between age 20 and their date of PERA-covered employment are assumed to have 30-39 quarters of Social Security coverage and are therefore eligible for Medicare Part A coverage at premiums 45%

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

lower than required of active members with less than 30 quarters of coverage. Actual Social Security payroll tax records for active members are required to replace these assumptions with corresponding data elements.

- **Active Member Transfers**

30% of employees hired prior to March 31, 1986 are assumed to transfer between employers or subgroups within PERA and begin Social Security-covered employment. Thus, 30% of active members otherwise ineligible for free or partial Part A coverage from PERA are assumed to attain 40 quarters of Social Security coverage.

- **Inactive Members with Vested Rights to Deferred PERA Pensions**

Inactive membership is excluded from this valuation on the assumption that, between potential employment prior to and after their PERA-covered careers, they will obtain at least 40 quarters of coverage. Actual Social Security payroll tax records for inactive members are required to replace these assumptions with corresponding data elements.

- **Pre-Medicare PERA Pensioners**

7.5% of HCTF benefit recipients enrolled in pre-Medicare coverage are assumed to ultimately qualify for the no-Part A subsidy. This assumption reflects the current percentage of Medicare-eligible benefit recipients enrolled in no-Part A coverage categories. Actual Social Security payroll tax records for benefit recipients are required to replace these assumptions with corresponding data elements.

- **Medicare Assumptions for Current Benefit Recipients**

25% of both pre-Medicare pensioners and benefit recipients enrolled in no-Part A coverage categories are assumed to have 30-39 quarters of coverage for Medicare purposes and thereby qualify for Part A premiums that are 45% lower than required of retirees with less than 30 quarters of coverage. This assumption reflects the current percentage of active members assumed eligible for “partial Part A coverage” as derived from census data and described above. Actual Social Security payroll tax records for benefit recipients are required to replace these assumptions with corresponding data elements.

- **Spousal Medicare Coverage**

30% of all members otherwise ineligible for free or partial Part A are assumed to obtain Medicare coverage through a spouse.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Exhibit I – State Division

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

| Sample Ages | Percent of Members Separating Within the Next Year | | | | | | Pay Increase Assumptions for an Individual Member | | |
|--------------------------------|---|-------|---------------------|-------|------------|-------|--|--|-------------------------|
| | Ultimate Withdrawal ¹² | | Death ¹³ | | Disability | | Merit & Seniority | Inflation & Productivity (Economy) | Increase (Next Year) |
| | Men | Women | Men | Women | Men | Women | | | |
| MEMBERS CONTRIBUTING 8% | | | | | | | | | |
| 20 | 21.00 | 18.00 | 0.025 | 0.015 | 0.01 | 0.01 | 5.67% | 4.50% | 10.17% |
| 25 | 7.20 | 7.60 | 0.030 | 0.015 | 0.04 | 0.03 | 3.75 | 4.50 | 8.25 |
| 30 | 6.30 | 6.90 | 0.040 | 0.025 | 0.05 | 0.05 | 2.80 | 4.50 | 7.30 |
| 35 | 5.40 | 6.20 | 0.055 | 0.035 | 0.18 | 0.16 | 2.05 | 4.50 | 6.55 |
| 40 | 4.40 | 5.60 | 0.095 | 0.058 | 0.24 | 0.22 | 1.50 | 4.50 | 6.00 |
| 45 | 4.30 | 5.00 | 0.200 | 0.097 | 0.39 | 0.34 | 0.85 | 4.50 | 5.35 |
| 50 | 4.20 | 5.00 | 0.383 | 0.158 | 0.55 | 0.50 | 0.50 | 4.50 | 5.00 |
| 55 | 4.20 | 5.00 | 0.538 | 0.227 | 0.90 | 0.84 | 0.10 | 4.50 | 4.60 |
| 60 | 4.20 | 5.00 | 0.680 | 0.345 | 1.06 | 0.94 | 0.00 | 4.50 | 4.50 |
| 65 | 4.20 | 5.00 | 1.061 | 0.603 | 1.08 | 0.96 | 0.00 | 4.50 | 4.50 |

MEMBERS CONTRIBUTING 10.0% (STATE TROOPERS)

| | | | | | | | | | |
|----|------|------|-------|-------|------|------|-------|-------|--------|
| 20 | 5.00 | 5.00 | 0.025 | 0.015 | 0.02 | 0.02 | 5.50% | 4.50% | 10.00% |
| 25 | 5.00 | 5.00 | 0.030 | 0.015 | 0.08 | 0.08 | 3.75 | 4.50 | 8.25 |
| 30 | 3.80 | 3.80 | 0.040 | 0.025 | 0.12 | 0.12 | 2.80 | 4.50 | 7.30 |
| 35 | 2.50 | 2.50 | 0.055 | 0.035 | 0.40 | 0.40 | 2.05 | 4.50 | 6.55 |
| 40 | 1.60 | 1.60 | 0.095 | 0.058 | 0.54 | 0.54 | 1.50 | 4.50 | 6.00 |
| 45 | 1.10 | 1.10 | 0.200 | 0.097 | 0.86 | 0.86 | 1.20 | 4.50 | 5.70 |
| 50 | 1.00 | 1.00 | 0.383 | 0.158 | 1.28 | 1.28 | 0.80 | 4.50 | 5.30 |
| 55 | 1.00 | 1.00 | 0.538 | 0.227 | 1.85 | 1.85 | 0.40 | 4.50 | 4.90 |
| 60 | 1.00 | 1.00 | 0.680 | 0.345 | 2.00 | 2.00 | 0.00 | 4.50 | 4.50 |
| 65 | 1.00 | 1.00 | 1.061 | 0.603 | 2.00 | 2.00 | 0.00 | 4.50 | 4.50 |

Exhibit II – School Division

| | | | | | | | | | |
|----|-------|-------|-------|-------|------|------|-------|-------|--------|
| 20 | 21.00 | 18.00 | 0.025 | 0.015 | 0.01 | 0.01 | 6.20% | 4.50% | 10.70% |
| 25 | 7.63 | 8.99 | 0.030 | 0.015 | 0.01 | 0.02 | 4.10 | 4.50 | 8.60 |
| 30 | 5.24 | 7.79 | 0.040 | 0.025 | 0.01 | 0.03 | 2.95 | 4.50 | 7.45 |
| 35 | 4.36 | 6.80 | 0.055 | 0.035 | 0.04 | 0.05 | 2.50 | 4.50 | 7.00 |
| 40 | 3.59 | 5.40 | 0.095 | 0.058 | 0.11 | 0.08 | 1.95 | 4.50 | 6.45 |
| 45 | 3.27 | 5.00 | 0.200 | 0.097 | 0.18 | 0.11 | 1.35 | 4.50 | 5.85 |
| 50 | 3.90 | 4.60 | 0.383 | 0.158 | 0.30 | 0.20 | 0.80 | 4.50 | 5.30 |
| 55 | 3.90 | 4.60 | 0.538 | 0.227 | 0.55 | 0.36 | 0.35 | 4.50 | 4.85 |
| 60 | 3.90 | 4.60 | 0.680 | 0.345 | 0.70 | 0.40 | 0.00 | 4.50 | 4.50 |
| 65 | 3.90 | 4.60 | 1.061 | 0.603 | 0.70 | 0.40 | 0.00 | 4.50 | 4.50 |

¹² There are no select withdrawal assumptions for the State Troopers.

¹³ Rates are shown for healthy members. Separate disability mortality tables are used for disabled retirees.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Exhibit III – Local Government (Municipal) Division

| Sample Ages | Percent of Members Separating Within the Next Year | | | | | | Pay Increase Assumptions for an Individual Member | | |
|-------------|---|-------|---------------------|-------|------------|-------|--|--|-------------------------|
| | Ultimate Withdrawal | | Death ¹⁴ | | Disability | | Merit & Seniority | Inflation & Productivity (Economy) | Increase (Next Year) |
| | Men | Women | Men | Women | Men | Women | | | |
| 20 | 12.00 | 15.00 | 0.025 | 0.015 | 0.01 | 0.01 | 6.97% | 4.50% | 11.47% |
| 25 | 9.50 | 12.35 | 0.030 | 0.015 | 0.04 | 0.04 | 4.31 | 4.50 | 8.81 |
| 30 | 7.20 | 9.58 | 0.040 | 0.025 | 0.07 | 0.07 | 2.65 | 4.50 | 7.15 |
| 35 | 4.40 | 8.00 | 0.055 | 0.035 | 0.18 | 0.18 | 1.72 | 4.50 | 6.22 |
| 40 | 3.90 | 7.10 | 0.095 | 0.058 | 0.27 | 0.24 | 1.23 | 4.50 | 5.73 |
| 45 | 3.40 | 6.30 | 0.200 | 0.097 | 0.41 | 0.39 | 0.99 | 4.50 | 5.49 |
| 50 | 3.40 | 6.30 | 0.383 | 0.158 | 0.61 | 0.65 | 0.79 | 4.50 | 5.29 |
| 55 | 3.40 | 6.30 | 0.538 | 0.227 | 1.02 | 0.90 | 0.60 | 4.50 | 5.10 |
| 60 | 3.40 | 6.30 | 0.680 | 0.345 | 1.10 | 1.03 | 0.25 | 4.50 | 4.75 |
| 65 | 3.40 | 6.30 | 1.061 | 0.603 | 1.10 | 1.03 | 0.00 | 4.50 | 4.50 |

Exhibit IV – Judicial Division

| Sample Ages | Percent of Members Separating Within the Next Year | | | | | | Pay Increase Assumptions for an Individual Member | | |
|-------------|---|-------|---------------------|-------|------------|-------|--|--|-------------------------|
| | Withdrawal | | Death ¹⁴ | | Disability | | Seniority | Inflation & Productivity (Economy) | Increase (Next Year) |
| | Men | Women | Men | Women | Men | Women | | | |
| 30 | 2.70 | 2.70 | 0.040 | 0.025 | 0.06 | 0.06 | 1.50% | 4.50% | 6.00% |
| 35 | 2.70 | 2.70 | 0.055 | 0.035 | 0.07 | 0.07 | 1.50 | 4.50 | 6.00 |
| 40 | 2.70 | 2.70 | 0.095 | 0.058 | 0.10 | 0.10 | 0.67 | 4.50 | 5.17 |
| 45 | 2.70 | 2.70 | 0.200 | 0.097 | 0.17 | 0.17 | 0.50 | 4.50 | 5.00 |
| 50 | 2.70 | 2.70 | 0.383 | 0.158 | 0.31 | 0.31 | 0.50 | 4.50 | 5.00 |
| 55 | 2.70 | 2.70 | 0.538 | 0.227 | 0.63 | 0.63 | 0.50 | 4.50 | 5.00 |
| 60 | 2.70 | 2.70 | 0.680 | 0.345 | 1.22 | 1.22 | 0.50 | 4.50 | 5.00 |
| 65 | 2.70 | 2.70 | 1.061 | 0.603 | 1.48 | 1.48 | 0.50 | 4.50 | 5.00 |

Exhibit V

Percent of Members With Less Than Five Years
of Service Withdrawing from Employment Next Year¹⁵

| Completed Years of Service | State Division Non-State Troopers | | School Division | | Local Government (Municipal) Division | |
|-------------------------------|--------------------------------------|-------|-----------------|-------|--|-------|
| | Men | Women | Men | Women | Men | Women |
| | 0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |
| 1 | 18.0 | 20.0 | 16.0 | 16.5 | 16.0 | 18.0 |
| 2 | 12.0 | 14.0 | 12.0 | 12.5 | 12.0 | 12.0 |
| 3 | 9.0 | 11.0 | 9.0 | 10.5 | 9.0 | 9.0 |
| 4 | 8.0 | 10.0 | 8.0 | 10.0 | 7.0 | 7.0 |

¹⁴ Rates are shown for healthy members. Separate disability mortality tables are used for disabled retirees.

¹⁵ There are no select withdrawal assumptions for the State Troopers or the Judicial Division.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Exhibit VI – State, School, Local Government (Municipal), and Judicial Divisions

Single Life Retirement Values

| Sample Attained Ages | Present Value of \$1.00 Monthly for Life | | Present Value of \$1.00 Monthly Increasing 3.5% Annually | | Future Life Expectancy (Years) | |
|----------------------|---|----------|--|----------|-----------------------------------|-------|
| | Men | Women | Men | Women | Men | Women |
| | 40 | \$138.39 | \$141.51 | \$206.81 | \$214.96 | 41.93 |
| 45 | 134.80 | 139.02 | 197.32 | 207.10 | 37.19 | 40.86 |
| 50 | 130.42 | 135.64 | 186.57 | 197.55 | 32.65 | 36.09 |
| 55 | 125.29 | 131.12 | 174.65 | 186.07 | 28.35 | 31.41 |
| 60 | 118.37 | 124.79 | 160.31 | 171.98 | 24.11 | 26.78 |
| 65 | 109.07 | 116.45 | 143.22 | 155.38 | 19.98 | 22.32 |
| 70 | 98.28 | 105.86 | 125.02 | 136.43 | 16.22 | 18.08 |
| 75 | 86.47 | 93.08 | 106.56 | 115.73 | 12.91 | 14.19 |
| 80 | 74.16 | 79.29 | 88.65 | 95.06 | 10.08 | 10.82 |
| 85 | 62.15 | 63.82 | 72.23 | 73.84 | 7.76 | 7.84 |

Exhibit VII

Percent of Members Who Are Eligible for Reduced Benefits Retiring Next Year

| Retirement Ages | State Division | | | | | | | |
|--------------------|----------------|-------|----------------|-----------------|-------|---------------------------------------|-------|-------------------|
| | State Members | | State Troopers | School Division | | Local Government (Municipal) Division | | Judicial Division |
| | Men | Women | | Men | Women | Men | Women | |
| 50 | 10 | 10 | 20 | 10 | 12 | 12 | 15 | 10 |
| 51 | 10 | 10 | 20 | 10 | 12 | 12 | 15 | 10 |
| 52 | 10 | 10 | 20 | 10 | 12 | 12 | 15 | 10 |
| 53 | 10 | 10 | 20 | 10 | 12 | 12 | 15 | 10 |
| 54 | 15 | 15 | 20 | 18 | 20 | 12 | 15 | 10 |
| 55 | 15 | 15 | 10 | 18 | 20 | 12 | 15 | 10 |
| 56 | 15 | 15 | 10 | 18 | 20 | 15 | 15 | 10 |
| 57 | 15 | 15 | 10 | 18 | 20 | 15 | 15 | 10 |
| 58 | 15 | 15 | 10 | 18 | 20 | 15 | 15 | 10 |
| 59 | 15 | 15 | 10 | 18 | 20 | 15 | 15 | 10 |
| 60 | 12 | 15 | 25 | 14 | 15 | 15 | 10 | 10 |
| 61 | 12 | 12 | 25 | 14 | 15 | 15 | 10 | 10 |
| 62 | 15 | 18 | 25 | 14 | 15 | 15 | 12 | 10 |
| 63 | 25 | 12 | 25 | 14 | 15 | 15 | 12 | 10 |
| 64 | 25 | 12 | 25 | 14 | 15 | 15 | 12 | 10 |
| 65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| 66 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| 67 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| 68 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| 69 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| 70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40 |
| 71 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40 |
| 72 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 |
| 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 |
| 74 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 |
| 75 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 |

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Exhibit VIII

Percent of Members Who Are Eligible for Unreduced Benefits Retiring Next Year

| Retirement Ages | State Division | | State Troopers | School Division | | Local Government (Municipal) Division | | Judicial Division |
|--------------------|----------------|-------|-------------------|-----------------|-------|--|-------|----------------------|
| | State Members | | | Men | Women | Men | Women | |
| | Men | Women | | | | | | |
| 50 | 40 | 40 | 30 | 40 | 40 | 15 | 15 | 10 |
| 51 | 35 | 35 | 30 | 40 | 40 | 15 | 15 | 10 |
| 52 | 30 | 30 | 30 | 35 | 35 | 15 | 15 | 10 |
| 53 | 30 | 25 | 30 | 35 | 35 | 15 | 15 | 10 |
| 54 | 30 | 25 | 25 | 35 | 35 | 15 | 25 | 10 |
| 55 | 20 | 25 | 25 | 25 | 25 | 15 | 25 | 10 |
| 56 | 20 | 20 | 15 | 25 | 25 | 25 | 25 | 10 |
| 57 | 20 | 20 | 15 | 25 | 22 | 25 | 25 | 10 |
| 58 | 20 | 20 | 35 | 25 | 22 | 25 | 25 | 10 |
| 59 | 20 | 20 | 35 | 25 | 22 | 25 | 25 | 10 |
| 60 | 20 | 20 | 35 | 25 | 22 | 20 | 12 | 10 |
| 61 | 18 | 16 | 35 | 22 | 17 | 20 | 12 | 10 |
| 62 | 20 | 20 | 50 | 22 | 17 | 20 | 15 | 10 |
| 63 | 17 | 16 | 50 | 22 | 17 | 20 | 15 | 10 |
| 64 | 17 | 16 | 50 | 22 | 17 | 20 | 15 | 10 |
| 65 | 30 | 25 | 100 | 30 | 25 | 25 | 30 | 10 |
| 66 | 25 | 22 | 100 | 19 | 17 | 30 | 25 | 10 |
| 67 | 25 | 22 | 100 | 19 | 17 | 30 | 25 | 10 |
| 68 | 25 | 22 | 100 | 19 | 17 | 30 | 25 | 15 |
| 69 | 25 | 22 | 100 | 19 | 17 | 30 | 25 | 20 |
| 70 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 40 |

NOTE: The actuarial assumptions have been changed as of December 31, 2005 based on the 2005 experience analysis to more accurately reflect expected experience.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Notes to Required Supplementary Information Under GASB No. 25 and 26

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

| | State Division Trust Fund | School Division Trust Fund | Local Government (Municipal) Division Trust Fund | Judicial Division Trust Fund | Health Care Trust Fund |
|--|------------------------------|-------------------------------|--|---------------------------------|---|
| Valuation date | 12/31/05 | 12/31/05 | 12/31/05 | 12/31/05 | 12/31/05 |
| Actuarial cost method | Entry age normal | Entry age normal | Entry age normal | Entry age normal | Entry age normal |
| Amortization method | Level percent, Open | Level percent, Open | Level percent, Open | Level percent, Open | Level percent, Open |
| Remaining amortization period used in ARC calculation | 40 | 40 | 40 | 40 | 40 |
| Asset valuation method ¹⁶ | 4-year smoothed market | 4-year smoothed market | 4-year smoothed market | 4-year smoothed market | 4-year smoothed market |
| 2006 Annual Required Contribution (ARC) | 14.86% | 13.37% | 8.70% | 12.77% | 0.99% |
| Actuarial assumptions | | | | | |
| Investment rate of return | 8.50% | 8.50% | 8.50% | 8.50% | 8.50% |
| Projected salary increases ¹⁷ | 4.5-10.17% | 4.5-10.70% | 4.5-11.47% | 5.0-6.00% | Not applicable |
| Cost-of-living adjustments | 3.5% | 3.5% | 3.5% | 3.5% | None |
| | compounded annually | compounded annually | compounded annually | compounded annually | |
| Health care inflation factor | Not applicable | Not applicable | Not applicable | Not applicable | 5.5% per annum applicable to Medicare Part A costs |

¹⁶ Asset values were re-initialized at Market Value effective December 31, 2004, with phase-in.

¹⁷ Includes inflation at 3.75 percent.

SUMMARY OF STATE DIVISION RESULTS

SUMMARY OF STATE DIVISION RESULTS

Summary of Data Used in Valuation

| <u>Group</u> | Annual Payroll/Benefits | | |
|--------------------------------|-------------------------|--|----------------|
| | <u>Number</u> | <u>Total</u> <u>(\$ in Thousands)</u> | <u>Average</u> |
| Active Members | | | |
| Other Than State Troopers | 52,576 | \$2,129,003 | \$40,494 |
| State Troopers | <u>775</u> | <u>50,759</u> | \$65,495 |
| Total | 53,351 | \$2,179,762 | \$40,857 |
| Retirees and Beneficiaries* | 27,820 | \$802,995 | \$28,864 |
| Inactive Deferred | 4,166 | | |
| Nonvested Inactive Due Refunds | <u>40,919</u> | | |
| Total | 126,256 | | |

*Includes deferred beneficiaries.

SUMMARY OF STATE DIVISION RESULTS

Development of Actuarial Value of Assets

| | <u>(\$ Thousands)</u> |
|--|-----------------------|
| 1. Actuarial Value December 31, 2004 (old method) | \$11,338,114 |
| 2. Market Value December 31, 2004 | \$11,903,221 |
| 3. Actuarial Value December 31, 2004 (new method, re-initialized to market value) | \$11,903,221 |
| 4. Market Value December 31, 2005 | \$12,629,060 |
| 5. Cash Flow During 2005: | |
| a. Employer contributions | \$191,629 |
| b. Employee contributions (including service purchase) | 262,912 |
| c. Benefit payments and other deductions | (841,944) |
| d. Expenses and fees | (6,740) |
| e. Transfers In / (Out) | <u>2,016</u> |
| f. Net Cash Flow | \$(392,127) |
| 6. Expected Return on Market Value During 2005 (2) x .085 + (5f) x .0425 | \$995,108 |
| 7. Actual Return on Market Value During 2005 | \$1,117,967 |
| 8. Phase-In Amount | |
| – 2005 (7)-(6) | \$122,859 |
| 9. Unrecognized Amounts to be Phased-In | |
| – 2005 [(8) x 75%] | \$92,144 |
| 10. Actuarial Value of Assets December 31, 2005 (4)-(9) | \$12,536,916 |

SUMMARY OF STATE DIVISION RESULTS

Allocation of Actuarial Present Values

(\$ in Thousands)

| Actuarial Present Value, December 31, of | Actuarial Present Value of Future Benefits | Portion Covered by Future Normal Cost Contributions | Actuarial Accrued Liabilities (2)-(3) |
|--|--|--|--|
| (1) | (2) | (3) | (4) |
| Active Members | | | |
| Service Retirement Benefits | \$7,389,016 | \$1,412,036 | \$5,976,980 |
| Disability Benefits | 364,051 | 155,322 | 208,729 |
| Survivor Benefits | 224,574 | 63,975 | 160,599 |
| Separation Benefits | <u>1,328,508</u> | <u>639,901</u> | <u>688,607</u> |
| Active Member Totals | \$9,306,149 | \$2,271,234 | \$7,034,915 |
| Retirees and Beneficiaries on Rolls | 10,146,650 | 0 | 10,146,650 |
| Inactive Deferred Benefits | | | |
| Vested Inactives | 279,164 | 0 | 279,164 |
| Nonvested Inactives—Refunds Due | <u>81,015</u> | <u>0</u> | <u>81,015</u> |
| Total | \$19,812,978 | \$2,271,234 | \$17,541,744 |
| Assets Used in Valuation | | | <u>12,536,916</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liabilities | | | \$5,004,828 |

SUMMARY OF STATE DIVISION RESULTS

Employer Contribution Rate

Expressed as Percent of Active Member Payroll

| <u>Contribution For</u> | <u>Contributions Expressed as Percent of Payroll</u> |
|---|--|
| Normal Cost | |
| Service Retirement Benefits | 8.92% |
| Disability Benefits | 0.95 |
| Survivor Benefits | 0.41 |
| Separation Benefits | <u>3.91</u> |
| Total | 14.19% |
| Member Current Contributions ¹⁸ | <u>8.05</u> |
| Employer Normal Cost | 6.14% |
| Employer Contribution Rate ¹⁸ | 10.19% |
| Percent Available to Amortize Unfunded Actuarial Accrued Liabilities (UAAL) | 4.05% |
| Number of Years to Amortize UAAL | |
| – Without AED | Infinite |
| – With AED | Infinite |
| Actuarially Required Employer Contribution Rate to pay Normal Cost and amortize UAAL over 40 years (assuming AED is paid throughout the amortization period) | 14.86% |

¹⁸ Weighted average of more than one statutory rate.

SUMMARY OF STATE DIVISION RESULTS

Actuarial Present Value of Accumulated Plan Benefits

| | <u>\$ in Thousands</u> |
|---|------------------------|
| Vested Benefits | |
| For retired lives | \$10,146,650 |
| For others | 4,682,295 |
| Non-Vested Benefits | <u>597,669</u> |
| Actuarial Present Value of Accumulated Plan Benefits | \$15,426,614 |

The actuarial present value of accumulated plan benefits as of December 31, 2004, was \$15,101.0 million. During the year, the plan experienced a net increase of \$326.0 million in the actuarial present value of accumulated plan benefits.

The actuarial present values presented above were determined using the following assumptions:

- a) Future salary increases were not considered.
- b) Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
- c) Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability and investment return.

Active Member Counts

| | |
|---------------------------|------------|
| Vested | |
| Other Than State Troopers | 28,722 |
| State Troopers | 563 |
| Non-Vested | |
| Other Than State Troopers | 23,854 |
| State Troopers | <u>212</u> |
| Total | 53,351 |

SUMMARY OF STATE DIVISION RESULTS

GASB-25 **Schedule of Funding Progress** (in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL/ Covered Payroll |
|----------------|---------------------------|-----------------------------|---|--------------|-----------------|-----------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 12-31-05 | \$12,536,916 | \$17,541,744 | \$5,004,828 | 71.5% | \$2,064,764 | 242.4% |
| 12-31-04 | \$28,594,699 | \$40,783,531 | \$12,188,832 | 70.1% | \$5,303,439 | 229.8% |
| 12-31-03 | \$28,522,222 | \$37,914,502 | \$9,392,280 | 75.2% | \$5,140,918 | 182.7% |
| 12-31-02 | \$28,551,607 | \$32,463,918 | \$3,912,311 | 87.9% | \$5,278,586 | 74.1% |
| 12-31-01 | \$28,947,935 | \$29,469,608 | \$521,673 | 98.2% | \$4,954,605 | 10.5% |
| 12-31-00 | \$27,749,435 | \$26,492,574 | (\$1,256,861) | 104.7% | \$4,561,133 | (27.6%) |

Schedule of Employer Contributions

| Fiscal Year | Annual Required Contribution* (ARC) | % ARC Contributed |
|-------------|-------------------------------------|-------------------|
| (1) | (2) | (3) |
| 2005 | 19.33% | 48% |
| 2004 | 17.31% | 51% |
| 2003 | 11.11% | 69% |
| 2002 | 6.37% | 100% |
| 2001 | 6.84% | 100% |
| 2000 | 9.82% | 100% |

*As a percent of covered payroll and without consideration of future increases in AED. The amortization period for 2005 is 40 years.

Notes to Schedules

For these schedules, the State and School Divisions have been combined for years prior to December 31, 2005.

Actuarial Method: Individual Entry Age Normal.

Actuarial Assumptions: Please see pages 25 through 33 for a description of the current assumptions.

Trend Factors: There was no significant change in the population size during 2005. There were no material plan changes since the last valuation.

SUMMARY OF STATE DIVISION RESULTS

Changes in Unfunded Actuarial Accrued Liabilities

During Calendar 2005

\$ in Millions

| | |
|---|--------------|
| 1. Beginning of Year: | |
| a) Unfunded Actuarial Accrued Liabilities (UAAL) | \$5,062.7 |
| b) Normal Cost | 334.6 |
| c) Total Contribution required to pay Normal Cost and amortize the UAAL over 40 years | 579.2 |
| d) Actual Total Contribution (excluding service purchases) | 357.8 |
| 2. End of Year: | |
| a) Expected UAAL, from last year's valuation: (1a) x 1.085 + (1b) x 1.0425 - (1c) x 1.0425 | \$5,238.0 |
| b) Expected UAAL based on actual contribution (1a) x 1.085 + (1b) x 1.0425 - (1d) x 1.0425 | 5,468.8 |
| c) Increase in UAAL due to Contribution Deficiency (2b)-(2a) | 230.8 |
| 3. Gains (Losses) on year's activities: | |
| a) From differences between assumed and actual experience on liabilities | \$(46.6) |
| b) From differences between assumed and actual experience on assets and transfers in or out | 34.0 |
| c) From service purchases | (23.6) |
| d) From change in plan assumptions | (112.9) |
| e) From change in asset method | <u>613.1</u> |
| f) Total (a) + (b) + (c) + (d) + (e) | \$464.0 |
| 4. Actual UAAL at end of year (2a) + (2c) - (3f) | \$5,004.8 |

SUMMARY OF STATE DIVISION RESULTS

Gains & Losses in Actuarial Accrued Liabilities During Calendar Year 2005

| <u>Type of Activity</u> | Gain (Loss) For Year | |
|--|-----------------------|---|
| | <u>\$ in Millions</u> | <u>% of Beginning of Year Accrued Liabilities</u> |
| -----Decrement Risk Areas----- | | |
| <u>Service Retirements.</u> If members retire at older ages than assumed, there is a gain. If younger ages, a loss. Service purchases at less than full actuarial cost also produce a loss. | \$(9.1) | (0.05)% |
| <u>Disability Retirements.</u> If disability claims are less than assumed, there is a gain. If more claims, a loss. | (2.3) | (0.01)% |
| <u>Deaths.</u> If survivor claims are less than assumed, there is a gain. If more claims, a loss. If retirees live longer than assumed, there is a loss; if they die sooner than assumed, there is a gain. | 11.1 | 0.07% |
| <u>Withdrawal.</u> If more actuarial liabilities are released by terminations than assumed, there is a gain. If smaller releases, a loss. | 89.5 | 0.54% |
| <u>New Entrants.</u> New members enter the plan will create a loss. | (59.5) | (0.36)% |
| <u>Other.</u> Change in group size, service credit reinstatements, actuarial systems, data adjustments and miscellaneous unidentified changes in the UAAL. | 25.9 | 0.16% |
| -----Economic Risk Areas----- | | |
| <u>Salary Increases.</u> If there are smaller salary increases than assumed, there is a gain. If greater increases, a loss. | (102.2) | (0.62)% |
| <u>Investment Income.</u> If there is greater investment income than assumed, there is a gain. If less income, a loss. | 34.0 | 0.21% |
| Experience Gain (or Loss) During Year | \$(12.6) | (0.06)% |

SUMMARY OF SCHOOL DIVISION RESULTS

SUMMARY OF SCHOOL DIVISION RESULTS

Summary of Data Used in Valuation

| <u>Group</u> | <u>Number</u> | <u>Annual Payroll/Benefits</u> | |
|--------------------------------|---------------|--|----------------|
| | | <u>Total</u> <u>(\$ in Thousands)</u> | <u>Average</u> |
| Active Members | 111,449 | \$3,437,979 | \$30,848 |
| Retirees and Beneficiaries* | 40,065 | \$1,140,981 | \$28,478 |
| Inactive Deferred | 7,869 | | |
| Nonvested Inactive Due Refunds | <u>60,533</u> | | |
| Total | 219,916 | | |

*Includes deferred beneficiaries.

SUMMARY OF SCHOOL DIVISION RESULTS

Development of Actuarial Value of Assets

| | <u>(\$ Thousands)</u> |
|--|-----------------------|
| 1. Actuarial Value December 31, 2004 (old method) | \$17,256,585 |
| 2. Market Value December 31, 2004 | \$18,116,675 |
| 3. Actuarial Value December 31, 2004 (new method, re-initialized to market value) | \$18,116,675 |
| 4. Market Value December 31, 2005 | \$19,327,602 |
| 5. Cash Flow During 2005: | |
| a. Employer contributions | \$299,402 |
| b. Employee contributions (including service purchase) | 375,716 |
| c. Benefit payments and other deductions | (1,160,923) |
| d. Expenses and fees | (12,070) |
| e. Transfers In / (Out) | <u>(1,078)</u> |
| f. Net Cash Flow | \$(498,953) |
| 6. Expected Return on Market Value During 2005 (2) x .085 + (5f) x .0425 | \$1,518,712 |
| 7. Actual Return on Market Value During 2005 | \$1,709,880 |
| 8. Phase-In Amount | |
| – 2005 (7)-(6) | \$191,168 |
| 9. Unrecognized Amounts to be Phased-In | |
| – 2005 [(8) x 75%] | \$143,376 |
| 10. Actuarial Value of Assets December 31, 2005 (4)-(9) | \$19,184,225 |

SUMMARY OF SCHOOL DIVISION RESULTS

Allocation of Actuarial Present Values

(\$ in Thousands)

| Actuarial Present Value, December 31, of | Actuarial Present Value of Future Benefits | Portion Covered by Future Normal Cost Contributions | Actuarial Accrued Liabilities (2)-(3) |
|--|--|--|--|
| (1) | (2) | (3) | (4) |
| Active Members | | | |
| Service Retirement Benefits | \$12,001,823 | \$2,688,737 | \$9,313,086 |
| Disability Benefits | 258,340 | 112,535 | 145,805 |
| Survivor Benefits | 274,957 | 89,514 | 185,443 |
| Separation Benefits | <u>2,057,674</u> | <u>1,052,886</u> | <u>1,004,788</u> |
| Active Member Totals | \$14,592,794 | \$3,943,672 | \$10,649,122 |
| Retirees and Beneficiaries on Rolls | 14,848,336 | 0 | 14,848,336 |
| Inactive Deferred Benefits | | | |
| Vested Inactives | 332,637 | 0 | 332,637 |
| Nonvested Inactives—Refunds Due | <u>133,877</u> | <u>0</u> | <u>133,877</u> |
| Total | \$29,907,644 | \$3,943,672 | \$25,963,972 |
| Assets Used in Valuation | | | <u>19,184,225</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liabilities | | | \$6,779,747 |

SUMMARY OF SCHOOL DIVISION RESULTS

Employer Contribution Rate

Expressed as Percent of Active Member Payroll

| <u>Contribution For</u> | <u>Contributions Expressed as Percent of Payroll</u> |
|---|--|
| Normal Cost | |
| Service Retirement Benefits | 9.98% |
| Disability Benefits | 0.41 |
| Survivor Benefits | 0.34 |
| Separation Benefits | <u>3.80</u> |
| Total | 14.53% |
| Member Current Contributions | <u>8.00</u> |
| Employer Normal Cost | 6.53% |
| Employer Contribution Rate | 9.13% |
| Percent Available to Amortize Unfunded Actuarial Accrued Liabilities (UAAL) | 2.60% |
| Number of Years to Amortize UAAL | |
| – Without AED | Infinite |
| – With AED | Infinite |
| Actuarially Required Employer Contribution Rate to pay Normal Cost and amortize UAAL over 40 years (assuming AED is paid throughout the amortization period) | 13.37% |

SUMMARY OF SCHOOL DIVISION RESULTS

Actuarial Present Value of Accumulated Plan Benefits

| | <u>\$ in Thousands</u> |
|---|------------------------|
| Vested Benefits | |
| For retired lives | \$14,848,336 |
| For others | 6,697,051 |
| Non-Vested Benefits | <u>890,983</u> |
| Actuarial Present Value of Accumulated Plan Benefits | \$22,436,370 |

The actuarial present value of accumulated plan benefits as of December 31, 2004, was \$22,033.6 million. During the year, the plan experienced a net increase of \$403.0 million in the actuarial present value of accumulated plan benefits.

The actuarial present values presented above were determined using the following assumptions:

- d) Future salary increases were not considered.
- e) Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
- f) Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability and investment return.

Active Member Counts

| | |
|------------|---------------|
| Vested | 55,344 |
| Non-Vested | <u>56,105</u> |
| Total | 111,449 |

SUMMARY OF SCHOOL DIVISION RESULTS

GASB-25 **Schedule of Funding Progress** (in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL/ Covered Payroll |
|----------------|---------------------------|-----------------------------|---|--------------|-----------------|-----------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 12-31-05 | \$19,184,225 | \$25,963,972 | \$6,779,747 | 73.9% | \$3,241,214 | 209.2% |
| 12-31-04 | \$28,594,699 | \$40,783,531 | \$12,188,832 | 70.1% | \$5,303,439 | 229.8% |
| 12-31-03 | \$28,522,222 | \$37,914,502 | \$9,392,280 | 75.2% | \$5,140,918 | 182.7% |
| 12-31-02 | \$28,551,607 | \$32,463,918 | \$3,912,311 | 87.9% | \$5,278,586 | 74.1% |
| 12-31-01 | \$28,947,935 | \$29,469,608 | \$521,673 | 98.2% | \$4,954,605 | 10.5% |
| 12-31-00 | \$27,749,435 | \$26,492,574 | (\$1,256,861) | 104.7% | \$4,561,133 | (27.6%) |

Schedule of Employer Contributions

| Fiscal Year | Annual Required Contribution* (ARC) | % ARC Contributed |
|-------------|-------------------------------------|-------------------|
| (1) | (2) | (3) |
| 2005 | 19.33% | 48% |
| 2004 | 17.31% | 51% |
| 2003 | 11.11% | 69% |
| 2002 | 6.37% | 100% |
| 2001 | 6.84% | 100% |
| 2000 | 9.82% | 100% |

*As a percent of covered payroll and without consideration of future increases in AED. The amortization period for 2005 is 40 years.

Notes to Schedules

For these schedules, the State and School Divisions have been combined for years prior to December 31, 2005.

Actuarial Method: Individual Entry Age Normal.

Actuarial Assumptions: Please see pages 25 through 33 for a description of the current assumptions.

Trend Factors: There was no significant change in the population size during 2005. There were no material plan changes since the last valuation.

SUMMARY OF SCHOOL DIVISION RESULTS

Changes in Unfunded Actuarial Accrued Liabilities

During Calendar 2005

\$ in Millions

| | |
|---|--------------|
| 1. Beginning of Year: | |
| a) Unfunded Actuarial Accrued Liabilities (UAAL) | \$7,126.1 |
| b) Normal Cost | 526.5 |
| c) Total Contribution required to pay Normal Cost and amortize the UAAL over 40 years | 871.0 |
| d) Actual Total Contribution (excluding service purchases) | 558.9 |
| 2. End of Year: | |
| a) Expected UAAL, from last year's valuation: (1a) x 1.085 + (1b) x 1.0425 - (1c) x 1.0425 | \$7,372.8 |
| b) Expected UAAL based on actual contribution (1a) x 1.085 + (1b) x 1.0425 - (1d) x 1.0425 | 7,698.1 |
| c) Increase in UAAL due to Contribution Deficiency (2b)-(2a) | 325.3 |
| 3. Gains (Losses) on year's activities: | |
| a) From differences between assumed and actual experience on liabilities | \$4.9 |
| b) From differences between assumed and actual experience on assets and transfers in or out | 48.7 |
| c) From service purchases | (44.9) |
| d) From change in plan assumptions | (23.5) |
| e) From change in asset method | <u>933.2</u> |
| f) Total (a) + (b) + (c) + (d) + (e) | \$918.4 |
| 4. Actual UAAL at end of year (2a) + (2c) - (3f) | \$6,779.7 |

SUMMARY OF SCHOOL DIVISION RESULTS

Gains & Losses in Actuarial Accrued Liabilities During Calendar Year 2005

| <u>Type of Activity</u> | Gain (Loss) For Year | |
|--|-----------------------|---|
| | <u>\$ in Millions</u> | <u>% of Beginning of Year Accrued Liabilities</u> |
| -----Decrement Risk Areas----- | | |
| <u>Service Retirements.</u> If members retire at older ages than assumed, there is a gain. If younger ages, a loss. Service purchases at less than full actuarial cost also produce a loss. | \$(19.6) | (0.08)% |
| <u>Disability Retirements.</u> If disability claims are less than assumed, there is a gain. If more claims, a loss. | (3.1) | (0.01)% |
| <u>Deaths.</u> If survivor claims are less than assumed, there is a gain. If more claims, a loss. If retirees live longer than assumed, there is a loss; if they die sooner than assumed, there is a gain. | 111.1 | 0.46% |
| <u>Withdrawal.</u> If more actuarial liabilities are released by terminations than assumed, there is a gain. If smaller releases, a loss. | 9.0 | 0.04% |
| <u>New Entrants.</u> New members enter the plan will create a loss. | (53.1) | (0.22)% |
| <u>Other.</u> Change in group size, service credit reinstatements, actuarial systems, data adjustments and miscellaneous unidentified changes in the UAAL. | 40.1 | 0.16% |
| -----Economic Risk Areas----- | | |
| <u>Salary Increases.</u> If there are smaller salary increases than assumed, there is a gain. If greater increases, a loss. | (79.5) | (0.33)% |
| <u>Investment Income.</u> If there is greater investment income than assumed, there is a gain. If less income, a loss. | <u>48.7</u> | <u>0.20%</u> |
| Experience Gain (or Loss) During Year | \$53.6 | 0.22% |

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Summary of Data Used in Valuation

| <u>Group</u> | <u>Number</u> | <u>Annual Payroll/Benefits</u> | |
|---------------------------------|---------------|--|----------------|
| | | <u>Total</u> <u>(\$ in Thousands)</u> | <u>Average</u> |
| Active Members | 15,555 | \$642,574 | \$41,310 |
| Retirees and Beneficiaries* | 3,578 | \$94,963 | \$26,541 |
| Inactive Deferred | 926 | | |
| Nonvested Inactives Due Refunds | <u>11,079</u> | | |
| Total | 31,138 | | |

*Includes deferred beneficiaries.

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Development of Actuarial Value of Assets

| | <u>(\$ Thousands)</u> |
|--|-----------------------|
| 1. Actuarial Value December 31, 2004 (old method) | \$1,990,652 |
| 2. Market Value December 31, 2004 | \$2,087,710 |
| 3. Actuarial Value December 31, 2004 (new method, re-initialized to market value) | \$2,087,710 |
| 4. Market Value December 31, 2005 | \$2,377,471 |
| 5. Cash Flow During 2005: | |
| a. Employer contributions | \$54,357 |
| b. Employee contributions (including service purchase) | 140,421 |
| c. Benefit payments and other deductions | (107,445) |
| d. Expenses and fees | (1,848) |
| e. Transfers In / (Out) | <u>(1,742)</u> |
| f. Net Cash Flow | \$83,743 |
| 6. Expected Return on Market Value During 2005 (2) x .085 + (5f) x .0425 | \$181,014 |
| 7. Actual Return on Market Value During 2005 | \$206,017 |
| 8. Phase-In Amount | |
| – 2005 (7)-(6) | \$25,003 |
| 9. Unrecognized Amounts to be Phased-In | |
| – 2005 [(8) x 75%] | \$18,752 |
| 10. Actuarial Value of Assets December 31, 2005 (4)-(9) | \$2,358,719 |

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Allocation of Actuarial Present Values

(\$ in Thousands)

| Actuarial Present Value, December 31, of (1) | Actuarial Present Value of Future Benefits (2) | Portion Covered by Future Normal Cost Contributions (3) | Actuarial Accrued Liabilities (2)-(3) (4) |
|--|---|---|---|
| Active Members | | | |
| Service Retirement Benefits | \$1,798,531 | \$420,725 | \$1,377,806 |
| Disability Benefits | 110,165 | 50,557 | 59,608 |
| Survivor Benefits | 59,525 | 20,118 | 39,407 |
| Separation Benefits | 421,310 | 204,950 | 216,360 |
| Active Member Totals | \$2,389,531 | \$696,350 | \$1,693,181 |
| Retirees and Beneficiaries on Rolls | 1,269,602 | 0 | 1,269,602 |
| Inactive Deferred Benefits | | | |
| Vested Inactives | 36,460 | 0 | 36,460 |
| Nonvested Inactives – Refunds Due | 23,381 | 0 | 23,381 |
| Total | \$3,718,974 | \$696,350 | \$3,022,624 |
| Assets Used in Valuation | | | 2,358,719 |
| Unfunded/(Overfunded) Actuarial Accrued Liabilities | | | \$663,905 |

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Employer Contribution Rate

Expressed as Percent of Active Member Payroll

| <u>Contribution For</u> | <u>Contributions Expressed as Percent of Payroll</u> |
|---|--|
| Normal Cost | |
| Service Retirement Benefits | 8.71% |
| Disability Benefits | 1.01 |
| Survivor Benefits | 0.41 |
| Separation Benefits | <u>4.09</u> |
| Total | 14.22% |
| Member Current Contributions | <u>8.00</u> |
| Employer Normal Cost | 6.22% |
| Employer Contribution Rate | 8.98% |
| Percent Available to Amortize Unfunded Actuarial Accrued Liabilities (UAAL) | 2.76% |
| Number of Years to Amortize UAAL | |
| – Without AED | Infinite |
| – With AED | 35 years |
| Actuarially Required Employer Contribution Rate to pay Normal Cost and amortize UAAL over 40 years (assuming AED is paid throughout the amortization period) | 8.70% |

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Actuarial Present Value of Accumulated Plan Benefits

| | <u>\$ in Thousands</u> |
|---|------------------------|
| Vested Benefits | |
| For retired lives | \$1,269,602 |
| For others | 1,032,721 |
| Non-Vested Benefits | <u>147,173</u> |
| Actuarial Present Value of Accumulated Plan Benefits | \$2,449,496 |

The actuarial present value of accumulated plan benefits as of December 31, 2004, was \$2,281.4 million. During the year, the plan experienced a net increase of \$168.1 million in the actuarial present value of accumulated plan benefits.

The actuarial present values presented above were determined using the following assumptions:

- a) Future salary increases were not considered.
- b) Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
- c) Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability and investment return.

Active Member Counts

| | |
|------------|--------------|
| Vested | 6,865 |
| Non-Vested | <u>8,690</u> |
| Total | 15,555 |

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

GASB-25 Schedule of Funding Progress (in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL/ Covered Payroll |
|----------------|---------------------------|-----------------------------|---|--------------|-----------------|-----------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 12-31-05 | \$2,358,719 | \$3,022,624 | \$663,905 | 78.0% | \$607,217 | 109.3% |
| 12-31-04 | \$1,990,652 | \$2,576,988 | \$586,336 | 77.2% | \$549,607 | 106.7% |
| 12-31-03 | \$1,907,786 | \$2,379,229 | \$471,443 | 80.2% | \$479,098 | 98.4% |
| 12-31-02 | \$1,839,632 | \$1,966,143 | \$126,511 | 93.6% | \$474,760 | 26.6% |
| 12-31-01 | \$1,822,413 | \$1,746,761 | (\$75,652) | 104.3% | \$436,582 | (17.3%) |
| 12-31-00 | \$1,717,017 | \$1,541,014 | (\$176,003) | 111.4% | \$399,737 | (44.0%) |

Schedule of Employer Contributions

| Fiscal Year | Annual Required Contribution* (ARC) | % ARC Contributed |
|-------------|-------------------------------------|-------------------|
| (1) | (2) | (3) |
| 2005 | 14.11% | 64% |
| 2004 | 13.98% | 62% |
| 2003 | 9.53% | 69% |
| 2002 | 5.02% | 100% |
| 2001 | 6.26% | 100% |
| 2000 | 8.90% | 100% |

*As a percent of covered payroll and without consideration of future increases in AED. The amortization period for 2005 is 40 years.

Notes to Schedules

Actuarial Method: Individual Entry Age Normal.

Actuarial Assumptions: Please see Pages 25 through 33 for a description of the current assumptions.

Trend Factors: There was no significant change in the population size during 2005. There were no significant plan changes since the last valuation.

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Changes in Unfunded Actuarial Accrued Liabilities

During Calendar 2005

| | <u>\$ in Millions</u> |
|---|-----------------------|
| 1. Beginning of Year: | |
| a) Unfunded Actuarial Accrued Liabilities (UAAL) | \$586.3 |
| b) Normal Cost | 93.2 |
| c) Total Contribution required to pay Normal Cost and amortize the UAAL over 40 years | 121.5 |
| d) Actual Total Contribution (excluding service purchases) | 102.8 |
| 2. End of Year: | |
| a) Expected UAAL, from last year's valuation: (1a) x 1.085 + (1b) x 1.0425 - (1c) x 1.0425 | \$606.6 |
| b) Expected UAAL based on actual contribution (1a) x 1.085 + (1b) x 1.0425 - (1d) x 1.0425 | <u>626.2</u> |
| c) Increase in UAAL due to Contribution Deficiency (2b)-(2a) | \$19.6 |
| 3. Gains (Losses) on year's activities: | |
| a) From differences between assumed and actual experience on liabilities | \$(153.8) |
| b) From differences between assumed and actual experience on assets and transfers in or out | 5.4 |
| c) From service purchases | (4.7) |
| d) From change in plan assumptions | 10.1 |
| e) From change in asset method | <u>105.3</u> |
| f) Total (a) + (b) + (c) + (d) + (e) | \$(37.7) |
| 4. Actual UAAL at end of year (2a) + (2c) - (3f) | \$663.9 |

SUMMARY OF LOCAL GOVERNMENT (MUNICIPAL) DIVISION RESULTS

Gains & Losses in Actuarial Accrued Liabilities During Calendar Year 2005

| <u>Type of Activity</u> | <u>Gain (Loss) For Year</u> | |
|---|-----------------------------|---|
| | <u>\$ in Millions</u> | <u>% of Beginning of Year Accrued Liabilities</u> |
| -----Decrement Risk Areas----- | | |
| <u>Service Retirements</u> . If members retire at older ages than assumed, there is a gain. If younger ages, a loss. Service purchases at less than full actuarial cost also produce a loss. | \$(2.8) | (0.11)% |
| <u>Disability Retirements</u> . If disability claims are less than assumed, there is a gain. If more claims, a loss. | (0.5) | (0.02)% |
| <u>Deaths</u> . If survivor claims are less than assumed, there is a gain. If more claims, a loss. If retirees live longer than assumed, there is a loss; if they die sooner than assumed, there is a gain. | 8.4 | 0.33% |
| <u>Withdrawals</u> . If more actuarial liabilities are released by terminations than assumed, there is a gain. If smaller releases, a loss. | 3.2 | 0.12% |
| <u>New Entrants</u> . New members enter the plan will create a loss. | (15.3) | (0.59)% |
| <u>Other</u> . Change in group size, service credit reinstatements, actuarial systems, data adjustments and miscellaneous unidentified changes in the UAAL. | 2.5 | 0.10% |
| -----Economic Risk Areas----- | | |
| <u>Salary Increases</u> . If there are smaller salary increases than assumed, there is a gain. If greater increases, a loss. | (149.3) | (5.79)% |
| <u>Investment Income</u> . If there is greater investment income than assumed, there is a gain. If less income, a loss. | <u>5.4</u> | <u>0.21%</u> |
| Experience Gain (or Loss) During Year | \$(148.4) | (5.75)% |

SUMMARY OF JUDICIAL DIVISION RESULTS

SUMMARY OF JUDICIAL DIVISION RESULTS

Summary of Data Used in Valuation

| <u>Group</u> | <u>Number</u> | <u>Annual Payroll/Benefits</u> | |
|---------------------------------|---------------|--|----------------|
| | | <u>Total</u> <u>(\$ in Thousands)</u> | <u>Average</u> |
| Active Members | 275 | \$28,290 | \$102,873 |
| Retirees and Beneficiaries* | 252 | \$10,078 | \$39,992 |
| Inactive Deferred | 14 | | |
| Nonvested Inactives Due Refunds | <u>3</u> | | |
| Total | 544 | | |

*Includes deferred beneficiaries.

SUMMARY OF JUDICIAL DIVISION RESULTS

Development of Actuarial Value of Assets

| | <u>(\$ Thousands)</u> |
|--|-----------------------|
| 1. Actuarial Value December 31, 2004 (old method) | \$170,111 |
| 2. Market Value December 31, 2004 | \$178,504 |
| 3. Actuarial Value December 31, 2004 (new method, re-initialized to market value) | \$178,504 |
| 4. Market Value December 31, 2005 | \$194,665 |
| 5. Cash Flow During 2005: | |
| a. Employer contributions | \$3,408 |
| b. Employee contributions (including service purchase) | 5,147 |
| c. Benefit payments and other deductions | (10,131) |
| d. Expenses and fees | (20) |
| e. Transfers In / (Out) | <u>804</u> |
| f. Net Cash Flow | \$(792) |
| 6. Expected Return on Market Value During 2005 (2) x .085 + (5f) x .0425 | \$15,139 |
| 7. Actual Return on Market Value During 2005 | \$16,954 |
| 8. Phase-In Amount | |
| – 2005 (7)-(6) | \$1,815 |
| 9. Unrecognized Amounts to be Phased-In | |
| – 2005 [(8) x 75%] | \$1,360 |
| 10. Actuarial Value of Assets December 31, 2005 (4)-(9) | \$193,305 |

SUMMARY OF JUDICIAL DIVISION RESULTS

Allocation of Actuarial Present Values

(\$ in Thousands)

| Actuarial Present Value, December 31, of (1) | Actuarial Present Value of Future Benefits (2) | Portion Covered by Future Normal Cost Contributions (3) | Actuarial Accrued Liabilities (2)-(3) (4) |
|--|---|---|---|
| Active Members | | | |
| Service Retirement Benefits | \$117,075 | \$25,754 | \$91,321 |
| Disability Benefits | 7,718 | 2,792 | 4,926 |
| Survivor Benefits | 7,879 | 2,226 | 5,653 |
| Separation Benefits | <u>9,888</u> | <u>7,513</u> | <u>2,375</u> |
| Active Member Totals | \$142,560 | \$38,285 | \$104,275 |
| Retirees and Beneficiaries on Rolls | 118,324 | 0 | 118,324 |
| Inactive Deferred Benefits | | | |
| Vested Inactives | 1,192 | 0 | 1,192 |
| Nonvested Inactives-Refunds Due | <u>164</u> | <u>0</u> | <u>164</u> |
| Total | \$262,240 | \$38,285 | \$223,955 |
| Assets Used in Valuation | | | <u>193,305</u> |
| Unfunded/(Overfunded) Actuarial Accrued Liabilities | | | \$30,650 |

SUMMARY OF JUDICIAL DIVISION RESULTS

Employer Contribution Rate

Expressed as Percent of Active Member Payroll

| <u>Contribution For</u> | <u>Contributions Expressed as Percent of Payroll</u> |
|---|--|
| Normal Cost | |
| Service Retirement Benefits | 12.18% |
| Disability Benefits | 1.30 |
| Survivor Benefits | 1.08 |
| Separation Benefits | <u>3.53</u> |
| Total | 18.09% |
| Member Current Contributions | <u>8.00</u> |
| Employer Normal Cost | 10.09% |
| Employer Contribution Rate | 12.64% |
| Percent Available to Amortize Unfunded Actuarial Accrued Liabilities (UAAL) | 2.55% |
| Number of Years to Amortize UAAL | |
| – Without AED | Infinite |
| – With AED | 43 years |
| Actuarially Required Employer Contribution Rate to pay Normal Cost and amortize UAAL over 40 years (assuming AED is paid throughout the amortization period) | 12.77% |

SUMMARY OF JUDICIAL DIVISION RESULTS

Actuarial Present Value of Accumulated Plan Benefits

| | <u>\$ in Thousands</u> |
|---|------------------------|
| Vested Benefits | |
| For retired lives | \$118,324 |
| For others | 80,021 |
| Non-vested Benefits | <u>7,008</u> |
| Actuarial Present Value of Accumulated Plan Benefits | \$205,353 |

The actuarial present value of accumulated plan benefits as of December 31, 2004 was \$195.5 million. During the year, the plan experienced a net increase of \$9.9 million in the actuarial present value of accumulated plan benefits.

The actuarial present values presented above were determined using the following assumptions:

- a) Future salary increases were not considered.
- b) Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
- c) Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability and investment return.

Active Member Counts

| | |
|------------|-----------|
| Vested | 221 |
| Non-Vested | <u>54</u> |
| Total | 275 |

SUMMARY OF JUDICIAL DIVISION RESULTS

GASB-25 Schedule of Funding Progress (in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL/ Covered Payroll |
|----------------|---------------------------|-----------------------------|---|--------------|-----------------|-----------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 12-31-05 | \$193,305 | \$223,955 | \$30,650 | 86.3% | \$26,937 | 113.8% |
| 12-31-04 | \$170,111 | \$209,954 | \$39,843 | 81.0% | \$26,309 | 151.4% |
| 12-31-03 | \$166,654 | \$198,377 | \$31,723 | 84.0% | \$25,452 | 124.6% |
| 12-31-02 | \$162,901 | \$165,672 | \$2,771 | 98.3% | \$26,357 | 10.5% |
| 12-31-01 | \$165,130 | \$150,943 | (\$14,187) | 109.4% | \$24,140 | (58.8%) |
| 12-31-00 | \$159,426 | \$132,653 | (\$26,773) | 120.2% | \$21,673 | (123.5%) |

Schedule of Employer Contributions

| Fiscal Year | Annual Required Contribution* (ARC) | % ARC Contributed |
|-------------|-------------------------------------|-------------------|
| (1) | (2) | (3) |
| 2005 | 17.21% | 74% |
| 2004 | 16.22% | 64% |
| 2003 | 3.98% | 100% |
| 2002 | 1.55% | 100% |
| 2001 | 1.79% | 100% |
| 2000 | 13.40% | 100% |

*As a percent of covered payroll and without consideration of future increases in AED. The amortization period for 2005 is 40 years.

Notes to Schedules

Actuarial Method: Individual Entry Age Normal.

Actuarial Assumptions: Please see pages 25 through 33 for a description of the current assumptions.

Trend Factors: There was no significant change in the population size during 2005. There were no significant plan changes since the last valuation.

SUMMARY OF JUDICIAL DIVISION RESULTS

Changes in Unfunded Actuarial Accrued Liabilities During Calendar 2005

| | <u>\$ in Millions</u> |
|--|-----------------------|
| 1. Beginning of Year: | |
| a) Unfunded Actuarial Accrued Liabilities (UAAL) | \$ 39.8 |
| b) Normal Cost | 4.7 |
| c) Total Contribution required to pay Normal Cost and amortize the UAAL over 40 years | 6.6 |
| d) Actual Total Contribution (excluding service purchases) | 5.6 |
| 2. End of Year: | |
| a) Expected UAAL, from last year's valuation: (1a) x 1.085 + (1b) x 1.0425 - (1c) x 1.0425 | \$ 41.2 |
| b) Expected UAAL based on actual contribution (1a) x 1.085 + (1b) x 1.0425 - (1d) x 1.0425 | 42.3 |
| c) Increase in UAAL due to Contribution Deficiency (2b)-(2a) | 1.1 |
| 3. Gains (Losses) on year's activities: | |
| a) From differences between assumed and actual experience on liabilities | \$ 1.2 |
| b) From differences between assumed and actual experience on assets and transfers in or out | 1.3 |
| c) From service purchases | 0.0 |
| d) From change in plan assumptions | 0.0 |
| e) From change in asset method | <u>9.1</u> |
| f) Total (a) + (b) + (c) + (d) + (e) | \$11.6 |
| 4. Actual UAAL at end of year (2a) + (2c) - (3f) | \$30.7 |

SUMMARY OF JUDICIAL DIVISION RESULTS

Gains & Losses in Actuarial Accrued Liabilities During Calendar Year 2005

| <u>Type of Activity</u> | Gain (Loss) For Year | |
|--|-----------------------|---|
| | <u>\$ in Millions</u> | <u>% of Beginning of Year Accrued Liabilities</u> |
| -----Decrement Risk Areas----- | | |
| <u>Service Retirements.</u> If members retire at older ages than assumed, there is a gain. If younger ages, a loss. Service purchases at less than full actuarial cost also produce a loss. | \$(0.9) | (0.43)% |
| <u>Disability Retirements.</u> If disability claims are less than assumed, there is a gain. If more claims, a loss. | 0.1 | 0.05% |
| <u>Deaths.</u> If survivor claims are less than assumed, there is a gain. If more claims, a loss. If retirees live longer than assumed, there is a loss; if they die sooner than assumed, there is a gain. | 0.1 | 0.05% |
| <u>Withdrawals.</u> If more actuarial liabilities are released by terminations than assumed, there is a gain. If smaller releases, a loss. | 2.4 | 1.14% |
| <u>New Entrants.</u> New members enter the plan will create a loss. | (1.2) | (0.57)% |
| <u>Other.</u> Change in group size, service credit reinstatements, actuarial systems, data adjustments and miscellaneous unidentified changes in the UAAL. | 1.8 | 0.86% |
| -----Economic Risk Areas----- | | |
| <u>Salary Increases.</u> If there are smaller salary increases than assumed, there is a gain. If greater increases, a loss. | (1.1) | (0.52)% |
| <u>Investment Income.</u> If there is greater investment income than assumed, there is a gain. If less income, a loss. | <u>1.3</u> | <u>0.62%</u> |
| Experience Gain (or Loss) During Year | \$2.5 | 1.20% |

POSTRETIREMENT HEALTH CARE PROGRAM

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Valuation Highlights

Fixed Dollar Subsidy

The December 31, 2005 actuarial valuation of the postretirement Health Care Trust Fund (HCTF) indicates that the contribution rate is sufficient to fully fund the costs of benefit commitments for fixed-dollar subsidies being made to members and benefit recipients. After satisfying normal cost requirements, the remainder of the employer rate is sufficient to fund the unfunded portion of the actuarial accrued liabilities over 35 years.

No-Part A Subsidy

PERA retirees who have not participated in Social Security are generally not covered by Medicare Part A for hospital-related services. Per section 24-51-1206(4) of the Colorado Revised Statutes, PERA may not charge premiums to retirees without Part A that are any greater than premiums charged to retirees with Part A, for the same plan option and coverage level. Presently, PERA interprets this mandate to require that total premiums for Medicare coverage be determined assuming plan participants have both Medicare Parts A and B. Retirees then pay the difference between the total premium and their service-related fixed-dollar subsidy from the HCTF. Implicit in this process is an additional subsidy paid by the HCTF on behalf of retirees who are not covered for Part A. Under the self-insured program, the implicit subsidy is equal to the difference between claims paid for Part A services and what Medicare would have paid had such retirees enrolled in Part A. For retirees participating in an HMO, the additional subsidy paid by the HCTF for no Part A members is equal to the difference in the premiums the HMO's charge for retirees without Part A coverage, and those covered by Part A. This implicit subsidy has been included in this actuarial valuation. The contribution rate is sufficient to fully fund the costs of the subsidy for members not covered by Medicare Part A.

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Summary of Data Used in Valuation

| <u>Group</u> | <u>Total Number</u> | <u>No Part A Member Number</u> |
|-------------------------------------|---------------------|------------------------------------|
| Active Members | 179,675 | 11,029 ¹⁹ |
| Inactive Members | 12,972 | 0 ²⁰ |
| Benefit Recipients | <u>40,530</u> | <u>3,161</u> ²¹ |
| Total | 233,177 | 14,190 |
| | | |
| Average Age – Active Members | 44.0 years | 51.2 years |
| Average Service – Active Members | 8.3 years | 27.3 years |
| Average Age – Benefit Recipients | 69.9 years | 73.4 years |
| Average Age – Pre-Medicare Retirees | N/A | 59.5 years ²² |

¹⁹ Active no-Part A membership is limited to employees with earned service that implies hire date prior to March 31, 1986 and who could not have earned 40 quarters of coverage between age 20 and their PERA date of hire and who do not transfer among PERA employers nor obtain Medicare coverage from their spouse.

²⁰ Inactive members are assumed to attain Medicare eligibility prior to becoming Benefit Recipients.

²¹ Includes 2,151 benefit recipients enrolled in a “No-Part A” coverage category and 1,010 benefit recipients enrolled in pre-Medicare coverage who are assumed to ultimately enroll in “No-Part A” coverage.

²² Includes retirees over age 65 who are members of a health plan but for whom no medical status code was provided.

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Development of Actuarial Value of Assets

| | <u>(\$ Thousands)</u> |
|--|-----------------------|
| 1. Actuarial Value December 31, 2004 (old method) | \$166,619 |
| 2. Market Value December 31, 2004 | \$181,559 |
| 3. Actuarial Value December 31, 2004 (new method, re-initialized to market value) | \$181,559 |
| 4. Market Value December 31, 2005 | \$193,132 |
| 5. Cash Flow During 2005: | |
| a. Employer contributions | \$61,193 |
| b. Employee contributions (including service purchase) | 12,420 |
| c. Benefit payments and other deductions | (77,899) |
| d. Expenses and fees | (1,806) |
| e. Transfers In / (Out) | <u>0</u> |
| f. Net Cash Flow | \$(6,092) |
| 6. Expected Return on Market Value During 2005 (2) x .085 + (5f) x .0425 | \$15,174 |
| 7. Actual Return on Market Value During 2005 | \$17,664 |
| 8. Phase-In Amount | |
| – 2005 (7)-(6) | \$2,490 |
| 9. Unrecognized Amounts to be Phased-In | |
| – 2005 [(8) x 75%] | \$1,868 |
| 10. Actuarial Value of Assets December 31, 2005 (4)-(9) | \$191,264 |

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Allocation of Actuarial Present Values (\$ in Thousands)

| Actuarial Present Value, December 31, of (1) | Actuarial Present Value of Future Benefits (2) | Portion Covered by Future Normal Cost Contributions (3) | Actuarial Accrued Liabilities (2)-(3) (4) |
|---|---|---|---|
| Active Members | \$545,569 | \$95,451 | \$450,118 |
| Benefit Recipients | 659,244 | 0 | 659,244 |
| Inactive Members | <u>7,265</u> | <u>0</u> | <u>7,265</u> |
| Total | \$ 1,212,078 | \$95,451 | \$1,116,627 |
| Assets Used in Valuation | | | <u>191,264</u> |
| Unfunded Actuarial Accrued Liabilities | | | \$925,363 |
| Ratio of Assets to Liabilities | | | 17.1% |

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Changes in Unfunded Actuarial Accrued Liabilities

During Calendar Year 2005

\$ in Millions

| | |
|---|-------------|
| 1. Beginning of Year: | |
| a) Unfunded Actuarial Accrued Liabilities (UAAL) | \$ 936.0 |
| b) Normal Cost | 21.0 |
| c) Total Contribution required to pay Normal Cost and amortize the UAAL over 40 years | 66.2 |
| d) Actual Total Contribution (excluding service purchases) | 61.2 |
| 2. End of Year: | |
| a) Expected UAAL, from last year's valuation: (1a) x 1.085 + (1b) x 1.0425 - (1c) x 1.0425 | \$ 968.4 |
| b) Expected UAAL based on actual contribution (1a) x 1.085 + (1b) x 1.0425 - (1d) x 1.0425 | 973.7 |
| c) Increase in UAAL due to Contribution Deficiency (2b)-(2a) | 5.3 |
| 3. Gains (Losses) on year's activities: | |
| a) From differences between assumed and actual experience on liabilities | \$ (41.8) |
| b) From differences between assumed and actual experience on assets | 0.6 |
| c) From service purchases | 6.4 |
| d) From change in plan assumptions | 66.9 |
| e) From change in asset method | <u>16.2</u> |
| f) Total (a) + (b) + (c) + (d) + (e) | \$48.3 |
| 4. Actual UAAL at end of year (2a) + (2c) - (3f) | \$925.4 |

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Gains & Losses in Actuarial Accrued Liabilities During Calendar Year 2005

| <u>Type of Activity</u> | Gain (Loss) For Year | |
|--|-----------------------|---|
| | <u>\$ in Millions</u> | <u>% of Beginning of Year Accrued Liabilities</u> |
| -----Decrement Risk Areas----- | | |
| <u>Service Retirements.</u> If members retire at older ages than assumed, there is a gain. If younger ages, a loss. | \$(9.9) | (0.90)% |
| <u>Disability Retirements.</u> If disability claims are less than assumed, there is a gain. If more claims, a loss. | (1.0) | (0.09)% |
| <u>Deaths.</u> If survivor claims are less than assumed, there is a gain. If more claims, a loss. If retirees live longer than assumed, there is a loss; if they die sooner than assumed, there is a gain. | 1.1 | 0.10% |
| <u>Withdrawal.</u> If more actuarial liabilities are released by terminations than assumed, there is a gain. If smaller releases, a loss. | 0.5 | 0.05% |
| <u>New Entrants.</u> New members enter the plan will create a loss. | (4.7) | (0.43)% |
| <u>Claims Experience.</u> If actual costs for members without Medicare Part A are greater than expected, there is a loss. | (17.8) | (1.61)% |
| <u>Other.</u> Change in group size, participation changes, change in actuarial systems, data adjustments and miscellaneous unidentified changes in the UAAL. | (10.0) | (0.91)% |
| -----Economic Risk Areas----- | | |
| <u>Investment Income.</u> If there is greater investment income than assumed, there is a gain. If less income, a loss. | <u>0.6</u> | <u>0.05%</u> |
| Experience Gain (or Loss) During Year | \$(41.2) | (3.74)% |

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Employer Contribution Rate

Expressed as Percent of Active Member Payroll

| <u>Contribution For</u> | <u>Contributions Expressed as Percent of Payroll</u> |
|--|--|
| Normal Cost | 0.28% |
| Member Current Contributions | <u>0.00%</u> |
| Employer Normal Cost | 0.28% |
| Employer Statutory Contribution Rate | 1.02% |
| Percent Available to Amortize Unfunded Actuarial Accrued Liabilities (UAAL) | 0.74% |
| Number of Years to Amortize UAAL | 35 |
| Actuarially Required Employer Contribution Rate to Pay Normal Cost and Amortize UAAL Over 40 Years | 0.99% |

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Actuarial Present Value of Accumulated Plan Benefits

| | <u>\$ in Thousands</u> |
|---|------------------------|
| Vested Benefits | |
| For retired lives | \$659,244 |
| For others | 210,814 |
| Non-vested Benefits | <u>199,457</u> |
| Actuarial Present Value of Accumulated Plan Benefits | \$1,069,515 |

The actuarial present value of accumulated plan benefits as of December 31, 2004, was \$1,071.7 million. During the year, the plan experienced a net decrease of \$2.1 million in the actuarial present value of accumulated plan benefits.

The actuarial present values presented above were determined using the following assumptions:

- a) Future salary increases were not considered.
- b) Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
- c) Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability and investment return.

Active Member Counts

| | |
|------------|---------------|
| Vested | 91,715 |
| Non-Vested | <u>88,915</u> |
| Total | 180,630 |

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

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Schedule of Funding Progress

(in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL/ Covered Payroll |
|----------------|---------------------------|-----------------------------|---|--------------|-----------------|-----------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 12-31-05 | \$191,264 | \$1,116,627 | \$925,363 | 17.1% | \$5,940,132 | 15.6% |
| 12-31-04 | \$166,619 | \$1,102,597 | \$935,978 | 15.1% | \$5,879,355 | 15.9% |
| 12-31-03 | \$160,416 | \$897,461 | \$737,045 | 17.9% | \$5,645,468 | 13.1% |
| 12-31-02 | \$161,700 | \$813,211 | \$651,511 | 19.9% | \$5,779,703 | 11.3% |
| 12-31-01 | \$138,198 | \$782,961 | \$644,763 | 17.7% | \$5,415,327 | 11.9% |
| 12-31-00 | \$116,034 | \$809,709 | \$693,675 | 14.3% | \$4,982,543 | 13.9% |

Schedule of Employer Contributions

| <u>Fiscal Year</u> | <u>Annual Required Contribution* (ARC)</u> | <u>% ARC Contributed</u> |
|--------------------|--|--------------------------|
| 2005 | 1.13% | 90% |
| 2004 | 1.02% | 100% |
| 2003 | 1.16% | 100% |
| 2002 | 1.71% | 100% |
| 2001 | 1.48% | 100% |
| 2000 | 1.10% | 100% |

*As a percent of covered payroll. The amortization period for 2005 is 35 years.

Notes to Schedules

Actuarial Method: Individual Entry Age Normal.

Actuarial Assumptions: Please see pages 25 through 33 for a description of the assumptions.

Trend Factors: There was no significant change in the population size during 2005. There were no significant plan changes since the last valuation.

No Part A liability: The subsidy for No Part A members was first reflected in the December 31, 2004 valuation.

Future HCTF purchase service cost credits: Credit for purchase of service that is transferred at retirement was first reflected in the December 31, 2004 valuation.

SUMMARY OF POSTRETIREMENT HEALTH CARE PROGRAM

Subsidy Analysis

| Year | Administration Expenses | Claims & HMO Premiums | Total Costs (2+3) | PERA Subsidy | |
|------|-------------------------|-----------------------|-------------------|--------------|--------------------|
| | | | | Amount | Percentage (5 ÷ 4) |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2005 | \$4,725,201 | \$135,549,735 | \$140,274,935 | \$80,001,511 | 57% |
| 2004 | \$4,708,737 | \$130,917,403 | \$135,626,140 | \$79,198,231 | 58% |
| 2003 | \$4,872,077 | \$120,813,632 | \$125,685,709 | \$67,275,292 | 54% |
| 2002 | \$4,571,820 | \$113,897,967 | \$118,469,787 | \$62,727,337 | 53% |
| 2001 | \$4,564,519 | \$98,907,833 | \$103,472,352 | \$58,476,718 | 57% |
| 2000 | \$3,530,456 | \$73,800,252 | \$77,330,708 | \$47,101,648 | 61% |
| 1999 | \$3,317,163 | \$61,661,514 | \$64,978,677 | \$38,532,513 | 59% |
| 1998 | \$3,191,006 | \$59,203,630 | \$62,394,636 | \$37,406,245 | 60% |
| 1997 | \$3,153,438 | \$56,497,909 | \$59,651,347 | \$36,532,399 | 61% |

The table above illustrates the portion of total retiree health care costs subsidized by payments from the Health Care Trust Fund. As health care trend inflates the claims and HMO premiums shown, PERA's fixed-dollar subsidy amount declines as a percentage of total costs. This decline means that retirees pay a greater share of premium over time. The trend toward greater retiree share of premium is dampened, but not reversed, by two factors:

- As Part A hospital costs attributable to retirees without Medicare Part A coverage grow in proportion to total costs, PERA's subsidy percentage also increases.
- As the Medicare eligible portion of the total covered population increases, PERA's subsidy percentage also increases.