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GASB STATEMENT NO. 67 REPORT

FOR THE

CONNECTICUT STATE EMPLOYEES' RETIREMENT SYSTEM

PREPARED AS OF JUNE 30, 2014





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

December 17, 2014

State of Connecticut
State Employees' Retirement Commission
55 Elm Street
Hartford, CT 06106

Members of the Commission:

Presented in this report is information to assist the Connecticut State Employees' Retirement System in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the period ending June 30, 2014.

The annual actuarial valuation used as a basis for much of the information presented in this report was performed as of June 30, 2014. The valuation was based on data, provided by the Retirement System staff for active, inactive and retired members along with pertinent financial information.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are, individually and in the aggregate, internally consistent and reasonably based on the actual experience of the System. In addition, the calculations were completed in compliance with the laws governing the System and, in our opinion, meet the requirements of GASB 67. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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December 17, 2014

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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

A handwritten signature in blue ink that reads 'Thomas J. Cavanaugh'.

Thomas J. Cavanaugh FSA, FCA, EA, MAAA
Chief Executive Officer

A handwritten signature in blue ink that reads 'John J. Garrett'.

John J. Garrett ASA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Edward J. Koebel'.

Edward Koebel EA, FCA, MAAA
Principal and Consulting Actuary



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**REPORT OF THE ANNUAL GASB STATEMENT NO. 67
REQUIRED INFORMATION FOR THE
CONNECTICUT STATE EMPLOYEES' RETIREMENT SYSTEM
PREPARED AS OF JUNE 30, 2014**

SECTION I – INTRODUCTION

The Governmental Accounting Standards Board issued Statement No. 67 (GASB 67), “*Financial Reporting For Pension Plans*”, in June 2012. GASB 67’s effective date is for plan years beginning after June 15, 2013. This report, prepared as of June 30, 2014 (the Measurement Date), presents information to assist the Connecticut State Employees’ Retirement System (System) in meeting the requirements of GASB 67. Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of the System as of June 30, 2014. The results of that valuation were detailed in a report dated November 19, 2014.

GASB 67 replaces GASB 25, and represents a significant departure from the requirements of that older statement. GASB 25 was issued as a funding friendly statement that required pension plans to report items consistent with the results of the plan’s actuarial valuations, as long as those valuations met certain parameters. GASB 67 basically divorces accounting and funding, creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the System.

GASB 67 requires us to determine the Total Pension Liability (TPL) utilizing the Entry Age Normal actuarial funding method. The Net Pension Liability (NPL) is then set equal to the TPL minus the System’s Fiduciary Net Position (FNP) (basically the market values of assets) as of the measurement date. The benefit provisions recognized in the calculation of the TPL are summarized in Schedule B.

Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan’s provision applicable to the membership and beneficiaries of the System on the Measurement Date. Future contributions were projected to be made in accordance with the laws governing the Retirement System. If the FNP is not projected to be depleted at any point in the future, as the results currently indicate, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If however, at a future measurement date the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the



sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System. We have determined as of the Measurement Date that use of an 8.00 percent discount rate meets the requirements of GASB 67.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 67 for note disclosure and Required Supplementary Information (RSI).



SECTION II – FINANCIAL STATEMENT NOTES

The actuarial related information presented herein will follow the order presented in GASB 67. There are other non-actuarial items required which are not included in this report. Paragraph numbers are provided for ease of reference.

Paragraph 30(a) (4): The data required regarding the membership of the System were furnished by the Employees' Retirement Board staff. The following table summarizes the membership of the system as of June 30, 2014, the Valuation Date.

Membership

	Number
Inactive Members Or Their Beneficiaries Currently Receiving Benefits	45,803
Inactive Members Entitled To But Not Yet Receiving Benefits	1,457
Active Members	49,976
Total	97,236

Paragraphs 31(a) (1)-(4): As stated above, the NPL is equal to the TPL minus the FNP. That result as of June 30, 2014 is presented in the table below (\$ thousands).

	Fiscal Year Ending June 30, 2014
Total Pension Liability (TPL)	\$26,486,933
Fiduciary Net Position (FNP)	<u>10,472,567</u>
Net Pension Liability (NPL)	\$16,014,366
Ratio of Fiduciary Net Position to Total Pension Liability	39.54%



Paragraph 31(b) (1)(a)-(f): This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The actuarial assumptions utilized in developing the TPL are outlined in Schedule C. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	4.00 - 20.00 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for Annuitants and Non-Annuitants projected with scale AA, 15 years for men (set back 2 years) and 25 years for women (set back 1 year) for the period after service retirement and for dependent beneficiaries. 55% (men) and 80% (women) of the RP-2000 Disability Mortality Table is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0	6.6
Emerging Market (Non-U.S.)	9.0	8.3
Real Estate	7.0	5.1
Private Equity	11.0	7.6
Alternative Investments	8.0	4.1
Fixed Income (Core)	8.0	1.3
High Yield Bonds	5.0	3.9
Emerging Market Bond	4.0	3.7
TIPS	5.0	1.0
Cash	4.0	0.4

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Paragraph 31(b) (1) (g): This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate (\$ thousands):

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System’s net pension liability	\$19,103,880	\$16,014,366	\$13,416,122



Paragraph 31(c): June 30, 2014 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2013 using standard roll back techniques. The roll back calculation subtracts the annual normal cost (also called the service cost), adds the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the TPL as of June 30, 2013, as shown in the following table:

TPL Roll-Back (\$ in thousands)	
(a) TPL as of June 30, 2014	\$26,486,933
(b) Entry Age Normal Cost for the Year July 1, 2013 – June 30, 2014 with interest to June 30, 2014	287,473
(c) Actual Benefit Payments for the Year July 1, 2013 – June 30, 2014	1,566,964
(d) TPL as of June 30, 2013 = [(a) - (b) + ((c) x 1.04)] / 1.08	\$25,767,688



SECTION III – REQUIRED SUPPLEMENTARY INFORMATION

There are several tables of Required Supplementary Information (RSI) that need to be included in the System’s financial statements:

Paragraphs 32(a)-(c): The required tables are provided in Schedule A.

Paragraph 34: In addition the following should be noted regarding the RSI:

Changes of benefit terms:

For the June 30, 2014 valuation, there were two changes in benefit terms:

- a. The 2011 SEBAC Agreement changed the benefit multiplier for the portion of benefit below the breakpoint from 1.33% to 1.40%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA and III.
- b. A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members eligible to retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain the eligibility are required to make additional employee contributions for the length of their remaining active service with SERS. The additional contribution was up to 0.72% of pensionable earnings.

Changes of assumptions: None.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, closed
Single equivalent amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.75 percent
Salary increase	4.00-20.00 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense



SCHEDULE A

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
GASB 67 Paragraph 32(a)
(\$ in Thousands)**

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service Cost	\$ 287,473									
Interest	1,998,736									
Benefit changes	0									
Difference between expected and actual experience	0									
Changes of assumptions	0									
Benefit payments	(1,563,029)									
Refunds of contributions	(3,935)									
Net change in total pension liability	719,245									
Total pension liability - beginning	25,767,688									
Total pension liability - ending (a)	\$ 26,486,933									
Plan net position										
Contributions - employer	\$ 1,268,890									
Contributions - member	144,807									
Net investment income	1,443,391									
Benefit payments	(1,563,029)									
Administrative expense	0									
Refunds of contributions	(3,935)									
Other	0									
Net change in plan net position	1,290,124									
Plan net position - beginning	9,182,443									
Plan net position - ending (b)	\$ 10,472,567									
Net pension liability - ending (a) - (b)	\$ 16,014,366									



SCHEDULE OF THE NET PENSION LIABILITY
GASB 67 Paragraph 32(b)
(\$ in Thousands)

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability	\$ 26,486,933									
Plan net position	<u>10,472,567</u>									
Net pension liability	\$ 16,014,366									
Ratio of plan net position to total pension liability	39.54%									
Covered-employee payroll	\$ 3,487,577									
Net pension liability as a percentage of covered-employee payroll	459.18%									

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 67 Paragraph 32(c)
(\$ in Thousands)



Fiscal Year Ending June 30	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined employer contribution	\$ 1,268,935	\$ 1,059,652	\$ 926,372	\$ 944,077	\$ 897,428					
Actual employer contributions	<u>1,268,890</u>	<u>1,058,113</u>	<u>926,343</u>	<u>825,801</u>	<u>720,527</u>					
Annual contribution deficiency (excess)	<u>\$ 45</u>	<u>\$ 1,539</u>	<u>\$ 29</u>	<u>\$ 118,276</u>	<u>\$ 176,901</u>					
Covered-employee payroll	\$ 3,355,077	\$ 3,304,538	\$ 3,209,782	\$ 3,308,498	\$ 2,920,661					
Actual contributions as a percentage of covered-employee payroll	37.82%	32.02%	28.86%	24.96%	24.67%					



SCHEDULE B

SUMMARY OF BENEFIT PROVISIONS EVALUATED

The Connecticut State Employees Retirement System (CT SERS) is a defined benefit pension plan established by the Connecticut General Assembly for the purpose of providing retirement allowances and other benefits for State employees in Connecticut, and their survivors and other beneficiaries.

Eligibility Requirements

Tier I	All State Employees, Elected Officials and their Appointees hired prior to July 1, 1984. Those employees hired between July 1, 1982 and January 1, 1984 could elect to move to Tier II.
Tier II	All State Employees, Elected Officials and their Appointees hired on or after July 1, 1984.
Tier IIA	All State Employees, Elected Officials and their Appointees hired on or after July 1, 1997.
Tier III	All State Employees, Elected Officials and their Appointees hired on or after July 1, 2011.
Hybrid	All Higher Education Employees that are eligible for the Alternative Retirement Plan may elect the Hybrid Plan.

Final Average Earnings (FAE)

Tier I, II, and IIA	Average Salary of the three highest paid years of service. Effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years in calculating the Final Average Earnings.
Tier III	Average Salary of the five highest paid years of service. No one year's earnings can be greater than 130% of the average of the two preceding years in calculating the Final Average Earnings.



Normal Retirement Benefit

Eligibility

Tier I Hazardous – 20 years of credited service.

Tier I Plans B and C – Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service.

Tier II Hazardous – 20 years of credited service.

Tier II and IIA – For those who will be eligible for retirement on or before July 1, 2022, the earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997.

For those who will not be eligible for retirement on or before July 1, 2022, the earliest of age 65 with 10 years of vesting service, age 63 with 25 years of vesting service, age 70 with 5 years of vesting service.

Tier III Hazardous – Earlier of Age 50 and 20 years of benefit service or 25 years of benefit service.

Tier III – Age 63 and 25 years of benefit service or Age 65 and 10 years of benefit service.

Benefit

Tier I Hazardous – 50% of FAE plus 2% for each year of service in excess of 20.

Tier I Plan B – 2% of FAE times years of service up to age 65. Thereafter, 1% of FAE up to \$4,800, plus 2% of FAE in excess of \$4,800 times years of service. At age 70, greater of 1.25% of FAE up to \$4,800 plus 2.5% of FAE in excess of \$4,800 times years of service (maximum 20 years) or 1.0% of FAE up to \$4,800 plus 2% of FAE in excess of \$4,800 times year of service. Minimum benefit with 25 years is \$833.34 per month.

Tier I Plan C – 2% of FAE times years of service. At age 70, greater of 2.5% of FAE times years of service (maximum 20 years) or 2.0% of FAE times years of



service. Minimum benefit with 25 years is \$833.34 per month.

Tier II, IIA and III Hazardous – 2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any. Minimum benefit with 25 years is \$360 per month.

Tier II, IIA and III All Others – 1.40% of FAE plus 0.433% of FAE in excess of year's breakpoint*, times years of service from October 1, 1982 up to 35 years plus 1.625% of FAE times years of service in excess of 35 years, if any. Minimum benefit with 25 years is \$360 per month.

* \$10,700 increased by 6% each year after 1982, rounded to nearest \$100 but not greater than Social Security Covered Compensation.

Early Retirement Benefit

Eligibility

Hazardous – None.

Tier I – Age 55 with 10 years of service.

Tier II and IIA – Age 55 with 10 years of service.

Tier III – Age 58 with 10 years of service.

Benefit

Tier I – Benefit is Normal Retirement Benefit reduced for retirement prior to age 60 with less than 25 years of service.

Tier II, IIA and III – Benefit is Normal Retirement Benefit reduced 0.25% (effective July 1, 1991) for each month prior to age 60 if at least 25 years of service or age 62 if at least 10 but less than 25 years of service.

For those who retire on or after October 2, 2011 but prior to meeting the age and service requirements for a normal retirement, will be subject to a benefit reduced by 0.50% for each month prior to Normal Retirement.



Disability Retirement Benefit

Tier I

For non-service disabilities occurring prior to age 60 with at least 5 years of service, benefit is 3% of FAE times years of service; maximum benefit is 1.667% of FAE times year of service projected to age 65.

For service disabilities occurring prior to age 60, benefit is 1.667% of Salary times years of service projected to age 65 (maximum 30 years).

Exception: State Police benefit is equal to the normal retirement benefit if more than 20 years of service. State Police also receives an additional benefit of \$360 per month plus \$300 to spouse plus \$300 to a surviving dependent child.

Tier II, IIA and III

Prior to age 65 for service related disability or at any age with at least 10 years of service, benefit is 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint, times service projected to age 65 (maximum 30 years).

Deferred Vested Retirement Benefit

Eligibility

Tier I - 10 years of service.

Tier II and IIA – Effective July 1, 1997, 5 years of actual state service, 10 years of vesting service, or age 70 with 5 years of service.

Tier III – 10 years of benefit service.

Benefit

Tier I – Benefit is payable at Normal Retirement Age or an Early Retirement Benefit is payable at age 55.

Tier II and IIA – Benefit is payable at Normal Retirement Age or an Early Retirement Benefit is payable at age 55.

Tier III – Benefit is payable at Normal Retirement Age or an Early Retirement Benefit is payable at age 58.



Pre-Retirement Spouse's Benefit

Tier I

State Police – Survivor benefits to spouse of \$670 per month plus \$300 to a surviving dependent child.

If eligible for early or normal retirement, 50% of the average of the Life Benefit and the 50% Joint & Survivor Benefit the member would have received.

If not eligible for retirement but with 25 years of service, the same benefit calculated as though age 55 using service and earnings at death.

If not eligible for retirement, return of contributions (5% interest).

Tier II, IIA and III

If eligible for early or normal retirement, 50% of the 50% Joint & Survivor Benefit the member would have received.

If not eligible for retirement but with 25 years of service, the same benefit calculated as though age 55 using service and earnings at death.

If not eligible for retirement, return of contributions (5% interest).

Tiers I, II, IIA and III

If death is due to employment and there are dependent children under age 18, spouse will be paid \$100,000 in 10 annual installments while living and not remarried. In addition, \$50 per month will be paid to each child while under age 18.

If death is due to employment and there are no dependent children under age 18, spouse will be paid \$50,000 in not less than 10 annual installments.

Payment Options

50% or 100% Joint and Survivor (Normal Form if married).

Straight life annuity (Normal Form if not married).

10 or 20 year certain and life annuity.



Cost of Living Adjustments (COLA)

Annual adjustments each July 1 of up to 5% for retirements prior to July 1, 1980; 3% for retirements after July 1, 1980. For members (and beneficiaries) not covered by Social Security and age 62 and over, the maximum increase is 6%.

For employees retiring after June 30, 1999, the annual adjustment will be 60% of the increase in CPI up to 6% and 75% of the increase in the CPI over 6%. This adjustment will be no less than 2.5% and no greater than 6%.

Employees retiring between July 1, 1997 and June 30, 1999 made an irrevocable choice between the above formula and a fixed 3% annual adjustment.

An employee from Tier IIA must have at least 10 years of actual state service or directly make the transition into retirement in order to be eligible for annual adjustments.

For employees retiring on or after October 2, 2011, the minimum COLA shall be 2.0% and the maximum COLA shall be 7.5%.

Member Contributions*

Tier I – Hazardous	4% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level.
Tier I – Plan B	2% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level.
Tier I – Plan C	5% of earnings.
Tier II – Hazardous	4% of earnings.
Tier II – All Others	None.
Tier IIA & III – Hazardous	5% of earnings.
Tier IIA & III – All Others	2% of earnings.

* Increased for anyone electing to maintain retirement eligibility.



**Hybrid Defined Benefit/Defined
Contribution Plan for Employees
of Higher Learning**

Individuals hired on or after July 1, 2011 otherwise eligible for the Alternate Retirement Plan (“ARP”) shall be eligible to be members of the new Hybrid Plan in addition to their existing choices. Individuals who are currently members of the ARP shall be eligible to join the Hybrid Plan on a one time option at the full actuarial cost. The Hybrid Plan shall have defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but shall require employee contributions 3% higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving state service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the Hybrid Plan, plus a 5% employer match, plus 4% interest (“cash out option”). In the event the employee elects the cash out option, he/she shall permanently waive any entitlement they may have to health insurance as a retired state employee unless they convert the cash out option to a periodic payment as would be required under the current ARP Plan.



SCHEDULE C

STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

Adopted or reaffirmed by the Commission for the June 30, 2012 and later valuations.

VALUATION INTEREST RATE: 8.00% per annum, compounded annually, net of expenses.

SALARY INCREASES:

No salary increases are assumed for the 2012 & 2013 fiscal years. From fiscal year 2014 through 2016 salary increases are assumed to be 1% less than the table below. After the 2016 fiscal year, salary increases are assumed to continue using the same service schedule prior to 2012, which are as follows:

Years of Service	Rate
0	10.00%
1	20.00%
2	10.00%
3	6.25%
4	6.00%
5	5.75%
6	5.50%
7	5.50%
8	5.50%
9	5.50%
10	5.00%
11	5.00%
12	5.00%
13	5.00%
14	5.00%
15+	4.00%

COST OF LIVING ADJUSTMENTS:

Group	Rate
Pre July 1, 1980 Retirees	3.60%
July 1, 1980 – June 30, 1997 Retirees	3.00%
July 1, 1997 – October 1, 2011 Retirees	2.60%
Post October 1, 2011 Retirees	2.30%



SOCIAL SECURITY WAGE BASE INCREASES: 3.50% per annum.

PAYROLL GROWTH ASSUMPTION: 3.75% per annum.

IMPACT OF LONGLEY DECISION: Benefits for members retiring from service on or after the *Longley* decision date are assumed to increase by 0.084% as a result of the revised treatment of longevity pay. Retroactive application of *Longley* has been reflected in this valuation to the extent impacted retiree benefits have been recalculated.

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation before service retirement are as follows:

WITHDRAWAL

Annual Rates of Non-Hazardous Withdrawal*								
Age	Years of Service							
	0	1	2	3	4	5	6-9	10+
Men								
20	40%	40%	40%	20%	20%	8%	5%	5.0%
25	30	30	20	10	10	8	4	5.0
30	25	22	14	8	7	8	4	4.0
35	25	15	10	7	6	6	4	3.0
40	25	15	9	7	6	5	4	2.5
45	25	15	9	7	6	5	4	2.2
50	25	15	9	7	6	5	4	1.5
55+	25	15	9	7	6	5	4	0.0
Women								
20	35%	45%	30%	20%	20%	10%	5%	5.0%
25	25	25	15	12	9	10	5	5.0
30	20	20	10	9	7	8	5	4.0
35	20	15	9	7	6	6	4	3.0
40	20	15	8	7	6	5	4	2.5
45	20	15	8	7	6	5	3	2.0
50	20	15	8	7	6	5	3	1.5
55+	20	15	8	7	6	5	3	0.0

* For Hazardous Male Employees, multiply male rates by 35%

* For Hazardous Female Employees, multiply female rates by 55%



DISABILITY

Annual Rates of Disability		
Age	Hazardous	Non-Hazardous
25	0.00%	0.01%
30	0.05	0.04
35	0.15	0.05
40	0.25	0.12
45	0.30	0.16
50	0.45	0.24
55	0.60	0.40
60	0.80	0.60
65	1.10	0.80
70	1.40	1.00

RETIREMENT: The assumed annual rates of retirement are shown below.

Annual Rates of Retirement		
Hazardous Employees		
Tier I, II & IIa		
Age	First Year Eligible For	All Years After
44 and Less	18.0%	10.0%
45-48	25.0%	10.0%
49-59	10.0%	10.0%
60-69	25.0%	15.0%
70-79	100.0%	20.0%
80	100.0%	100.0%
Tier III		
49 and Less	18.0%	10.0%
50-59	25.0%	10.0%
60-69	10.0%	10.0%
70-79	100.0%	20.0%
80	100.0%	100.0%



Annual Rates of Retirement			
Non-Hazardous Employees			
Tier I, II & IIa			
Age	Early Retirement	Normal Retirement	
		First Year	Other Years
55	7.5%	15.0%	12.5%
56-59	5.0%	15.0%	12.5%
60	5.0%	25.0%	12.5%
61	15.0%	25.0%	15.0%
62	10.0%	10.0%	30.0%
63	35.0%	35.0%	25.0%
64	45.0%	45.0%	25.0%
65-69	65.0%	65.0%	25.0%
70-79	100.0%	100.0%	20.0%
80	100.0%	100.0%	100.0%
Tier III			
Age	Early Retirement	Normal Retirement	
		First Year	Other Years
58-59	5.0%	7.5%	5.0%
60	5.0%	12.5%	12.5%
61	10.0%	15.0%	15.0%
62	10.0%	10.0%	30.0%
63	10.0%	35.0%	25.0%
64	10.0%	45.0%	25.0%
65-69	25.0%	65.0%	25.0%
70-79	25.0%	100.0%	20.0%
80	100.0%	100.0%	100.0%

* These rates also apply for Tier I Plan B and Tier I Plan C members upon attainment of age 60 with at least 10 years of service.



DEATHS AFTER RETIREMENT: The RP2000 Mortality Table for Annuitants and Non-Annuitants projected with Scale AA 15 years for men (set back 2 years) and 25 years for women (set back 1 year) is used for the period after retirement and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Men	Women	Age	Men	Women
40	0.086%	0.044%	65	0.810%	0.760%
45	0.107	0.069	70	1.425	1.311
50	0.142	0.101	75	2.460	2.083
55	0.219	0.198	80	4.483	3.482
60	0.414	0.392	85	8.075	5.981

In our opinion, the projection of the mortality rates with Scale AA continues to provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience.

55% (men) and 80% (women) of the RP-2000 Disability Mortality Table is used for the period after disability.

ASSET METHOD: Market Value of Assets.

VALUATION METHOD: Entry Age Normal cost method.

SPOUSES: For members who have elected spouse coverage, husbands are assumed to be three years older than their wives.

PERCENT MARRIED: 80% of active members are assumed to be married with an average of two children who are on average age 12.

OTHER ASSUMPTIONS:

- 20% of Pre-Retirement deaths are assumed to be service related,
- 50% of Tier I Hazardous Employees are assumed to be State Police,
- To take into account State Police Supplemental Benefits and the offset of Workers Compensation, Social Security, and Non-Rehabilitation Earnings, the following minimum and maximum benefits as a percent of salary are assumed for disability benefits:

	<u>Minimum</u>	<u>Maximum</u>
Tier I State Police	60%	80%
All Other Members	40%	60%