



January 28, 2007

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

Ladies and Gentlemen:

This report presents the results of the annual actuarial valuation of the Public School Employees' Retirement System of Pennsylvania as of June 30, 2006.

The valuation takes into account all of the promised benefits to which members are entitled as of June 30, 2006, including pension and survivor benefits; and as required by the Retirement Code is the basis for the contribution rate for fiscal year 2007/2008.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8½% per annum compounded annually. The actuarial assumptions and methods for funding are unchanged from the prior valuation.

GASB Statement No. 43 requires PSERS to commence financial reporting for postemployment benefit plans other than pension plans with the June 30, 2006 valuation, and the required disclosure for the PSERS Health Insurance Premium Assistance plan is contained in this valuation report. The Health Insurance funding provisions of the PSERS code differ from the GASB disclosure requirements: For purposes of funding, the Health Insurance actuarial liability is equal to the assets in the Health Insurance account, while for purposes of GASB 43 disclosure, the Health Insurance actuarial liability has been determined under the entry age actuarial cost method. (The entry age actuarial cost method meets the GASB parameters for determining actuarial liability and normal cost, and is the cost method specified by the PSERS code for the PSERS pension plan.)

Assets and Membership Data

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

Funding Adequacy

The valuation results determine that the employer contribution rate for fiscal year 2007/2008 is 7.13%. As of June 30, 2006, the total funded ratio of the plan (for Pensions and Health Insurance combined) is 81.2%, based on the accrued liability and actuarial value of assets calculated under the funding requirements of Section 8328 of the Retirement Code.

Financial Results and Membership Data

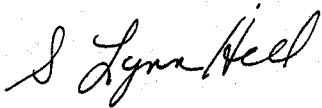
Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report. The actuary prepared supporting schedules included in the Actuarial and Statistical Section of the PSERS Comprehensive Annual Financial Report (CAFR), and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

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

Respectfully submitted,



Kim M. Nicholl, F.S.A.
Principal, Consulting Actuary



S. Lynn Hill
Director, Retirement Consulting



Joshua Shapiro
Senior Consultant

Executive Summary

This report presents the actuarial valuation as of June 30, 2006 for the Public School Employees' Retirement System of Pennsylvania.

The principal valuation results include:

- The employer contribution rate for fiscal year 2007/2008, which is 7.13%.
- The total funded ratio of the plan determined as of June 30, 2006 under the funding requirements of Section 8328 of the Retirement Code, which is 81.2% based on the accrued liability and the actuarial value of assets for Pensions and Health Insurance as of that date.
- The determination of the actuarial gain or loss as of June 30, 2006, which is a loss of \$0.9 billion.
- Annual disclosures as of June 30, 2006 as required by Statements No. 25 and 43 of the Governmental Accounting Standards Board.

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

Changes Since Last Year

Legislative and Administrative Changes

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

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

Actuarial Assumptions and Methods

There were no significant changes to the actuarial assumptions or methods since the prior valuation. Based on a suggestion contained in the actuarial audit completed in the spring of 2006, a minor change was made in the programming of the actuarial early retirement factors in the actuarial valuation. As expected, the effect on the valuation results was de minimus.

The actuarial assumptions and methods are outlined in Table 12.

Contribution Rates

The results of the valuation as of June 30, 2006 determine the employer contribution rate for fiscal year 2007/2008. The calculated employer contribution rate for the 2007/2008 fiscal year is 7.13%, and the Board of Trustees certified this rate at their December 2006 meeting.

The average contribution rate payable by the members is 7.25%. Effective January 1, 2002, the employee contribution rate for members who elected to have prior school service and intervening military service converted to Class T-D service increased by 1.25%. However, anyone who enrolls (or

re-enrolls) in PSERS on or after July 1, 2001 is *automatically* a member of Class T-D with regard to all subsequent school service and subsequent intervening military service, with a member rate equal to 7.5%. The average member contribution rate of 7.25% is a pay-weighted average of member rates that vary based on date of hire and based on Class T-D membership.

Reasons for Change in the Rate

The employer contribution rate calculated by the actuary increased from 6.41% for fiscal year 2006/2007 to 7.13% for fiscal year 2007/2008. The increase of 0.72% is due to the following sources:

▪ Increase due to change in normal rate	0.06
▪ Increase due to payroll growth	0.07
▪ Increase due to actuarial loss on assets	0.24
▪ Increase due to actuarial loss on liabilities	0.46
▪ Decrease due to change in health insurance contribution rate	(0.05)
▪ Decrease due to effect of 4% floor on FY 2006 pension contribution	<u>(0.06)</u>
▪ Total	0.72%

Summary of Principal Results

Summarized below are the principal financial results for the Public School Employees' Retirement System based upon the actuarial valuation as of June 30, 2006. Comparable results from the June 30, 2005 valuation are also shown.

Item	June 30, 2005	June 30, 2004
Demographics		
Active Members		
• Number	263,350	255,465
• Average Annual Pay	\$ 43,361	\$ 41,210
Annuitants		
• Number	161,813	156,519
• Average Annual Benefit Payment	\$ 20,236	\$ 19,343
Contribution Rates (as a Percentage of Payroll)		
	(Fiscal Year 2007/2008)	(Fiscal Year 2006/2007)
Employer Contribution Rate:		
• Total Pension Contribution Rate	6.44%	5.67%
• Health Insurance Contribution Rate	0.69	0.74
• Total Contribution Rate Calculated by Actuary	7.13%	6.41%
• Total Contribution Rate Certified by Board	7.13%	6.46%
Member Average Contribution Rate	7.25	7.21
• Total Rate	14.38%	13.67%
Actuarial Funded Status*		
• Accrued Liability	\$ 64,720.1 Mil	\$ 61,226.6 Mil
• Actuarial Value of Assets	52,557.5	51,219.3
• Unfunded Accrued Liability	\$ 12,162.6	\$ 10,007.3
• Funded Ratio	81.2 %	83.7 %
* Pensions and Health Insurance combined		

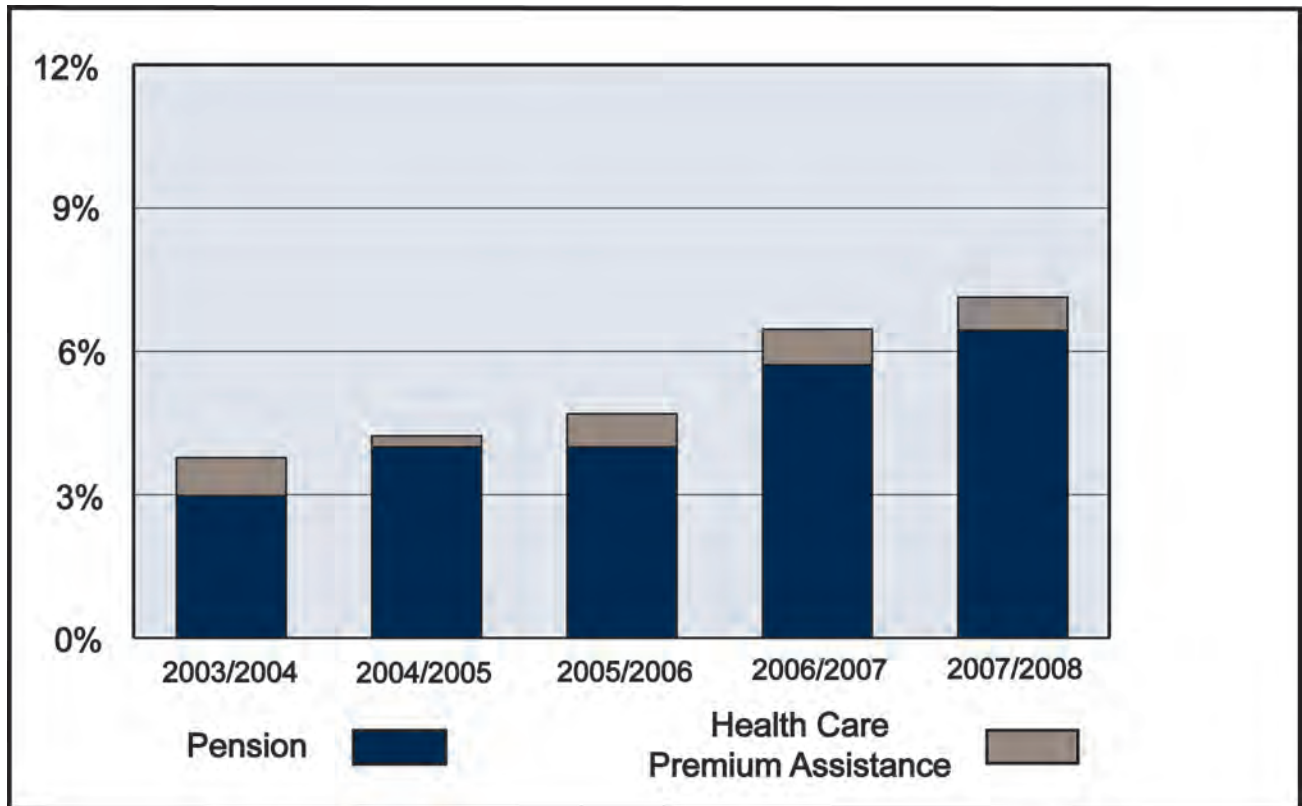
Five-Year History of Principal Financial Results

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

Fiscal Year	Member Contributions	Employer Contributions			Total *
		Normal Cost	Unfunded Accrued Liability	Health Care	
2007/2008	7.25%	6.68%	(0.24)%	0.69%	7.13%
2006/2007	7.21	6.62	(0.95)	.74	6.46
2005/2006	7.16	7.61	(4.28)	.69	4.69
2004/2005	7.12	7.48	(7.10)	.23	4.23
2003/2004	7.08	7.25	(4.27)	.79	3.77

* Certified by the Board.

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



Funded Ratio

The financing objective of the System is to:

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

The total contribution rate of 7.13% of payroll payable by employers, when taken together with the contributions payable by the members and asset returns, is sufficient to achieve the financing objective.

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

On this basis, the System's total funded ratio (for Pensions and Health Insurance combined) is 81.2% as of June 30, 2006. This funded ratio is based on an actuarial value of assets of \$52.6 billion and an accrued liability of \$64.7 billion. The funded ratio for Pensions alone is also 81.2% as of June 30, 2006, based on an actuarial value of assets of \$52.5 billion, and an accrued liability of \$64.6 billion.

Reasons for Change in the Funded Ratio

The total funded ratio decreased from 83.7% as of June 30, 2005 to 81.2% as of June 30, 2006. This decrease is due to the fact that contributions in 2006 were less than the normal cost plus interest on the unfunded liability as of June 30, 2005, and also to experience losses on the assets and liabilities that occurred during the past year.

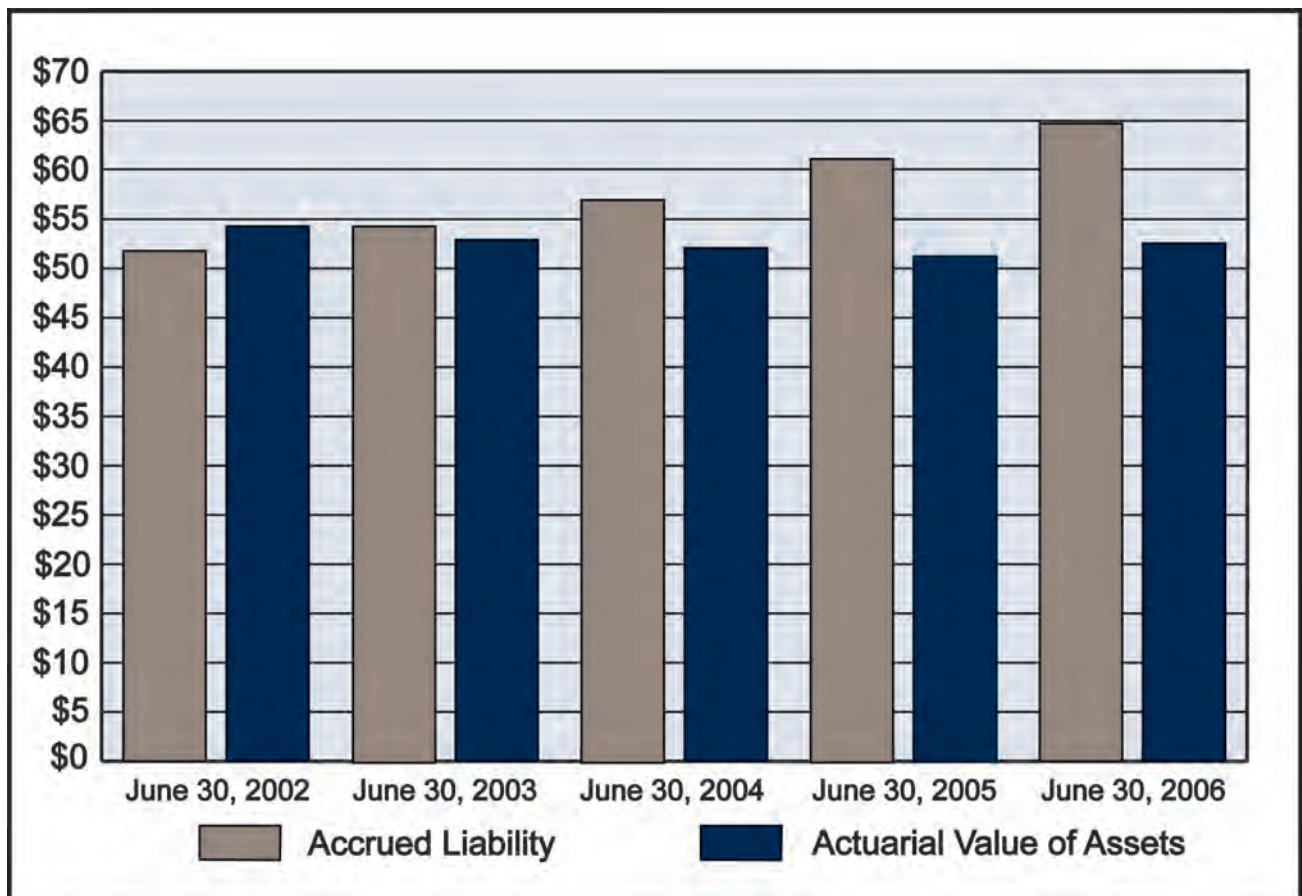
**Five-Year History of
Total Funded Ratio***
(Dollar Amounts in Millions)

Valuation as of June 30	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio
2006	\$ 64,720.1	\$ 52,557.5	\$ 12,162.6	81.2%
2005	61,226.6	51,219.3	10,007.3	83.7
2004	57,123.0	52,094.5	5,028.5	91.2
2003	54,443.8	52,900.5	1,543.3	97.2
2002	51,796.5	54,296.4	(2,499.9)	104.8

* For Pensions and Health Insurance (under the funding provisions of the PSERS code)

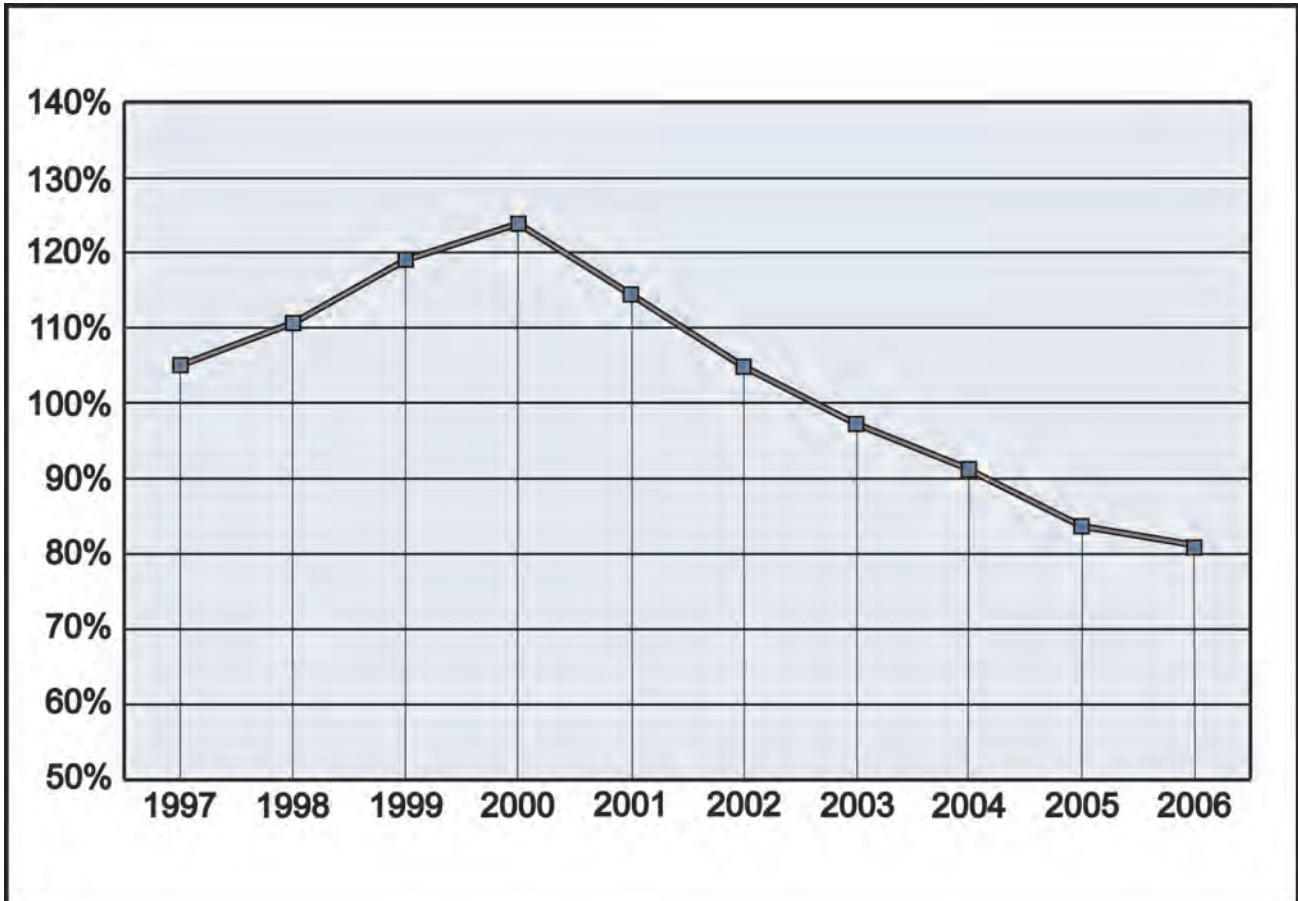
The following chart shows a five-year history of the accrued liability and the actuarial value of assets:

Five-Year History of Accrued Liability and Actuarial Value of Assets
(Dollar Amounts in Billions)



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

**Ten-Year History of Funded Ratio
(1997 - 2006)**



GASB No. 25 Disclosure

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

The “schedule of funding progress” shows historical trend information about the System’s actuarial value of pension assets, the actuarial accrued liability for pensions and the unfunded actuarial accrued liability for pensions. The actuarial funded ratio for pensions is measured by comparing the actuarial value of pension assets (based on a 5-year moving average market value) with the accrued liability for pensions. The accrued liability is the present value of pension benefits accumulated to date under the System’s funding method and reflects future pay increases for active employees. On this basis, the System’s funded ratio for pensions is 81.2% as of June 30, 2006. This funded ratio is based on an actuarial value of pension assets of \$52.5 billion and an accrued liability for pensions of \$64.6 billion. See Table 7 for more detail.

The pension contribution requirements of the PSERS code differ from the GASB disclosure requirements. As a result, there may be different determinations of contribution requirements for GASB accounting purposes and for State funding purposes. For GASB accounting purposes, the Annual Required Contribution (ARC) equals the employer normal cost for pensions (determined under the PSERS funding provisions) plus, for fiscal years ending on or before June 30, 2006, an amount that will amortize the unfunded actuarial accrued liability for pensions over a period no longer than 40 years. The maximum amortization period for calculating the GASB ARC decreases to 30 years commencing with the contribution for fiscal year 2006/2007. Although the employer normal cost for GASB accounting equals the PSERS normal cost for funding, section 8328 of the PSERS code specifies different amortization periods for the unfunded accrued liability: each change in the unfunded accrued liability is amortized over either a 10 or 30-year period, and the resulting equivalent single amortization period may be any number of years.

The “schedule of employer contributions” for pensions shows historical trend information about the GASB ARC and the percentage of the ARC contributed to the System. The actual employer pension contributions for the five fiscal years ending June 30, 2004 are equal to 100% of the GASB ARC. The actual employer pension contribution for the fiscal year ending June 30, 2005 is 46% of the ARC, and the actual employer pension contribution for the fiscal year ending June 30, 2006 is 34% of the ARC. See Table 8a for additional detail.

GASB No. 43 Disclosure

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

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

The GASB 43 “schedule of funding progress” shows that as of June 30, 2006, the health insurance assets were \$92,777,000, measured on a market value basis, while the GASB 43 health insurance liabilities were \$1,056,154,000, resulting in a funded ratio of 8.8%.

The GASB 43 “schedule of employer contributions” will first apply to fiscal year 2006/2007, and will not be calculated until June 30, 2007.

Rate of Return

The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) for fiscal years 2001/2002 through 2005/2006 is shown in the table below. The return based on the actuarial value of assets used for determining annual contribution rates is also shown.

The rate of return on market value reflects the investment earnings on the market value of assets from the beginning of the fiscal year to the end of the fiscal year. The actuarial assets are the assets recognized for valuation purposes. Actuarial assets are based on a smoothed market value that spreads the difference between the actual and expected return (beginning with the 2001/2002 fiscal year) over a period of five years. The rate of return on the actuarial value of assets is a measure of the increase in the actuarial value of assets from the beginning of the fiscal year to the end of the fiscal year.

Fiscal Year	Rate of Return Based on	
	Market Value *	Actuarial Value
2005/2006	15.3%	7.9%
2004/2005	12.9	3.2
2003/2004	19.7	2.6
2002/2003	2.7	1.4
2001/2002	(5.3)	2.7

* Market value rate of return provided by Wilshire Associates Incorporated, the PSERS investment consultant.

Table 1
Summary of Results of Actuarial Valuation
As of June 30, 2006
(Dollar Amounts in Thousands)

Item	Amount
Member Data	
1. Number of Members	
a) Active Members	263,350
b) Inactive Members and Vestees	94,071
c) Annuitants, Beneficiaries and Survivor Annuitants	161,813
d) Total	519,234
2. Annualized Salaries	\$ 11,419,049
3. Annual Annuities	\$ 3,274,451
Valuation Results	
4. Present Value of Future Pension Benefits	
a) Active Members	\$ 50,310,197
b) Inactive Members and Vestees	823,575
c) Annuitants, Beneficiaries and Survivor Annuitants	29,117,164
d) Total	\$ 80,250,936
5. Present Value of Future Pension Normal Cost	
a) Active Members	\$ 8,131,437
b) Employer	7,492,138
c) Total	\$ 15,623,575
6. Pension Accrued Liability	
a) Active Members (4a) - (5c)	\$ 34,686,622
b) Inactive Members and Vestees	823,575
c) Annuitants, Beneficiaries and Survivor Annuitants	29,117,164
d) Total	\$ 64,627,361
7. Health Insurance Assets for Premium Assistance	\$ 92,777
8. Total Accrued Liability (6) + (7)	\$ 64,720,138
9. Actuarial Value of Assets	\$ 52,557,503
10. Funded Status (9) / (8)	81.2 %
11. Unfunded Accrued Liability (8) - (9)	\$ 12,162,635
12. Total Normal Cost Rate	13.93 %
13. Member Contribution Rate	7.25 %
14. Employer Normal Cost Rate (12 - (13)	6.68 %
Employer Annual Funding Requirement for Fiscal 2007/2008	
15. Employer Contribution Rate Calculated by Actuary	
a) Normal	6.68 %
b) Unfunded Accrued Liability	(0.24)
c) Preliminary Pension Rate	6.44 %
d) Preliminary Pension Rate with 4% Floor	6.44
e) Health Insurance Premium Assistance	0.69
f) Total Rate	7.13 %

Table 2
Summary of Sources of Employer Contribution Rate
As of June 30, 2006
(Dollar Amounts in Thousands)

	Funding Period	Funding Period Beginning July 1	Initial Amount of Liability	Outstanding Balance as of July 1, 2006	Annual Payment	
					Amount	Percent *
1. Amortization of:						
a) July 1, 2001 Fresh Start Unfunded Base	10 Years	2002	\$ (9,137,130)	\$ (6,880,185)	\$ (1,510,937)	(11.73)%
b) Asset Method Change at July 1, 2001 due to Act 38	10 Years	2002	(4,638,306)	(3,492,607)	(767,001)	(5.95)%
c) 2001 Changes	30 Years	2002	7,570,507	6,917,683	668,111	5.19%
d) 2002 Changes	30 Years	2003	3,014,171	2,993,930	286,101	2.22 %
e) 2002 COLA	10 Years	2003	463,795	392,561	76,694	0.59 %
f) 2003 COLA	10 Years	2004	754,524	763,406	135,375	1.05 %
g) 2003 Changes	30 Years	2004	3,229,593	3,445,290	326,059	2.53 %
h) 2004 Changes	30 Years	2005	2,903,093	3,124,498	293,096	2.27 %
i) 2005 Changes	30 Years	2006	3,765,745	4,085,833	380,189	2.95 %
j) 2006 Changes	30 Years	2007	812,226	812,226	82,002	0.64 %
Total Amortization Payments				12,162,635	(30,311)	(0.24)%
2. Employer Normal Cost Rate						6.68 %
3. Preliminary Pension Rate (1) + (2)						6.44 %
4. Preliminary Pension Rate with 4% Floor -- Maximum of (3) and 4%						6.44 %
5. Health Insurance Premium Assistance Rate						0.69 %
6. Final Total Employer Contribution Rate Calculated by Actuary (4) + (5)						7.13 %

* Based on Estimated Employer Payroll for Fiscal Year Ending 2008 of \$12,881,244.

Table 3
Determination of Health Insurance Contribution Rate
For Fiscal Year 2007/2008
(Dollar Amounts in Thousands)

Item	Amount
1. Estimated Number of Eligible Annuitants in Fiscal Year 2008/2009	116,300
2. Estimated Number of Eligible Annuitants Who Elect Coverage	75,595
3. Estimated Annual Health Insurance Premium Assistance Payments During Fiscal Year 2008/2009 (2) x \$100 x 12	\$ 90,714
4. Estimated Health Insurance Premium Assistance Administrative Expenses During Fiscal Year 2008/2009	2,282
5. Total Estimated Health Insurance Premium Assistance Account Disbursements During Fiscal Year 2008/2009 (3) + (4)	\$ 92,996
6. Estimated Balance in Health Insurance Premium Assistance Account for Prior Fiscal Year	\$ 5,249
7. Estimated Shortfall in Health Insurance Premium Assistance Account (5) - (6)	\$ 87,747
8. Required Health Insurance Premium Assistance Contribution Rate	
(a) Estimated 2007/2008 Payroll	\$ 12,881,244
(b) Required Health Insurance Premium Assistance Contribution Rate (7) / (8a) (rounded up)	0.69%

Table 4
Summary of Market Value of Plan Assets
As of June 30, 2006
(Dollar Amounts in Thousands)

Market Value	
1. Market Value of Assets as of June 30, 2005	\$ 52,033,534
2. Contributions During Fiscal Year 2005/2006	1,358,590
3. Disbursements During Fiscal Year 2005/2006	3,964,748
4. Investment Return During Fiscal Year 2005/2006	
a) Net Investment Return	\$ 7,938,436
b) Administrative Expenses	37,368
c) Investment Return After Expenses (a) - (b)	\$ 7,901,068
5. Market Value of Assets as of June 30, 2006 (1) + (2) - (3) + (4c)	\$ 57,328,444
6. Rate of Return (per Wilshire)	15.26 %
Asset Allocation by Account	
1. Members' Savings Account	\$ 9,571,668
2. Annuity Reserve Account	29,117,164
3. State Accumulation Account	18,546,835
4. Health Care Account	92,777
5. Total (1) + (2) + (3) + (4)	\$ 57,328,444

Table 5
Derivation of Actuarial Value of Assets
As of June 30, 2006
(Dollar Amounts in Thousands)

1. Market Value of Assets as of June 30, 2006					\$ 57,328,444
2. Determination of Deferred Gain (Loss)					
	Return on Assets				
Year	Actual	Expected	Difference	% Deferred	Deferred Amount
2005/2006	\$ 7,901,068	\$ 4,242,878	\$ 3,658,190	80%	\$ 2,926,552
2004/2005	6,044,305	4,321,981	1,722,324	60%	1,033,394
2003/2004	8,201,871	4,404,561	3,797,310	40%	1,518,924
2002/2003	985,646	4,525,288	(3,539,642)	20%	(707,929)
					\$ 4,770,941
3. Actuarial Value of Assets (1) - (2)					\$ 52,557,503
4. Actuarial Rate of Return *					7.90%

* The actuarial rate of return is the investment return based on the change in the actuarial value of the assets from the June 30, 2005 valuation to the June 30, 2006 valuation.

Table 6
Analysis of Change in Unfunded Accrued Liability
As of June 30, 2006
(Dollar Amounts in Thousands)

Item	Amount
1. Unfunded Accrued Liability at June 30, 2005	\$ 10,007,288
2. Interest Credit at 8.50% to June 30, 2006	850,619
3. Contributions toward Unfunded Accrued Liability	(492,502)
4. Change due to Effect of 4% Floor on FY 2006 Pension Contribution	(77,084)
5. Expected Unfunded Accrued Liability at June 30, 2006 (1) + (2) - (3) + (4)	\$ 11,273,325
6. Actual Unfunded Accrued Liability at June 30, 2006	\$ 12,162,635
7. Increase (Decrease) from Expected (6) - (5)	\$ 889,310
8. Reasons for Increase (Decrease)	
(a) Experience (Gains) Losses	
(i) Loss from Investment Return on Actuarial Value of Assets	\$ 298,510
(ii) Loss from Salary Increases Greater than Expected	423,116
(iii) Loss from Retirement and Other Separation Experience	175,573
(iv) Loss from Annuitants' Mortality Experience	(7,889)
Subtotal	\$ 889,310
(b) Changes in Assumptions and Funding Method	-
(c) Grand Total	\$ 889,310

Table 7
Schedule of Funding Progress For Pensions *
GASB Statement No. 25 Disclosure
(Dollar Amounts in Thousands)

Valuation as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Funded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll
2006	\$ 52,464,726	\$ 64,627,361	\$ (12,162,635)	81.2 %	\$ 11,419,049	(106.5) %
2005	51,122,156	61,129,444	(10,007,288)	83.6	10,527,668	(95.1)
2004	51,949,622	56,978,143	(5,028,521)	91.2	10,030,705	(50.1)
2003	52,770,018	54,313,328	(1,543,310)	97.2	9,652,881	(16.0)
2002	54,193,064	51,693,207	2,499,857	104.8	9,378,944	26.7
2001	54,783,928	47,870,922	6,913,006	114.4	9,414,884	73.4

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

Schedule of Funding Progress For
Postemployment Benefits Other Than Pensions *
GASB Statement No. 43 Disclosure
(Dollar Amounts in Thousands)

Valuation as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Funded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll
2006	\$ 92,777	\$ 1,056,154	\$ (963,377)	8.8 %	\$ 11,419,049	(8.4) %

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

Table 8a
Schedule of Employer Contributions for Pensions
GASB Statement No. 25 Disclosure
(Dollar Amounts in Thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2006	\$ 1,328,373	\$ 456,878	34 %
2005	945,107	431,556	46 %
2004	321,901	321,091	100 %
2003	20,831	20,831	100 %
2002	539	539	100 %
2001	158,193	158,193	100 %

The information presented above was determined as part of the actuarial valuation as of two years prior to the dates indicated (i.e. the contribution determined by the valuation completed as of June 30, 2002 was contributed in the fiscal year ending June 30, 2004).

Additional information as of the latest actuarial valuation follows:

Valuation Date:	6/30/2006
Actuarial Cost Method:	Entry Age
Amortization Method:	Level dollar open
Remaining Amortization Period:	30 years
Asset Valuation Method:	5-year smoothed market

Actuarial Assumptions:	
- Investment Rate of Return *	8.50%
- Projected Salaried Increases *	6.00%

* Includes Inflation at:	3.25%
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Table 8b
Schedule of Employer Contributions for
Postemployment Benefits Other than Pensions
GASB Statement No. 43 Disclosure
(Dollar Amounts in Thousands)

The June 30, 2006 valuation represents the first calculation of the GASB 43 contribution. This valuation will determine the Annual Required Contribution for the 2006/2007 fiscal year. However, the final calculation of the Annual Required Contribution and the Actual Employer contribution cannot be completed until the end of the fiscal year.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	6/30/2006
Actuarial Cost Method:	Entry Age
Amortization Method:	Level dollar open
Remaining Amortization Period:	30 years
Asset Valuation Method:	5-year smoothed market
Actuarial Assumptions:	
- Investment Rate of Return *	8.50%
- Projected Salaried Increases *	6.00%
* Includes Inflation at:	3.25%

Table 9
Solvency Test
Comparative Summary of Accrued Liability
and Actuarial Value of Assets*
(Dollar Amounts in Thousands)

Valuation as of June 30	(1)	(2)	(3)	Actuarial Value of Assets	Portion of Accrued Liability Covered by Valuation Assets		
	Active Member Contributions	Retirees and Beneficiaries	Active Member Employer Financed		(1)	(2)	(3)
2006	\$ 9,571,668	\$ 29,209,941	\$ 25,938,529	\$ 52,557,503	100%	100%	53%
2005	9,116,347	27,051,245	25,058,989	51,219,293	100%	100%	60%
2004	8,755,109	24,482,234	23,885,657	52,094,479	100%	100%	79%
2003	8,282,753	22,094,109	24,066,913	52,900,465	100%	100%	94%
2002	7,780,370	19,978,567	24,037,574	54,296,368	100%	100%	100%
2001	7,464,404	15,802,140	24,650,750	54,830,300	100%	100%	100%

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

Table 10
History and Projection of
Contribution Rates and Funded Ratios *

Fiscal Year	Employer Payroll	Contribution Rates					Funded Ratio	
		Member	Employer Normal Cost Rate	Unfunded Liability Rate	Preliminary Employer Pension Rate	Health Insurance Rate		Total Employer Rate
1998/1999	\$ 8,247,602	5.69 %	6.33 %	(0.44) %	5.89 %	0.15 %	6.04 %	119.0 %
1999/2000	8,939,598	5.72	6.40	(2.04)	4.36	0.25	4.61	123.8
2000/2001	9,414,884	5.77	6.29	(4.65)	1.64	0.30	1.94	114.4
2001/2002	9,378,944	6.43	5.63	(6.05)	(0.42)	1.09	1.09	104.8
2002/2003	9,652,881	7.10	7.20	(10.03)	1.00	0.97	1.15	97.2
2003/2004	10,030,705	7.08	7.25	(4.27)	2.98	0.79	3.77	91.2
2004/2005	11,062,589	7.12	7.48	(7.10)	4.00	0.23	4.23	83.7
2005/2006	11,505,093	7.16	7.61	(4.28)	4.00	0.69	4.69	81.2
2006/2007	11,821,951	7.21	6.62	(0.95)	5.67	0.74	6.46	82.1
2007/2008	12,881,244	7.25	6.68	(0.24)	6.44	0.69	7.13	84.2
2008/2009	13,218,270	7.28	6.64	(1.16)	5.48	0.72	6.20	85.1
2009/2010	13,545,642	7.30	6.62	(2.61)	4.01	0.73	4.74	85.2
2010/2011	13,870,025	7.32	6.60	(3.47)	3.13	0.73	4.73	84.4
2011/2012	14,207,928	7.34	6.59	(4.05)	2.54	0.73	4.73	83.4
2012/2013	14,567,273	7.37	6.56	11.45	18.01	0.72	18.73	84.6
2013/2014	14,946,464	7.39	6.54	10.40	16.94	0.72	17.66	85.7
2014/2015	15,355,101	7.40	6.53	9.20	15.73	0.71	16.44	86.6
2015/2016	15,799,234	7.42	6.51	8.91	15.42	0.70	16.12	87.4
2016/2017	16,286,901	7.43	6.50	8.64	15.14	0.69	15.83	88.2
2017/2018	16,821,401	7.44	6.49	8.36	14.85	0.67	15.52	89.1

* The projection of contribution rates is based on the assumption that there are no changes in demographics or economic assumptions, no changes in benefit provisions, and no actuarial gains or losses other than gains or losses on the actuarial value of assets that result from recognizing currently deferred gains or losses on the market value of assets.

Table 11
**History and Projection of Annuitants, Beneficiaries,
 Survivor Annuitants and Active Members**

Valuation as of June 30	New Annuitants During the Year	Annuitant Deaths During the Year	Annuitants at End of Year	Beneficiaries and Survivor Annuitants at End of Year	Total Annuitants, Beneficiaries and Survivor Annuitants	Active Members
1997			118,137	5,987	124,124	215,077
1998			120,665	6,149	126,814	220,703
1999			126,448	6,421	132,869	223,495
2000			127,404	6,654	134,058	234,210
2001			125,880	6,836	132,716	243,311
2002			134,300	7,114	141,414	242,616
2003			138,383	7,310	145,693	246,700
2004			143,997	7,555	151,552	247,901
2005			148,727	7,792	156,519	255,465
2006			153,757	8,056	161,813	263,350
2007	13,351	4,195	162,913	8,486	171,399	263,350
2008	11,526	4,389	170,050	8,871	178,921	263,350
2009	12,054	4,541	177,563	9,207	186,770	263,350
2010	12,289	4,719	185,133	9,505	194,638	263,350
2011	12,154	4,910	192,377	9,784	202,161	263,350
2012	11,853	5,079	199,151	10,038	209,189	263,350
2013	11,806	5,384	205,573	10,266	215,839	263,350
2014	11,741	5,621	211,693	10,489	222,182	263,350
2015	11,617	5,830	217,480	10,725	228,205	263,350
2016	11,395	6,009	222,866	10,967	233,833	263,350

Table 12
Description of Actuarial Assumptions and Methods

ASSUMPTIONS

Interest Rate: 8½% per annum, compounded annually (adopted as of June 30, 1990). The components are 3.25% for inflation and 5.25% for the real rate of return (both adopted as of June 30, 2005). Actuarial equivalent benefits are determined based on 4% (since 1960).

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

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

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

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

Description of Actuarial Assumptions and Methods (Continued)

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

Salary Increase: Effective average of 6% per annum, compounded annually (adopted as of June 30, 2005). The components are 3.25% for inflation, 1% for real wage growth and 1.75% for merit or seniority increases (adopted as of June 30, 2000). Representative values are as follows:

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

MISCELLANEOUS

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

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

Health Insurance

Elections: 65% of eligible retirees are assumed to elect premium assistance.

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

METHODS

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

Asset Valuation Method: A five-year moving market average value of assets that recognizes the 8.5% actuarial expected investment return immediately and spreads the difference between the

Description of Actuarial Assumptions and Methods (Continued)

actual and expected return (beginning with the 2000/2001 fiscal year) over a period of five years (adopted as of June 30, 2001).

Actuarial Cost Method for Pension Funding: Entry Age Normal Cost Method (modified slightly as of June 30, 2005 to use a pay-weighted average normal contribution rate). The results of each June 30 valuation normally determine the employer contribution rate for the second succeeding fiscal year. The outstanding balance of the unfunded accrued liability as of June 30, 2001 and the decrease in the unfunded accrued liability due to the actuarial asset method change provided by Act 38 continue to be amortized over a 10-year period, with level dollar funding, beginning July 1 2002. The increases in the unfunded accrued liability due to the July 1, 2002 and July 1, 2003 cost-of-living adjustments provided by Act 38 were both recognized at June 30, 2002 and continue to be amortized over a 10-year period, with level dollar funding starting on July 1, 2003 and July 1, 2004, respectively. All other changes in the unfunded accrued liability at June 30, 2002 – including the Act 9 benefit changes – are amortized over a 30-year period, with level dollar funding starting on July 1, 2003. Post June 30, 2002 benefit improvements for active members and retirees are amortized over a 10-year period with level dollar funding. Post June 30, 2002 gains and losses, and changes in the unfunded accrued liability resulting from changes in actuarial assumptions and methods, are amortized over a 30-year period with level dollar funding. Act 40 also provided a 4.00% floor on the employer pension rate.

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

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

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

Determination of Health Care Contribution Rate: This is the rate necessary to establish reserves sufficient to provide premium assistance payments to all participating eligible annuitants during the fiscal year that immediately follows the year the employer contribution is made.

DATA

Census and Assets: The valuation was based on members of the System as of June 30, 2005 and does not take into account future members. All census data was supplied by the System and was subject to reasonable consistency checks. The actuary adjusts the data to account for service and pay earned by members on or before the valuation that is not reported by the System until after the actuarial valuation is performed. Asset data was supplied by the System.

Table 13

Summary of Benefit and Contribution Provisions

MEMBERSHIP

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

BENEFITS

Superannuation Annuity

Eligibility	Age 62, or age 60 with 30 years of service, or 35 years of service regardless of age.
Amount	2.5% of final average salary times years of school service and intervening military service. 2% of final average salary for non-school service and for members who do not elect Class T-D coverage. Minimum of \$100 per year of service. "Final average salary" means the highest average annual salary for any 3 years of service. Annual salary is subject to a limit of \$200,000, as adjusted under Section 401(a)(17). As of June 30, 2006, the adjusted limit is \$220,000. For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code.

Early Retirement Annuity

Eligibility	Age 55 with 25 years of service.
Amount	Accrued benefit as of date of retirement, reduced 1/4% for each month by which commencement of payments precedes Superannuation Age. For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code.

Withdrawal Annuity

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

Summary of Benefit and Contribution Provisions (Continued)

Disability Annuity

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

Return of Contributions

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

Death Benefit

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

Normal and Optional Forms of Benefits

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

Summary of Benefit and Contribution Provisions (Continued)

Postemployment Health Care Insurance Premium Assistance

Eligibility	Retired members who: (a) have 24½ or more years of service, or (b) are disability annuitants, or (c) have 15 or more years of service and who both terminated school service and retired after attaining superannuation age and (d) participate in the PSERS Health Options Program or in an employer-sponsored health insurance program.
Amount	Participating eligible annuitants receive health insurance premium assistance payments from the Health Insurance Account equal to the lesser of \$100 per month or the actual monthly premium. All administrative expenses necessary to operate the health insurance premium assistance program are to be funded by the Health Insurance Account. The Health Insurance Account is credited with contributions of the Commonwealth and the employers.

CONTRIBUTIONS

By Members	Members who elected coverage under Class T-D and who were most recently enrolled prior to July 22, 1983 contribute at a rate of 6½% of compensation, while members who elected coverage under Class T-D and who were most recently enrolled on or after July 22, 1983 contribute at a rate of 7½% of compensation. Members who did not elect coverage under Class T-D and who were most recently enrolled prior to July 22, 1983 contribute at a rate of 5¼% of compensation, while members who did not elect coverage under Class T-D and who were most recently enrolled on or after July 22, 1983 and prior to July 1, 2001 contribute at a rate of 6¼% of compensation. Anyone who enrolls or re-enrolls on or after July 1, 2001 automatically has coverage under class T-D for subsequent school service and subsequent intervening military service, and must contribute at a rate of 7½% of compensation. Reduction in rate for a joint coverage member: 40% of Social Security tax, exclusive of disability and medical coverage portion.
By Commonwealth and employers	Balance of required contribution determined as normal contribution, accrued liability contribution, supplemental annuity contribution, experience adjustment factor and premium assistance contribution, is funded by the Commonwealth and the employers.

Table 14
Summary of Membership Data
As of June 30, 2006
(Dollar Amounts in Thousands)

Active Members *

Item	Male	Female	Total
Number of Members	72,621	190,729	263,350
Annual Salaries **	\$ 3,569,567	\$ 7,849,482	\$ 11,419,049
Average Age	44.6	44.7	44.7
Average Service	12.0	10.7	11.1

* Excludes 94,071 inactive members and vestees.

** These salaries shown in the table above represent a rate of pay for members who were in active service on June 30, 2006.

Annuitants and Beneficiaries

Item	Number	Annual Annuities	Average Annuities	Average Age
Annuitants (Normal, Early and Withdrawal)	146,582	\$ 3,089,351	\$ 21,076	69.7
Survivors and Beneficiaries	8,056	71,434	8,867	75.7
Disabled Annuitants	7,175	113,666	15,842	62.3
Total	161,813	\$ 3,274,451	20,236	69.7

Exhibit I
Active Membership Data as of June 30, 2006
Number and Average Annual Salary

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +	
Under 25	8,784	70								8,854
	\$28,425	\$26,478								\$28,410
25 - 29	19,744	5,678	33							25,455
	\$35,796	\$45,458	\$39,602							\$37,956
30 - 34	9,654	13,465	2,657	47						25,823
	\$33,696	\$48,365	\$55,335	\$41,150						\$43,585
35 - 39	9,685	8,584	8,462	2,160	61					28,952
	\$26,300	\$45,522	\$58,577	\$60,318	\$43,306					\$44,007
40 - 44	11,221	7,796	4,709	5,341	1,962	115				31,144
	\$22,100	\$34,832	\$51,711	\$63,254	\$61,475	\$43,965				\$39,383
45 - 49	10,881	9,831	5,740	4,459	4,840	2,839	128			38,718
	\$21,668	\$31,482	\$42,121	\$56,500	\$65,319	\$66,180	\$45,256			\$40,002
50 - 54	7,458	8,189	6,671	6,054	4,722	7,923	6,397	53		47,467
	\$24,189	\$32,989	\$41,568	\$51,682	\$62,336	\$71,639	\$72,684	\$44,888		\$49,930
55 - 59	5,009	4,553	4,488	5,183	5,005	3,730	7,790	1,995	27	37,780
	\$22,653	\$32,738	\$40,148	\$47,781	\$58,010	\$66,103	\$76,100	\$79,020	\$44,743	\$52,380
60 - 64	2,319	1,938	1,706	2,043	1,966	1,523	793	619	159	13,066
	\$18,867	\$27,799	\$34,440	\$41,570	\$47,698	\$52,409	\$59,489	\$79,972	\$81,536	\$40,146
Over 64	1,742	1,099	840	738	600	489	311	137	135	6,091
	\$13,177	\$19,410	\$24,409	\$29,607	\$33,772	\$35,300	\$39,533	\$50,429	\$70,680	\$25,104
Total	86,497	61,203	35,306	26,025	19,156	16,61	15,419	2,804	321	263,350
	\$27,525	\$38,845	\$47,189	\$53,383	\$59,414	\$66,441	\$72,835	\$77,188	\$73,876	\$43,361

Exhibit II
The Number and Average Annual Annuity
As of June 30, 2006

Retired on Account of Superannuation, Early Retirement and
Those in Receipt of Withdrawal Annuities

Age	Years of Service									Total	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +		
Under 50	1	1,592	1,327	411	116	32					3,479
	\$854	\$762	\$1,610	\$3,910	\$8,522	\$15,105					\$1,848
50-54		365	1,133	513	279	296	213	17			2,816
		\$1,360	\$1,498	\$4,291	\$9,815	\$20,833	\$32,172	\$32,833			\$7,355
55-59		306	2,511	1,294	792	1,530	7,948	3,739	3		18,123
		\$2,121	\$1,803	\$5,368	\$10,694	\$25,669	\$41,690	\$52,653	\$42,491		\$32,457
60-64	136	523	2,651	2,155	1,672	2,604	10,330	6,829	215		27,115
	\$917	\$2,980	\$2,934	\$7,380	\$14,463	\$25,934	\$36,768	\$51,220	\$56,823		\$31,676
65-69	495	832	2,665	2,718	2,859	3,417	6,514	4,662	746		24,908
	\$856	\$2,716	\$3,818	\$7,849	\$13,038	\$21,459	\$31,381	\$40,196	\$53,334		\$23,140
70-74	557	953	2,717	2,658	2,946	3,175	3,999	3,099	1,556		21,660
	\$613	\$2,074	\$3,479	\$6,485	\$10,951	\$17,611	\$26,397	\$35,325	\$42,421		\$18,385
75-79	606	1,091	2,658	2,725	3,032	3,111	3,151	2,129	1,375		19,878
	\$528	\$1,775	\$3,373	\$6,072	\$10,666	\$16,330	\$23,515	\$31,094	\$40,736		\$15,455
80-84	472	1,001	2,322	2,460	2,302	2,137	1,675	1,540	656		14,565
	\$502	\$1,554	\$3,279	\$5,990	\$10,251	\$15,051	\$20,158	\$25,586	\$36,705		\$12,163
85-89	298	670	1,591	1,473	1,305	1,141	849	955	357		8,639
	\$564	\$1,614	\$3,366	\$5,955	\$9,380	\$13,394	\$18,332	\$22,599	\$29,232		\$10,474
Over 89	158	477	805	791	676	697	548	690	557		5,399
	\$699	\$2,155	\$3,980	\$6,978	\$10,610	\$13,820	\$18,126	\$21,672	\$25,330		\$12,162
Total	2,723	7,810	20,380	17,198	15,979	18,140	35,227	23,660	5,465		146,582
	\$634	\$1,761	\$2,988	\$6,443	\$11,344	\$19,326	\$32,967	\$41,683	\$40,764		\$21,076

Exhibit III
The Number and Average Annual Annuity
As of June 30, 2006

Beneficiaries and Survivor Annuitants

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +	
Under 50	1	17	51	47	48	34	34	18	18	268
	\$240	\$1,740	\$1,756	\$3,160	\$5,266	\$6,967	\$13,785	\$16,498	\$11,264	\$6,440
50 - 54	2	12	17	20	29	32	41	25	11	189
	\$365	\$1,099	\$1,987	\$3,999	\$6,527	\$11,356	\$13,221	\$12,813	\$10,673	\$8,784
55 - 59	2	10	38	35	42	56	110	103	19	415
	\$291	\$2,272	\$3,039	\$3,512	\$6,352	\$12,197	\$14,784	\$18,714	\$13,377	\$12,095
60 - 64	5	14	46	43	50	68	165	142	32	565
	\$454	\$1,492	\$2,833	\$4,671	\$6,181	\$12,293	\$17,057	\$20,316	\$14,273	\$13,549
65 - 69	6	20	92	92	78	81	163	161	53	746
	\$619	\$1,923	\$3,225	\$4,872	\$7,327	\$11,751	\$15,302	\$19,538	\$18,450	\$11,968
70 - 74	12	36	114	101	115	102	209	160	107	956
	\$645	\$1,755	\$2,724	\$4,330	\$6,852	\$9,599	\$12,498	\$16,720	\$21,009	\$10,587
75 - 79	24	62	161	178	168	171	207	241	124	1,336
	\$575	\$1,544	\$2,852	\$4,059	\$6,762	\$8,385	\$12,286	\$13,309	\$17,115	\$8,783
80 - 84	21	91	216	189	175	204	212	289	120	1,517
	\$616	\$1,283	\$2,542	\$3,739	\$6,075	\$7,945	\$9,574	\$10,973	\$15,199	\$7,313
85 - 89	14	101	180	128	137	129	170	251	149	1,259
	\$532	\$1,157	\$2,153	\$3,402	\$5,341	\$7,339	\$9,007	\$10,374	\$11,493	\$6,730
Over 89	1	50	85	69	69	74	93	182	182	805
	\$514	\$1,098	\$2,012	\$3,385	\$4,782	\$5,606	\$6,854	\$8,421	\$9,054	\$6,239
Total	88	413	1,000	902	911	951	1,404	1,572	815	8,056
	\$568	\$1,386	\$2,543	\$3,920	\$6,189	\$8,903	\$12,321	\$13,846	\$14,188	\$8,867

Exhibit IV
The Number and Average Annual Annuity
As of June 30, 2006

Retired on Account of Disability

Age	Years of Service									Total	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +		
Under 50		243	174	108	54	16					595
		\$10,358	\$12,793	\$17,251	\$21,056	\$25,990					\$13,713
50 - 54		179	212	157	159	166	28				901
		\$8,950	\$11,951	\$16,021	\$22,936	\$36,320	\$45,643				\$19,539
55 - 59		243	282	253	262	389	232	3			1,664
		\$8,025	\$10,614	\$15,129	\$22,349	\$33,519	\$45,838	\$49,415			\$23,106
60 - 64		221	296	267	294	268	71	2			1,419
		\$6,352	\$8,727	\$12,054	\$19,054	\$27,760	\$39,124	\$47,306			\$16,292
65 - 69		165	241	224	186	117	17	2			952
		\$5,089	\$7,669	\$10,008	\$15,163	\$24,692	\$28,928	\$42,997			\$11,782
70 - 74		131	184	147	120	73	16	1			672
		\$4,411	\$6,563	\$8,489	\$13,116	\$20,512	\$27,341	\$43,179			\$9,799
75 - 79		92	142	89	95	52	5	1			477
		\$3,440	\$5,490	\$8,570	\$13,123	\$18,135	\$20,788	\$24,751	\$54,601		\$8,872
80 - 84		69	71	47	57	35	10	1			290
		\$3,609	\$6,159	\$7,925	\$10,848	\$15,910	\$20,818	\$29,135			\$8,522
85 - 89		26	31	24	25	15	14				135
		\$3,264	\$5,553	\$7,878	\$10,421	\$14,870	\$22,560				\$9,226
Over 89		6	22	23	9	5	5				70
		\$2,961	\$5,443	\$8,311	\$9,766	\$14,698	\$18,870				\$8,349
Total		1,375	1,655	1,339	1,261	1,136	398	10	1		7,175
		\$6,952	\$9,003	\$12,270	\$18,120	\$29,143	\$41,059	\$42,592	\$54,601		\$15,842

Exhibit V
Annuitant and Beneficiary Membership Data
As of June 30, 2006

Number and Average Annual Benefit
Excludes Partial Lump Sum Payments

Age Last Birthday	Number	Annual Benefit (Dollars in Thousands)	Average Annual Benefit (Dollars)
Annuitants (Normal, Early and Withdrawal)			
Under 60	24,418	\$ 615,355	\$ 25,201
60 - 64	27,115	858,883	31,676
65 - 69	24,908	576,382	23,140
70 - 74	21,660	398,222	18,385
75 - 79	19,878	307,216	15,455
Over 79	28,603	333,293	11,652
Total	146,582	\$ 3,089,351	\$ 21,076
Survivors and Beneficiaries			
Under 60	872	\$ 8,406	\$ 9,640
60 - 64	565	7,655	13,549
65 - 69	746	8,928	11,968
70 - 74	956	10,121	10,587
75 - 79	1,336	11,734	8,783
Over 79	3,581	24,590	6,867
Total	8,056	\$ 71,434	\$ 8,867
Disabled Annuitants			
Under 60	3,160	\$ 64,212	\$ 20,320
60 - 64	1,419	23,119	16,292
65 - 69	952	11,217	11,783
70 - 74	672	6,585	9,799
75 - 79	477	4,232	8,872
Over 79	495	4,301	8,689
Total	7,175	\$ 113,666	\$ 15,842
Grand Total Average Annual Benefit		161,813	\$ 3,274,451
		\$ 20,236	

Exhibit VI**10 Year History of Membership Data****Active Members**

Valuation as of June 30	Number of Active Members	Percentage Change in Membership	Total Annual Payroll (Dollars in Thousands)	Percentage Change in Payroll
2006	263,350	3.09%	\$ 11,419,049	8.47%
2005	255,465	3.05%	10,527,668	4.95%
2004	247,901	0.49%	10,030,705	3.91%
2003	246,700	1.68%	9,652,881	2.92%
2002	242,616	(0.29%)	9,378,944	(0.38%)
2001	243,311	3.89%	9,414,884	5.32%
2000	234,210	4.79%	8,939,598	8.39%
1999	223,495	1.27%	8,247,602	1.93%
1998	220,703	2.62%	8,091,481	4.47%
1997	215,077	0.55%	7,745,001	1.69%

Annuitant and Survivor Annuitant Members

Year Ended June 30	Number on roll	Additions	Deletions	Percentage Change in Membership	Annual Annuities (Dollars in Millions)	Percentage Change in Annuities
2006	161,813	10,637	5,343	3.38%	\$ 3,274.5	8.16%
2005	156,519	10,050	5,083	3.28%	3,027.6	8.20%
2004	151,552	10,526	4,667	4.02%	2,798.2	9.94%
2003	145,693	9,079	4,800	3.03%	2,545.1	13.20%
2002	141,414	13,003	4,305	6.55%	2,248.3	20.10%
2001	132,716	3,140	4,482	(1.00)%	1,872.0	0.00%
2000	134,058	5,923	4,734	0.89%	1,880.6	2.73%
1999	132,869	10,609	4,554	4.77%	1,830.6	10.77%
1998	126,814	7,132	4,442	2.17%	1,652.6	14.21%
1997	124,124	9,787	4,389	4.55%	1,447.0	11.74%

