ACTUARIAL VALUATION
JUNE 30, 2007

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
ANNUAL ACTUARIAL VALUATION AS OF JUNE 30, 2007

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Introduction

The law governing the State Employees' Retirement System (SERS or System) requires the Actuary, as the technical advisor to the Board of Trustees to:

> ...make an annual valuation of the liabilities and reserves of the system, make an annual determination of the amount of contributions required from the State under this Article, and certify the results thereof to the board. (40 ILCS Section 5/14 - 138(c)).

Gabriel, Roeder, Smith & Company has been retained by the Board of Trustees to perform an actuarial valuation as of June 30, 2007. In this report, we present the results of the valuation and the appropriation requirements under Public Act 93-0839, Public Act 93-0002, and Public Act 94-0004 for fiscal year 2009. For purposes of disclosure, this report also includes the annual required contribution and schedule of funding progress as required by GASB Statement No. 25 and the development of the net pension obligation in accordance with GASB Statement No. 27.

The valuation was completed based upon membership and financial data provided by the administrative staff of the System. The actuarial assumptions used were based on an experience review for the five-year period ending June 30, 2006, and were adopted for use commencing with the June 30, 2006, valuation. The cost method used to determine the benefit liabilities is the Projected Unit Credit Cost Method. The value of assets is the fair value at the valuation date. These methods are unchanged from last year.

Changes Since Last Valuation

Legislative Changes

Public Act 94-1111 (effective February 27, 2007) allows an employee who was laid off from state employment but returned under circumstances where the employee is considered to be in continuous service for purposes of determining seniority to establish creditable service for the period of the layoff.

Public Act 94-1111 (effective February 27, 2007) allows an individual who represents or is employed as an officer or employee of a statewide labor organization that represents members of this System to participate in the System provided that, first, the individual has previously earned creditable service under this Article; second, the individual files with the System an irrevocable election to become a participant within six months after the effective date of Act; and third, the individual does not receive credit for that employment under any other provisions of this Code.

Comparison of Key Results

Summarized below are key results for this year's valuation as well as last year's results.

	June 30, 2007	June 30, 2006
1. Number of Active Members	67,699	68,075
2. Covered Payroll for Fiscal Year	$3,762,000,000	$3,572,541,000
3. Base payroll at End of Year	$3,566,185,950	$3,465,030,624
(Average Annual Earnings)	52,677	50,900
4. Number of Members Receiving Payments	55,265	54,868
5. Annualized Benefit Payments	$1,156,002,124	$1,100,746,285
(Average Annual Benefit)	20,917	20,062
6. Fair Value of Assets	$12,078,908,954	$10,899,853,065
7. Accrued Actuarial Liability	$22,280,916,665	$20,874,541,910
8. Unfunded Accrued Actuarial Liability	$10,202,007,711	$9,974,688,845

The actual rate of return on the fair value of assets for the fiscal year ended June 30, 2007, is 16.79 percent. This return was greater than the expected investment return of 8.50 percent.

Appropriation Requirements Under P.A. 88-0593, P.A. 93-0002, P.A. 93-0839, and P.A. 94-0004

The law governing the System under P.A. 88-0593 provides that:

For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to cause the total assets of the System to equal 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level-percentage-of-payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method. For fiscal years 1997 through 2010, the minimum contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010, the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

The above calculation provides the basis for calculating the appropriation requirements under P.A. 93-0002. For fiscal years 2005 and later, the contributions under P.A. 93-0002 start with a calculation of the contribution based upon the hypothetical asset value which assumes no infusion from the proceeds of the GOB sale that were deposited July 4, 2003 (Table 4a). This contribution is then reduced by the debt service beginning in fiscal year 2005 to produce the maximum contribution. For fiscal years 2006 and 2007, the maximum contribution is equal to the contribution amounts stated in P.A. 94-0004 for each respective year. The contribution amounts stated in P.A. 94-0004 are $203,783,900 for fiscal year 2006 and $344,164,400 for fiscal year 2007. A second projection is performed to develop the P.A. 88-0593 formula rate, which includes the GOB deposit. The lower of this formula rate with the GOB assets included and the maximum contribution is the required state appropriation (Table 4b).

The following tables outline the reconciliation of the market value of assets and the development of the hypothetical asset value as of June 30, 2007.

1. Market Value of Assets 6/30/2006	$ 10,899,853,065
2. Actual State Contribution Amount	358,786,650
3. Employee Contribution Amount	224,722,599
4. Benefit Payouts & Refunds	1,175,552,910
5. Administrative Expenses	8,807,627
6. Investment Return	1,779,907,177
7. Market Value of Assets 6/30/2007	$ 12,078,908,954

1.	Hypothetical Value of Assets 6/30/2006	$ 9,152,811,104
2.	State Contribution Amount[1]	459,641,160
3.	Employee Contribution Amount	224,722,599
4.	Benefit Payouts & Refunds	1,175,552,910
5.	Administrative Expenses	8,807,627
6.	Investment Return	1,496,631,763
7.	Hypothetical Value of Assets 6/30/2007	$ 10,149,446,089

[1]Represents 12.218 percent of payroll for the basic contribution.

The fiscal year 2008 certified contribution and projected future year required State contribution rates and amounts are as follows:

Fiscal Year	Base Contribution	Debt Service Contribution	Total Contribution	Assumed Payroll (billions)	Total Required Contribution
2008	14.533%	2.028%	16.561%	3.854	638,277,500
2009	19.116%	1.933%	21.049%	3.930	827,225,000
2010	23.700%	1.848%	25.548%	4.100	1,047,381,000
2011	23.700%	1.769%	25.469%	4.270	1,087,539,000
2012	23.700%	1.852%	25.552%	4.441	1,134,889,000
2013	23.700%	1.771%	25.471%	4.615	1,175,471,000
2014	23.700%	1.695%	25.395%	4.791	1,216,728,000
2015	23.700%	1.622%	25.322%	4.972	1,258,996,000
2016	23.700%	1.552%	25.252%	5.159	1,302,715,000
2017	23.700%	1.550%	25.250%	5.352	1,351,386,000
2018	23.700%	1.543%	25.243%	5.552	1,401,423,000

Method of Calculation for Appropriation Requirements

The results are based on the projected unit credit actuarial cost method, and on the data provided and assumptions used for the June 30, 2007, actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions were used:

- Projected annualized payroll of $3,854,100,000 for fiscal year 2008. This amount was provided by the System.
- Total employer contributions of $560,116,500 (including no payments from the unclaimed property fund) for fiscal year 2008.
- New entrants whose average age is 35.95 and average pay is $40,940 (2007 dollars). These values are based on the average age and average pay of new entrants over the last fifteen years.
- Number of active members will remain at its current level through 2008. The population is then steadily increased annually until the member count is 71,600 in 2023. After 2023, the population remains level during the remainder of the 38-year projection.

The average increase in payroll for the 38-year projection period is approximately 4.0 percent per year.

To determine the contribution rates, the expected 2008 appropriation was converted to a percentage of the expected 2008 payroll. An amortization schedule was then determined on the assumption that:

- The ratio of total assets to total actuarial liabilities will be 90 percent by June 30, 2045.
- The contribution rates for fiscal years 2008 - 2033 will not be uniform, but the rate for any one of these years will be the minimum of: the difference between the "without-GOB" contribution and the debt service, and the underlying formula rate as determined by Public Act 88-0593.
- The contribution rate for fiscal year 2008 will be 14.533%.
- The contribution rates for fiscal years 2034 through 2045 will be a uniform percentage of payroll.

GASB: Financial Accounting Information

In an effort to enhance the understandability and usefulness of the pension information that is included in the financial reports of pension plans for state and local governments, the Governmental Accounting Standards Board (GASB) has issued Statement No. 25—Financial Reporting for Defined Benefit Pension Plans and Statement No. 27—Accounting for Pensions by State and Local Governmental Employers.

GASB Statement No. 25 establishes a financial reporting framework for defined benefit plans. In addition to two required statements regarding plan assets, the statement requires two schedules and accompanying notes disclosing information relative to the funded status of the plan and contribution patterns.

- The Schedule of Funding Progress includes information about the actuarially determined funded status from a long-term ongoing plan perspective and the progress made toward accumulating sufficient assets. For SERS, the liabilities are developed based on the Projected Unit Credit Cost Method. The assets are shown at fair value. The funded ratio has increased from 52.22 percent as of June 30, 2006, to 54.21 percent as of June 30, 2007. This increase is primarily due to a rate of return on assets that was significantly higher than the assumed 8.50 percent.

- The Schedule of Employer Contributions provides information about the annual required contribution (ARC) and the percentage of the ARC that was actually contributed. For SERS, the ARC for fiscal year 2007 is equal to the employer normal cost plus a 30-year level-percentage-of-payroll amortization of the unfunded actuarial liability. This contribution will continue to be more than the employer contribution required by State statute.

The annual required contribution for fiscal years 2008 and 2009 is shown below as a percentage of payroll. The ARC percentage for 2008 is based on the results of the June 30, 2006, valuation. The dollar amount of the ARC for 2008 will be the product of the actual payroll for 2008 and the percentage shown below.

	Fiscal Year 2009	Fiscal Year 2008
1. Employer normal cost	$346,308,548	$328,833,420
2. Initial amount to amortize the unfunded liability over 30 years as a level percentage of payroll	632,892,584	604,323,633
3. ARC [(1) + (2)]	$979,201,132	$933,157,053
4. Estimated payroll for fiscal year	$3,929,998,593	$3,753,566,670
5. ARC as a percentage of payroll [(3) ÷ (4)]	24.916%	24.861%

GASB Statement No. 27 establishes standards for the measurement, recognition, and display of pension expense and related liabilities. Annual pension cost is measured and disclosed on the accrual basis of accounting. In general, the annual pension cost is equal to the ARC with adjustments for past under-contributions or over-contributions. These adjustments are based on the net pension obligation (NPO) that represents the cumulative difference between the annual pension cost and the actual contribution to the plan. The first adjustment is equal to interest on the NPO, which is added to the ARC. The second adjustment is an amortization of the NPO, which is deducted from the ARC. This amortization is over an open 30-year period for fiscal year 2007 (i.e., the 30-year period is restarted each fiscal year).

These Statements were adopted by SERS (and the State of Illinois) for the 1997 fiscal year. A transition pension liability (asset) was developed under Statement No. 27 equal to the cumulative difference between the actuarially determined funding requirement and the actual amount contributed for fiscal years 1988 through 1996. As of the adoption date, all outstanding pension liabilities (assets) were adjusted to equal the transition NPO. The NPO as of June 30, 2006, of $658,877,258 has increased to $1,135,542,787 as of June 30, 2007, due to the 2007 APC of $835,452,179 and actual 2007 employer contributions of $358,786,650.

To the best of our knowledge this actuarial statement is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice.

Respectfully submitted,

Gabriel, Roeder, Smith & Co.

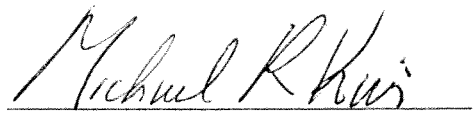
By: 

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Table 1

Results of Actuarial Valuation as of June 30, 2007

1	Number of Members	
	a. Active	67,699
	b. Inactive:	
	i. Eligible for deferred vested pension benefits (4,061 based on SERS service alone. An additional 545 are eligible when reciprocal service is added to SERS service).	4,606
	ii. Eligible for return of contributions only	17,016
	c. Current Benefit Recipients:	
	i. Retirement annuities	42,979
	ii. Survivor annuities	10,074
	iii. Disability annuities	2,212
	d. Eligible for Deferred Benefits:	
	i. Retirement annuities	103
	ii. Survivor annuities	174
	e. Total	144,863
2	Covered Payroll	$3,762,000,000
3	Annualized Benefit Payments Currently Being Made	
	a. Retirement	$1,051,144,749
	b. Survivor	68,582,711
	c. Disability	36,274,664
	d. Total	$1,156,002,124
4	Actuarial Liability—Annuitants	
	a. Current Benefit Recipients:	
	i. Retirement annuities	$12,393,332,382
	ii. Survivor annuities	607,878,109
	iii. Disability annuities	209,582,146
	b. Eligible for Deferred Benefits:	
	i. Retirement annuities	6,005,059
	ii. Survivor annuities	8,709,313
	c. Total	$13,225,507,009

5	Actuarial Liability—Inactive Members		
	a. Eligible for Deferred Vested Pension		$289,424,629
	b. Eligible for Return of Contributions Only		26,443,308
	c. Total		$315,867,937

		Normal Cost	Actuarial Liability
6	Active Members		
	a. Pension Benefits	$356,214,206	$6,114,153,565
	b. Cost-of-Living Adjustments	117,552,459	2,067,371,083
	c. Death Benefits		
	i. Occupational	$1,835,393	$20,168,245
	ii. Non-occupational	16,366,668	203,583,214
	iii. Refund	4,938,896	30,552,011
	iv. Total	$23,140,957	$254,303,470
	d. Disability		
	i. Occupational	$5,078,700	$0
	ii. Non-occupational	28,779,300	0
	iii. Total	$33,858,000	$0
	e. Withdrawal	24,987,278	303,713,601
	f. Expenses	11,096,000	0
	g. Total	$566,848,900	$8,739,541,719

7	Total Actuarial Liability (4 + 5 + 6)		$22,280,916,665
8	Assets (Fair Value)		$12,078,908,954
9	Unfunded Actuarial Liability (7 – 8)		$10,202,007,711
10	Funded Percentage (8 ÷ 7)		54.21%
11	Total Normal Cost	$566,848,900	
12	Employee Contributions	$220,540,352	
13	Annual Employer Normal Cost	$346,308,548	
	(% payroll)	9.21%	

Analysis of Change in Unfunded Accrued Actuarial Liability

In addition to the expected change in the unfunded accrued actuarial liability, changes in membership demographics, and fund assets have affected the valuation results. The increase in the unfunded accrued actuarial liability (UAAL) of $227,318,866 was due to the following:

1	UAAL at 06/30/2006	$ 9,974,688,845
2	Contributions	
	a. Contributions due	
	i interest on 1)	$ 847,848,552
	ii members contributions	224,722,599
	iii employer normal cost	328,833,420
	iv interest on ii and iii	23,046,382
	v total due	$ 1,424,450,953
	b. Contributions paid	
	i member contributions	$ 224,722,599
	ii state agencies	358,786,650
	iii interest on i and ii	24,293,435
	iv total paid	$ 607,802,684
	c. Expected increase in UAAL	$ 816,648,269
3	Expected UAAL at 06/30/2007	$ 10,791,337,114
4	(Gains)/Losses	
	a. investment income	$ (878,435,107)
	b. demographic	289,105,704
	c. total	$ (589,329,403)
5	Plan Provision Changes	$ -
6	Assumption Changes	$ -
7	Total change in UAAL	$ 227,318,866
8	UAAL at 06/30/2007	$ 10,202,007,711

Table 3

Analysis of Financial Gains and Losses in Unfunded Accrued Actuarial Liability for Fiscal Year Ending June 30, 2007

	Activity		(Gain) Loss	% of 06/30/2006 AAL
1	Actuarial (Gain)/Loss			
	a. Retirements	$	149,831,601	0.72%
	b. Incidence of Disability		(1,255,581)	-0.01%
	c. In-Service Mortality		(224,062)	0.00%
	d. Retiree Mortality		(93,294,359)	-0.45%
	e. Salary Increases		98,239,312	0.47%
	f. Terminations		(18,109,362)	-0.09%
	g. Investment (Gain)		(878,435,107)	-4.21%
	h. New Entrant Liability		33,315,244	0.16%
	i. Other		120,602,911	0.58%
	j. Total Actuarial (Gain) Loss	$	(589,329,403)	-2.82%
2	Plan Provision Changes	$	-	0.00%
3	Assumption Changes	$	-	0.00%
4	Contribution (Excess) Shortfall	$	816,648,269	3.91%
5	Total Financial (Gain) Loss	$	227,318,866	1.08%

Table 4a

38-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593 and Public Act 94-0004
Maximum Contribution Calculation: Without GOB Proceeds
Rate of Return on Assets = 8.5%
(All Dollar Amounts in Millions)

							Annual Normal Cost				State Contribution		
Year	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Amount	Percent of Pay	Total Expenses
2008	67,699	23,504	10,709	12,795	45.56%	3,854	568	221	347	9.00%	664	17.23%	1,176
2009	67,959	24,826	11,459	13,367	46.16%	3,930	596	225	371	9.44%	859	21.86%	1,238
2010	68,219	26,213	12,445	13,768	47.48%	4,100	624	235	389	9.49%	1,087	26.51%	1,310
2011	68,479	27,660	13,486	14,174	48.76%	4,270	651	245	406	9.51%	1,132	26.51%	1,394
2012	68,739	29,159	14,575	14,584	49.98%	4,441	677	255	422	9.50%	1,177	26.50%	1,487
2015	69,519	33,915	18,090	15,825	53.34%	4,972	753	285	468	9.41%	1,318	26.51%	1,819
2020	70,820	42,454	24,618	17,836	57.99%	5,976	888	341	547	9.15%	1,584	26.51%	2,514
2025	71,600	51,386	31,871	19,515	62.02%	7,186	1,047	409	638	8.88%	1,905	26.51%	3,341
2030	71,600	60,316	39,885	20,431	66.13%	8,563	1,228	484	744	8.69%	2,270	26.51%	4,254
2035	71,600	69,990	50,019	19,971	71.47%	10,394	1,512	588	924	8.89%	2,755	26.51%	5,004
2040	71,600	82,039	65,018	17,021	79.25%	12,697	1,880	719	1,161	9.14%	3,366	26.51%	5,716
2045	71,600	97,644	87,877	9,767	90.00%	15,475	2,301	877	1,424	9.20%	4,103	26.51%	6,567

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065 and Public Act 94-0004.
Total expenses shown include benefit payments, refunds and administrative expenses.

Table 4b

38-Year Projection of Costs and Liabilities
State Contribution Based on Public Act 88-0593, Public Act 93-0002, and Public Act 94-0004
Rate of Return on Assets = 8.5%
(All Dollar Amounts in Millions)

							Annual Normal Cost				Required State Contribution						
											(a)	(b)	(c)=(a)-(b)	(d)	Minimum of (c) and (d)		
Year	Number Active	Actuarial Accrued Liability	Assets	Unfunded Liability	Funded Ratio	Total Payroll	Total	Employee Cont.	Balance	Percent of Pay	Without GOB Cont.	Debt Service	Maximum Cont.	Formula Rate With GOB	Required Cont.	Percent of Pay	Total Expenses
2008	67,699	23,504	12,694	10,810	54.01%	3,854	568	221	347	9.00%	664	103	561	560	560	14.53%	1,176
2009	67,959	24,826	13,501	11,325	54.38%	3,930	596	225	371	9.44%	859	103	756	751	751	19.12%	1,238
2010	68,219	26,213	14,541	11,672	55.47%	4,100	624	235	389	9.49%	1,087	103	984	972	972	23.70%	1,310
2011	68,479	27,660	15,635	12,025	56.53%	4,270	651	245	406	9.51%	1,132	103	1,029	1,012	1,012	23.70%	1,394
2012	68,739	29,159	16,776	12,383	57.53%	4,441	677	255	422	9.50%	1,177	112	1,065	1,053	1,053	23.70%	1,487
2015	69,519	33,915	20,445	13,470	60.28%	4,972	753	285	468	9.41%	1,318	110	1,208	1,178	1,178	23.70%	1,819
2020	70,820	42,454	27,200	15,254	64.07%	5,976	888	341	547	9.15%	1,584	128	1,456	1,416	1,416	23.70%	2,514
2025	71,600	51,386	34,600	16,786	67.33%	7,186	1,047	409	638	8.88%	1,905	169	1,736	1,703	1,703	23.70%	3,341
2030	71,600	60,316	42,609	17,707	70.64%	8,563	1,228	484	744	8.69%	2,270	204	2,066	2,029	2,029	23.70%	4,254
2035	71,600	69,990	52,456	17,534	74.95%	10,394	1,512	588	924	8.89%	2,755	-	2,755	2,463	2,463	23.70%	5,004
2040	71,600	82,039	66,659	15,380	81.25%	12,697	1,880	719	1,161	9.14%	3,366	-	3,366	3,009	3,009	23.70%	5,716
2045	71,600	97,644	87,876	9,768	90.00%	15,475	2,301	877	1,424	9.20%	4,103	-	4,103	3,668	3,668	23.70%	6,567

Normal cost rate includes administrative expenses.
State contribution based on the requirements of Public Act 88-0593, as amended by Public Act 90-0065, Public Act 93-0002 and Public Act 94-0004.
Total expenses shown include benefit payments, refunds and administrative expenses.

Table 5

Financial Accounting Information in Accordance with GASB Statement No. 25

A. Schedule of Funding Progress

	6/30/2007	6/30/2006
1 Fair Value of Assets	$ 12,078,908,954	$ 10,899,853,065
2 Actuarial Accrued Liability (AAL)	22,280,916,665	20,874,541,910
3 Unfunded AAL (UAAL) [(2) - (1)]	10,202,007,711	9,974,688,845
4 Funded Ratio [(1) ÷ (2)]	54.21%	52.22%
5 Covered Payroll	3,762,000,000	3,572,541,000
6 UAAL as a Percentage of Covered Payroll	271.19%	279.20%

B. Schedule of Employer Contributions for the Fiscal Year Ended June 30, 2007

1 Annual Required Contribution (ARC) per GASB 25	
(a) Percentage of payroll	21.898%
(b) Covered payroll for fiscal year 2007	$3,762,000,000
(c) ARC for fiscal year 2007	$823,802,760
2 Total Employer Contribution	$358,786,650
3 Percentage of ARC Contributed [(2) ÷ (1)]	43.55%
4 Annual Contribution Required per State Statute	
(a) Percentage of payroll	9.597%
(b) Covered payroll for fiscal year 2007	$3,762,000,000
(c) Total required contribution	$361,039,140
5 Employer Contribution	$358,786,650
6 Percentage of (4) Contributed [(5) ÷ (4)]	99.38%

C. Notes to Required Schedules

1. The cost method used to determine the ARC is the Projected Unit Credit Cost Method. The ARC (as percentage of payroll) for the 2007 fiscal year was determined as of June 30, 2005, based on the assumptions then in effect.
2. The assets are shown at fair value.
3. Economic assumptions include an inflation rate of 3.0 percent; an investment return rate of 8.50 percent; salary increase rates based on age-related productivity and merit rates plus inflation; and postretirement benefit increases of 3.0 percent.
4. The amortization method is an open 30-year period, level-percentage-of-payroll.

Table 6

Development of Net Pension Obligation in Accordance with GASB Statement No. 27

(Date of Transition is July 1, 1996)

	Applicable Actuarial Valuation				Amortization	
Fiscal Year	As-of Date	Investment Assumption	Annual Required Contribution*	Actual Contribution**	Years	Factor
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/87 - 6/30/88	6/30/1986	8%	$ 186,935,353	$ 99,990,922	40	11.92461333
7/1/88 - 6/30/89	6/30/1987	8%	179,420,448	98,471,993	40	11.92461333
7/1/89 - 6/30/90	6/30/1988	8%	184,689,149	107,938,094	40	11.92461333
7/1/90 - 6/30/91	6/30/1989	8%	191,296,277	115,979,568	40	11.92461333
7/1/91 - 6/30/92	6/30/1990	8%	208,717,019	98,532,783	40	11.92461333
7/1/92 - 6/30/93	6/30/1991	8%	227,588,508	114,413,597	40	11.92461333
7/1/93 - 6/30/94	6/30/1992	8%	277,518,586	127,649,961	40	11.92461333
7/1/94 - 6/30/95	6/30/1993	8%	306,006,674	136,589,471	40	11.92461333
7/1/95 - 6/30/96	6/30/1994	8%	335,219,027	146,397,934	40	11.92461333
7/1/96 - 6/30/97	6/30/1995	8%	211,125,012	158,179,514	40	19.84983174
7/1/97 - 6/30/98	6/30/1996	8%	206,725,718	200,741,736	40	19.53100753
7/1/98 - 6/30/99	6/30/1997	8.5%	319,746,993	315,525,007	40	15.55212396
7/1/99 - 6/30/00	6/30/1998	8.5%	299,081,856	340,872,521	40	15.38193387
7/1/00 - 6/30/01	6/30/1999	8.5%	294,351,538	366,028,937	40	15.17924930
7/1/01 - 6/30/02	6/30/2000	8.5%	306,509,801	386,116,583	40	15.53675931
7/1/02 - 6/30/03	6/30/2001	8.5%	449,348,585	396,067,236	40	16.01251393
7/1/03 - 6/30/04	6/30/2002	8.5%	576,219,951	1,864,673,411	40	20.17751836
7/1/04 - 6/30/05	6/30/2003	8.5%	727,428,010	427,434,612	40	19.34057660
7/1/05 - 6/30/06	6/30/2004	8.5%	672,555,569	210,499,791	40	18.52371012
7/1/06 - 6/30/07	6/30/2005	8.5%	823,802,760	358,786,650	30	14.85458369

Fiscal Year	Beginning of Year NPO	Interest on NPO	Amortization of NPO	Annual Pension Cost (APC)*** (4 + 9 - 10)	Increase in NPO (11 - 5)	End of Year NPO (8 + 12)
(1)	(8)	(9)	(10)	(11)	(12)	(13)
7/1/87 - 6/30/88	$ 0	$ 0	$ 0	$186,935,353	$ 86,944,431	$ 86,944,431
7/1/88 - 6/30/89	86,944,431	6,955,554	7,291,174	179,084,828	80,612,835	167,557,267
7/1/89 - 6/30/90	167,557,267	13,404,581	14,051,379	184,042,351	76,104,257	243,661,524
7/1/90 - 6/30/91	243,661,524	19,492,922	20,433,495	190,355,705	74,376,137	318,037,660
7/1/91 - 6/30/92	318,037,660	25,443,013	26,670,690	207,489,343	108,956,560	426,994,220
7/1/92 - 6/30/93	426,994,220	34,159,538	35,807,804	225,940,241	111,526,644	538,520,864
7/1/93 - 6/30/94	538,520,864	43,081,669	45,160,447	275,439,808	147,789,847	686,310,711
7/1/94 - 6/30/95	686,310,711	54,904,857	57,554,127	303,357,404	166,767,933	853,078,644
7/1/95 - 6/30/96	853,078,644	68,246,292	71,539,313	331,926,005	185,528,071	1,038,606,716
7/1/96 - 6/30/97	1,038,606,716	83,088,537	52,323,200	241,890,349	83,710,835	1,122,317,551
7/1/97 - 6/30/98	1,122,317,551	89,785,404	57,463,372	239,047,750	38,306,014	1,160,623,565
7/1/98 - 6/30/99	1,160,623,565	98,653,003	74,627,978	343,772,018	28,247,011	1,188,870,576
7/1/99 - 6/30/00	1,188,870,576	101,053,999	77,290,059	322,845,796	(18,026,725)	1,170,843,851
7/1/00 - 6/30/01	1,170,843,851	99,521,727	77,134,503	316,738,762	(49,290,175)	1,121,553,676
7/1/01 - 6/30/02	1,121,553,676	95,332,062	72,187,105	329,654,758	(56,461,825)	1,065,091,851
7/1/02 - 6/30/03	1,065,091,851	90,532,807	66,516,217	473,365,175	77,297,939	1,142,389,790
7/1/03 - 6/30/04	1,142,389,790	97,103,132	56,616,962	616,706,121	(1,247,967,290)	(105,577,500)
7/1/04 - 6/30/05	(105,577,500)	(8,974,088)	(5,458,860)	723,912,782	296,478,170	190,900,670
7/1/05 - 6/30/06	190,900,670	16,226,557	10,305,747	678,476,379	467,976,588	658,877,258
7/1/06 - 6/30/07	658,877,258	56,004,567	44,355,148	835,452,179	476,665,529	1,135,542,787

* The annual required contributions for FYE 6/30/1988 through 6/30/1996 were determined based on the APB8 percentages provided by the System. Thereafter, the annual required contribution was obtained by adding the normal cost and an amortization over the period disclosed in column (6) (constant percent of payroll) of the UAAL (AAL - MVA) at the valuation date shown in column (2). The resulting percentage of payroll is applied to the actual covered payroll for the applicable fiscal year.

** The actual contributions for FYE 6/30/1988 through 6/30/2006 were obtained from the comprehensive annual financial report. The actual contribution for FYE 6/30/2007 was provided by the System.

*** APC = (4) +[(8)*(3)] - [(8)/(7)]

Appendix A

Actuarial Methods and Assumptions

Actuarial Cost Method Adopted June 30, 1989

The projected unit credit normal cost method is used. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current or attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs.

For ancillary benefits for active members, in particular death and survivor benefits, termination benefits, and the postretirement increases, the same procedure as outlined above is followed.

Estimated annual administrative expenses are added to the normal cost.

For valuation purposes, as well as projection purposes, assets are valued at fair value.

Actuarial Assumptions Adopted June 30, 2006

Mortality

1994 Group Annuity Mortality Table for males and for females. Five percent of deaths among active employees are assumed to be in the performance of their duty.

Interest

8.50 percent per annum, compounded annually.

Marriage Assumption

85.0 percent of active male participants and 65.0 percent of active female participants are assumed to be married. Actual marital status at benefit commencement is used for retirees.

Social Security Offset for Survivor Benefits

No offset assumption for male surviving spouses because it is assumed their own PIA is as great as their spouses' PIA. 60.0 percent of married male members are assumed to have a dual income household. For the dual income household, it is assumed the offset at age 60 is 45.0 percent of the original survivor benefit. It is assumed the offset at age 62 is 10.0 percent of the original survivor benefit.

Termination

Illustrative rates of withdrawal from the plan are as follows:

Select Withdrawal of General Formula Employees		
Year of Service	Males	Females
0	0.2000	0.2000
1	0.0800	0.0800

Ultimate Withdrawal of General Formula Employees		
Age	Males	Females
25	0.0375	0.0450
30	0.0350	0.0400
35	0.0250	0.0300
40	0.0175	0.0200
45	0.0150	0.0150
50	0.0125	0.0150
55	0.0125	0.0150
60	0.0125	0.0150
65	0.0125	0.0150

Select Withdrawal of Alternate Formula Employees		
Years of Service	Males	Females
0	0.0600	0.1100
1	0.0450	0.0550

Ultimate Withdrawal of Alternate Formula Employees		
Age	Males	Females
25	0.0250	0.0375
30	0.0200	0.0300
35	0.0150	0.0225
40	0.0100	0.0170
45	0.0100	0.0160
50	0.0100	0.0140
55	0.0100	0.0140
60	0.0100	0.0140
65	0.0100	0.0140

It is assumed that terminated employees will not be rehired. The rates apply only to employees who have not fulfilled the service requirement necessary for retirement at any given age.

Salary Increases

Illustrative rates of increase per individual employee per annum, compounded annually:

Age	Annual Increase
25	8.35%
30	7.22%
35	6.41%
40	5.80%
45	5.33%
50	4.95%
55	4.65%
60	4.39%
65	4.17%
70	4.00%

These increases include a component for inflation of 3.0 percent per annum.

Disability

Disability is valued as a term cost only. Because members who receive disability benefits typically spend less than one year on disability, they are considered active members. Therefore a load of 0.90 percent of pay on the normal cost is applied to reflect the near-term cash flow.

Population Projection

For purposes of determining annual appropriation as a percent of total covered payroll, the size of the active group is assumed to remain at its current level though 2008 The population will then increase such that the fiscal year 2023 population is 71,600. New entrants are assumed to enter with an average age of 35.95 years and an average pay of $40,940 (2007 dollars). These values are based on the average age and average pay of new entrants over the last 15 years. The average increase in payroll for the 38-year projection period is 4.0 percent per annum.

Retirement

Employees are assumed to retire in accordance with the rates shown below. The rates apply only to employees who have fulfilled the service requirement necessary for retirement at any given age.

Retirement Rates for General Formula Employees		
	Males	Females
50	5.00%	5.00%
51	5.00%	5.00%
52	12.00%	12.00%
53	10.00%	15.00%
54	11.70%	15.00%
55	12.60%	15.00%
56	15.00%	15.00%
57	15.00%	15.00%
58	15.00%	15.00%
59	15.00%	15.00%
60	12.50%	15.00%
61	12.50%	10.00%
62	15.00%	20.00%
63	15.00%	15.00%
64	10.00%	20.00%
65	20.00%	30.00%
66	15.00%	20.00%
67	15.00%	20.00%
68	10.00%	15.00%
69	20.00%	15.00%
70	100.00%	100.00%

Early Retirement Rates for General Formula Employees		
Age	Males	Females
55	6.00%	6.00%
56	7.00%	8.00%
57	8.00%	10.00%
58	9.00%	12.00%
59	10.00%	14.00%

Retirement Rates for Alternate Formula Employees		
Age	Males	Females
50	20.00%	25.00%
51	20.00%	10.00%
52	20.00%	10.00%
53	20.00%	20.00%
54	20.00%	20.00%
55	20.00%	20.00%
56	15.00%	15.00%
57	15.00%	15.00%
58	15.00%	15.00%
59	15.00%	15.00%
60	35.00%	20.00%
61	36.50%	15.00%
62	38.00%	25.00%
63	39.50%	40.00%
64	41.00%	40.00%
65	80.00%	55.00%
66	40.00%	55.00%
67	55.00%	45.00%
68	55.00%	45.00%
69	40.00%	45.00%
70	100.00%	100.00%

Assets

Assets available for benefits are used at fair value.

Expenses

As estimated and advised by SERS staff, based on current expenses with an allowance for expected increases.

Spouse's Age

The female spouse is assumed to be three years younger than the male spouse.

Children

It is assumed that married members have 2.2 children, one year apart in age.

The age of the youngest child of a deceased employee at his date of death is assumed to be as follows:

Age at Death of Employee	Age of Youngest Child	Age at Death of Employee	Age of Youngest Child
20	2	40	6
25	3	45	8
30	4	50	10
35	5	55	12
		60	14

Overtime and Shift Differentials

Reported earnings include base pay alone. It is assumed that overtime and shift differentials will increase total payroll by 3.5 percent over reported earnings.

Missing Data

If earnings were not available, the annual rate of pay was assumed to be $35,000. If a birth date was not available, the member was assumed to be age 35.

Projection Methodology Adopted June 30, 2005

Appropriation Requirements Under P.A. 93-0002 and P.A. 94-0004

State Contributions under P.A. 93-0002

In general, for each year during the life of the GOB program, the state contributions to the system are to be calculated as follows:

1. Calculation of the contribution maximum
   a. A projection of contributions will be made from the valuation date to June 30, 2045. Such projection will be based on hypothetical asset values determined using the following assumptions:
      i) That the system had received no portion of the general obligation bond proceeds in excess of the scheduled contributions for the remainder of fiscal 2003 and for the entirety of 2004,
      ii) That hypothetical state contributions had been made each fiscal year from 2005 through the valuation date, based on the funding process in place prior to P.A. 93-0002 (without regard to prior state minimum requirements),
      iii) That the actual amounts of member contributions and the actual cash outflows (benefit payments, refunds and administrative expenses) for each year prior to the valuation date were realized, and
      iv) That the hypothetical fund earned returns in each prior fiscal year equal to the rate of total return actually earned by the retirement fund in that year.
   b. The hypothetical asset values developed in a., above, will not exceed the actual assets of the fund.
   c. A projection of maximum contributions for each year of the GOB program will be performed each year, by reducing the contributions produced in a., above, by the respective amount of debt service allocated to the system for each year.
2. Calculation of the contribution with GOB proceeds
   a. The basic projection of state contributions from the valuation date through June 30, 2045, will be made, taking into account all assets of the system, including the GOB proceeds.
   b. State contribution rates (expressed as a percentage of covered pay), in the pattern required by the funding sections of the statutes, are calculated.
   c. In those projections, the dollars of state contributions which are added to assets each year during the GOB program are limited by the contribution maximum. Because the bonds are to be liquidated by the end of fiscal 2033, there is no contribution maximum thereafter.

State Contributions under P.A. 94-0004

The following is an excerpt from the Illinois Compiled statutes 40 ILCS 5/14-108.3 (f)-(g):

> (f) The System shall determine the amount of the increase in the present value of future benefits resulting from the granting of early retirement incentives under this Section and shall report that amount to the Governor and the Commission on Government Forecasting and Accountability on or after the effective date of this amendatory Act of the 93rd General Assembly and on or before November 15, 2004. Beginning with State fiscal year 2008, the increase reported under this subsection (f) shall be included in the calculation of the required State contribution under Section 14-131.
>
> (g) In addition to the contributions otherwise required under this Article, the State shall appropriate and pay to the System an amount equal to $70,000,000 in State fiscal years 2004 and 2005.

Following the above legislation we have calculated the required contribution and the results are shown in the summary section of this report.

Appendix B

Summary of Retirement System Plan (As of June 30, 2007)

Purpose

The State Employees' Retirement System of Illinois, a State Agency, provides an orderly means whereby aged or disabled employees may be retired from active service without prejudice or hardship and enables the employees to accumulate reserves for old age, disability, death and termination of employment.

Administration

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

Membership

All persons entering State service on or after January 1, 1984, become members upon completion of six months of continuous service except that, beginning July 1, 1991, employees in police positions become members on their first day of employment. Persons entering State service from January 1, 1972, to January 1, 1984, became members on their first day of employment. Excluded from membership are: any employee whose position is subject to membership under another State-supported system, any person who becomes an employee after June 30, 1979, as a public service employment program participant under the federal CETA program, or any enrollee of the Young Adult Conservation Corps. Prior to January 1, 1984, emergency and temporary employees were excluded from membership. Persons appointed by the Governor with the advice and consent of the Senate may elect to become members of the System. Other exceptions are identified in State law.

Membership Service

Membership service includes all service rendered while a member of the System for which credit is allowable. Persons entering service on or after January 1, 1984, or after July 1, 1982, in the case of emergency or temporary employees, may also receive membership service credit for periods of employment prior to membership by making contributions for such periods.

Member Contributions

Members are required to contribute a percentage of salary as their share of meeting the cost of the various benefits. Contribution rates are as shown below:

- Members covered by Social Security - 4.0 percent of Salary.
- Members not covered by Social Security - 8.0 percent of Salary.
- Members covered by Social Security who are serving in a position in which service toward the Alternative Retirement Annuity may be earned - 8.5 percent of Salary.
- Members not covered by Social Security who are serving in a position in which service toward the Alternative Retirement Annuity may be earned - 12.5 percent of Salary.

Members covered by Social Security also pay the current Social Security tax rate.

Retirement Pension

Qualification of Member

Upon termination of State service, a member is eligible for a pension at age 60 with at least eight years of pension credit or at any age with 35 or more years of credit.

General formula members are eligible for a retirement annuity if the sum of the member's age plus years (and whole months) of pension credit equals or exceeds 85. General formula members between ages 55 and 60 with at least 25 years of pension credit are eligible for a retirement annuity reduced by one-half of 1 percent for each month the member is under age 60. Certain positions in the Department of Corrections were placed under the general formula effective July 1, 2005.

Members serving in a position in which service toward the Alternative Retirement Annuity may be earned are eligible to receive the alternative retirement annuity at age 50 with at least 25 years of pension credit or at age 55 with at least 20 years of pension credit in such a position. Security employees of the Department of Human Services were placed under the alternative formula effective January 1, 2001. Certain members of the Department of Transportation and the Toll Highway Authority were placed under the alternative formula effective August 1, 2001.

Amount of Pension

The pension is based on the member's final average compensation and the number of years of pension credit that has been established.

Final Average Compensation is the average of the highest 48 consecutive months in the last 10 years. All employees whose benefit is calculated under the alternative formula will have their benefit based on the greater of (i) the salary rate in effect on their last day of service, provided the last day salary does not exceed 115 percent of the average monthly compensation received by the member for the last 24 months of service, or (ii) the average monthly compensation for the last 48 months prior to retirement.

The general formula for members retiring on or after January 1, 1998, (regardless of termination date) is as follows:

- 1.67 percent of final average salary per year of credited service for members covered by Social Security.

- 2.20 percent of final average salary per year of credited service for members not covered by Social Security.

The alternative formula for members retiring on or after January 1, 2001 (regardless of termination date) is as follows:

- 2.50 percent of final average salary per year of credited service for members covered by Social Security.

- 3.00 percent of final average salary per year of credited service for members not covered by Social Security.

The maximum pension payable is 75 percent of final average compensation for general formula members and 80 percent of final average compensation for alternative formula members.

Optional Forms of Payment

Reversionary Annuity—A member may elect to receive a smaller pension during his lifetime in order to provide a spouse or a designated dependent with a lifetime income. That payment would be in addition to any other benefit payable by the System.

Level Income—A member who contributes to Social Security as a State employee may elect to have his pension payments increased before Social Security Normal Retirement Age and reduced thereafter. To be eligible for this election the member must have established eligibility for a Social Security pension.

Annual Increases in Pension

Postretirement increases of 3.0 percent of the current pension (i.e., increases are compounded) are granted to members effective each January 1 occurring on or after the first anniversary of the pension.

Survivors Annuity

Qualification of Survivor

If death occurs while in State employment, the member must have established at least 18 months of pension credit. If death occurs after termination of State service and the member was not receiving a retirement pension, the member must have established at least eight years of pension credit.

An eligible spouse qualifies at age 50 or at any age if there is, in the care of the spouse, any unmarried children of the member under age 18 (age 22 if full-time student); unmarried children under age 18 (age 22 if full-time student) qualify if no spouse survives; dependent parents at age 50 qualify if neither an eligible spouse nor children survive the member.

Amount of Payment

If the member's death occurs before retirement, the named beneficiary receives a lump sum refund of all of the member's pension contributions plus interest, excluding contributions for widows and survivors benefits. A single lump sum payment of $1,000 is also made immediately to the survivor beneficiary of the member.

An eligible spouse receives a monthly annuity equal to 30 percent of the member's final average compensation subject to a maximum of $400. If children of the member are under the care of the spouse, the annuity is increased for each child, subject to a monthly maximum of $600 or 80 percent of final average compensation. If only eligible children survive, the monthly annuity may not exceed the lesser of $600 or 80 percent of final average compensation. The maximum combined monthly payment to parents may not exceed $400. If the member's death occurs after retirement or after termination of State employment but before the member receives a pension, the monthly benefit is further limited to 80 percent of the pension received or earned by the member. Monthly benefits payable to survivors of a member who was covered by Social Security as a State employee are reduced by one-half of the Social Security benefits for which the survivors are eligible. For benefits granted on or after January 1, 1992, the reduction may not exceed 50 percent of the amount of survivors annuity otherwise payable. If death of the member occurs on or after January 1, 1984, the minimum total survivors annuity benefit payable (before any reduction for Social Security benefits) is equal to 50 percent of the member's earned pension without regard to the member's age at death.

Duration of Payment

The monthly annuity payable to a spouse continues for his/her lifetime without regard to remarriage. The monthly annuity to children terminates upon death, marriage or attainment of age 18 (age 22 if full-time student). However, the monthly annuity will continue for a child who at age 18, is physically or mentally disabled and unable to accept gainful employment.

Annual Increases in Annuity

If the member's death occurs before retirement, increases of 3.0 percent of the current annuity are granted to survivors effective each January 1 occurring on or after the first anniversary of the annuity (i.e., increases are compounded). If the member's death occurs after retirement, the initial 3.0 percent increase applies on the January 1 on or after the survivor annuity begins.

Widow's Annuity Option

The widow of a male member who was a participant in the System prior to July 19, 1961, may have the option of taking a Widow's Annuity rather than the Survivor's Annuity.

Qualification of Widow

An eligible widow receives a Widow's Annuity if she is age 50 or over or has in her care any of the member's unmarried children under age 18. If she is not age 50 and has no such children in her care, she becomes eligible at age 50.

Amount of Payment

The Widow's Annuity consists of a lump sum payment of $500, plus a monthly annuity equal to 50 percent of the pension earned or received by the member at the date of death. If the widow has in her care eligible children of the member, the monthly annuity is increased because of each child, subject to a maximum payment equal to 66-2/3 percent of the earned pension. Monthly benefits payable to a widow of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits she is entitled to as a widow from Social Security (reduced by one-half of the amount of benefits she is entitled to based on her own Primary Insurance Amount). For benefits granted on or after January 1, 1992, the reduction may not exceed 50 percent of the amount of widow's annuity otherwise payable.

Duration of Payment

The monthly payment to the widow continues for her lifetime whether or not she remarries. If the amount of benefit was increased because of eligible children, it is adjusted downward as these children's benefits are terminated (death, marriage or attainment of age 18 or 22).

Annual Increases in Annuity

If the member's death occurs before retirement, increases of 3.0 percent of the current annuity are granted to widows effective each January 1 occurring on or after the first anniversary of the annuity (i.e., increases are compounded). If the member's death occurs after retirement, the initial 3.0 percent increase applies on the January 1 on or after the widow's annuity begins.

Occupational Death Benefit

Qualification of Survivors

If a member's death results from an injury on the job or a job related cause, the spouse may be eligible for an Occupational Death benefit. If only unmarried children under age 18 (age 22 if full-time student) survive, they would be eligible for the benefit. If neither a spouse nor eligible children survive, a dependent father or mother would be eligible.

Amount and Duration of Payment

The nominated beneficiary receives a lump sum payment consisting of all contributions made by the member plus interest credited to his account.

A surviving spouse is entitled to a monthly benefit equal to 50 percent of the member's final average compensation. The benefit is payable for the remaining lifetime of the spouse without regard to remarriage. If children under age 18 (age 22 if full-time student) also survive, the annuity is increased by 15 percent of such average because of each child, subject to a maximum of 75 percent. If there is no spouse, or if the spouse dies before all children have attained age 18 (age 22 if full-time student), each child receives a monthly allowance of 15 percent of final average compensation.

The combined payment to children may not exceed 50 percent of the member's final average compensation. Payments to or on account of children terminate upon their death, marriage or attainment of age 18 (age 22 if full-time student).

If there is no spouse or eligible children, a benefit of 25 percent of final average compensation is payable to each surviving dependent parent for life.

Annual Increases in Annuity

Increases of 3.0 percent of the current annuity are granted effective each January 1 occurring on or after the first anniversary of the annuity (i.e., increases are compounded).

Reductions

The monthly benefit is reduced by any payments awarded under the Workmen's Compensation or Occupational Diseases Acts.

Other Death Benefits

If the survivor beneficiaries of the member do not qualify for any of the previously described death benefits, one of the following benefits is payable to the nominated beneficiary on file with the System at the date of death.

Before Retirement

If the member's death occurred while in State service the benefit consists of: (1) a refund of all contributions plus interest credited to the member's account; and (2) a payment equal to one month's salary for each full year of pension credit not to exceed six month's salary. The minimum payment is equal to one month's salary.

If the member had terminated State service but not yet qualified for a pension, the benefit consists of a refund of all of the member's contributions to the System plus the interest credited to the member's account.

After Retirement

The benefit consists of a lump sum payment equal to the excess of contributions plus interest credited to the member's account over the total amount of pension payments made to the member. The minimum payment is $500.00.

Non-Occupational Disability Benefits

Qualification and Amount of Payment

Available to any member who has established at least one and one-half years of creditable service and who has been granted a disability leave of absence by his employing agency. The benefit is 50 percent of the member's final average compensation plus a credit to the member's account of service and contributions. It begins on the 31st day of absence from service on account of disability.

If the member has Social Security coverage as a State employee, the benefit payable by the System is reduced by the amount of any disability payment to which he is entitled under Social Security.

Duration of Payment

The member is eligible for the monthly benefit until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; (3) payments are made for a period of time equal to one-half of the service credit established as of the date disability began; or (4) attainment of age 65 if the benefit commences prior to age 60, or payment for 5 years if benefit commences after age 60.

If termination of the benefit is due to the member receiving benefits for a period of time equal to one-half of the service credit established at the date of disability, he shall be eligible for a retirement annuity if he has attained age 55 and has 15 years of service, or if he has attained age 50 and has 20 years of service.

Annual Increases in Annuity

A one time increase of 7.0 percent of the original annuity is granted to members on the January 1 following the fourth anniversary of the annuity. Increases of 3.0 percent of the current annuity are then granted to members each January 1 following the 7.0 percent increase (i.e., the 3.0 percent increases are compounded).

Occupational Disability Benefit

Qualification and Amount of Payment

Provided for any member who becomes disabled as the direct result of injury or diseases arising out of and in the course of State employment.

The benefit is 75 percent of final average compensation plus a credit to the member's account of service and contributions. The cash benefit is reduced by any payment received under the Workmen's Compensation or Occupational Diseases Acts.

Duration of Payment

Monthly benefits are payable until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; or (3) attainment of age 65 if the benefit commences prior to age 60, or payment for 5 years if the benefit commences after age 60.

If termination of the benefit is due to the member having attained age 65 or having received benefits for five years after age 60, the member is entitled to a retirement pension based upon service credit established as of that date.

Annual Increases in Annuity

A one-time increase of 7.0 percent of the original annuity is granted to members on the January 1 following the fourth anniversary of the annuity. Increases of 3.0 percent of the current annuity are then granted to members each January 1 following the 7.0 percent increase (i.e., the 3.0 percent increases are compounded).

Temporary Disability Benefit

A member who is initially denied Workers' Compensation benefits and is appealing the denial may receive payment at the non-occupational rate, 50 percent of pay, providing all eligibility requirements for the non-occupational benefit are met, until the determination is made.

Separation Benefits

Upon termination of State employment by resignation, discharge, dismissal, or layoff, a member may obtain a refund of the contributions made to the System. By accepting a refund, a member forfeits all accrued rights and benefits in the System for himself and his beneficiaries.