

ACTUARIAL VALUATION

**South Carolina
Retirement System
(SCRS)**

As of July 1, 1997

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March 20, 1998

State Budget and Control Board
South Carolina Retirement System
Columbia, South Carolina 29211

Gentlemen:

This report constitutes the July 1, 1997 actuarial valuation for the South Carolina Retirement System (SCRS). The report includes this commentary and a series of actuarial tables and summaries of the plan provisions and methods and assumptions.

Basic Contribution Requirements

Our valuation finds the SCRS in excellent actuarial condition. The current plan benefits, including the COLA of 1.5% that may be granted as of July 1, 1998, are adequately funded by the current contribution levels which consist of employee contributions of 6% and employer contributions of 7.55% for State employees including teachers and 6.7% for other employers.

The employer contribution rates are also reasonably split between 5.0% for normal cost contributions and the remainder for amortization of the unfunded liability. With these amortization payments, the current unfunded liability will be eliminated in 14 years. Based on the previous actuarial valuation, the unfunded liability was expected to be eliminated in 19 years.

We have also determined that the Group Life Insurance employer contribution of 0.15% is reasonable and will adequately fund the expected benefit payments. The separate fund for this benefit has built sufficient reserves.

Valuation Data

This valuation was based on approximately 185,600 active members with a payroll of \$4.9 billion. This represents an increase in the number of active members of about 4% and an increase of 8.5% in covered payroll since the previous year's valuation. The increases were greater among the "other" employee category and less among State employees.



The number of people receiving benefits increased since the last valuation by 4%. The annual benefits being paid increased by about 12%. This takes into account the 4% COLA that was effective July 1, 1997.

Valuation Assets

The market value of the SCRS assets as of July 1, 1997 was \$14.4 billion. The comparable figure one year before was \$13.2 billion. The rate of investment return on assets for the 1996/97 year was 9.3%.

For purposes of the actuarial valuation, we are using an actuarial value of assets that phases-in investment return different than the assumed 7.25% rate over a 5-year period. This actuarial value as of July 1, 1997 was \$13.6 billion as compared to \$12.5 billion the previous year.

Unfunded Liability and Experience Factors

After recognizing the actuarial value of assets, the unfunded liability as of July 1, 1997 was \$1.36 billion. There was a decrease in unfunded liability of \$207 million. The factors causing the decrease (in millions) are:

Required amortization payment	\$ (4.0)
Asset experience	(198.0)
Salary experience	(71.0)
Other experience	(21.0)
COLA effective July 1, 1998	<u>87.0</u>
Net change	\$(207.0)

Governmental Accounting Standards Board (GASB) Calculations

Our report includes information that is required by GASB. Basically, the calculations indicate that the System's funded ratio has increased since the previous valuation. As of the last valuation the funded ratio was 88.9%. This has improved to 90.9%. In addition, the unfunded liability as a percentage of covered payroll has decreased from 34.4% to 27.5%. Both of these statistics indicate that the funded status of the System has improved.



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Changes in System Benefits and Actuarial Assumptions and Methods

This actuarial valuation reflects the current provisions of the System as outlined on Table X. The provisions have remained the same since the last actuarial valuation. However, our report does contain provisions for a 1.5% COLA to be granted effective July 1, 1998.

The actuarial assumptions and methods are outlined on Table IX. These assumptions and methods have remained as employed in the July 1, 1996 actuarial report.

Census Data and System Assets

The Retirement System office provided the census data that was used for this valuation. The System assets that were used for this valuation were supplied in the June 30, 1997 Retirement System Comprehensive Annual Financial Report.

Conclusions

In our opinion, the information contained in this actuarial report fairly represents the actuarial condition of the South Carolina Retirement System.

We look forward to review this report with the State Budget and Control Board and the Director of the Retirement System.

Sincerely,

Wallace W. Wilson, F.S.A.
Consulting Actuary

Bonnie B. Seals, F.S.A.
Actuary

Donald A. DuLaney, Jr., A.S.A.
Actuary

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Table I

South Carolina Retirement System (SCRS)

Summary of Actuarial Valuation Results

	<u>July 1, 1997</u>	<u>July 1, 1996</u>
1. <u>Number of Active Members and Compensation</u>		
a. State Employees	65,695	64,598
b. Compensation	\$ 1,890,977	\$ 1,802,400
c. Teachers	78,345	75,016
d. Compensation	\$ 2,064,157	\$ 1,878,400
e. Others	41,557	38,926
f. Compensation	\$ 971,990	\$ 859,300
g. Total number of active members	185,597	178,540
h. Total compensation	\$ 4,927,124	\$ 4,540,100
2. <u>Number of Persons Receiving Benefits and Benefits</u>		
a. Total number receiving benefits	56,127	53,872
b. Total amount of benefits	\$ 643,804	\$ 576,531
3. <u>Trust Fund Assets</u>		
a. Market value	\$ 14,413,956	\$ 13,201,433
b. Actuarial value	\$ 13,621,362	\$ 12,499,235
4. <u>Unfunded Actuarial Accrued Liability (UAAL)</u>	\$ 1,355,817	\$ 1,562,857
5. <u>Remaining Liquidation Period (Years)</u>	14	19
6. <u>Required Contribution as a Percent of Compensation</u>		
a. State Employees and Teachers		
i) Normal cost contribution	5.00%	5.00%
ii) UAAL contribution	2.55%	2.55%
iii) Pre-retirement death contribution	<u>0.15%</u>	<u>0.15%</u>
iv) Total	7.70%	7.70%
b. Others		
i) Normal cost contribution	5.00%	5.00%
ii) UAAL contribution	1.70%	1.70%
iii) Pre-retirement death contribution	<u>0.15%</u>	<u>0.15%</u>
iv) Total	6.85%	6.85%

All dollar amounts in thousands



Table II

South Carolina Retirement System (SCRS)

Determination and Amortization of Unfunded Liability

1. <u>Actuarial Present Value of Future Benefits</u>	
a. Present retired members and beneficiaries	\$ 5,866,156
b. Present active and inactive members	<u>14,523,476</u>
c. Total Actuarial Present Value	\$ 20,389,632
2. <u>Present Value of Future Normal Contributions</u>	
a. Employee at 6.00%	\$ 2,952,247
b. Employer at 5.00%	<u>2,460,206</u>
c. Total Future Normal Contributions	\$ 5,412,453
3. <u>Actuarial Accrued Liability = 1.c. - 2.c.</u>	\$ 14,977,179
4. <u>Current Actuarial Value of Assets</u>	\$ 13,621,362
5. <u>Unfunded Actuarial Accrued Liability = 3. - 4.</u>	\$ 1,355,817
6. <u>Unfunded Accrued Liability Rates</u>	
a. State Employees and Teachers	2.55%
b. Others	1.70%
7. <u>Unfunded Accrued Liability Liquidation Period</u>	14 years

All dollar amounts in thousands



Table III

South Carolina Retirement System (SCRS)

Development of Actuarial Value of Assets

1. <u>Actuarial Value of Assets on July 1, 1996</u>	\$ 12,499,235
2. <u>1996/1997 Net Cash Flow</u>	
a. Contributions	679,051
b. Disbursements	<u>661,889</u>
c. Net Cash Flow	\$ 17,162
3. <u>Expected Investment Return</u> [1. x .0725] + [2.c. x .03625]	\$ 906,817
4. <u>Expected Actuarial Value of Assets on July 1, 1997</u> (1. + 2.c. + 3.)	\$ 13,423,214
5. <u>Market Value of Assets on July 1, 1997</u>	\$ 14,413,956
6. <u>Excess of Market Value over Expected Actuarial Value</u> (5. - 4.)	\$ 990,742
7. <u>20% Adjustment towards Market</u> (.20 x 6.)	\$ 198,148
8. <u>Actuarial Value of Assets on July 1, 1997</u> (4. + 7.)	<u>\$ 13,621,362</u>

All dollar amounts in thousands



Table IV

South Carolina Retirement System (SCRS)

Accounting Information

1. Number of Active and Retired Members as of July 1, 1997

<u>Group</u>	<u>Number</u>
Retiree and Beneficiaries Currently Receiving Benefits	56,127
Terminated Employees Entitled to Benefits But not yet Receiving Benefits	121,777
Active Members	<u>185,597</u>
Total	<u>363,501</u>

2. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b - a)</u>	<u>(d) Funded Ratio (a / b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c / e)</u>
07/01/97	\$ 13,621,362	\$ 14,977,179	\$ 1,355,817	90.9%	\$ 4,927,124	27.5%
07/01/96	12,499,235	14,062,092	1,562,857	88.9%	4,540,100	34.4%
07/01/95	11,453,462	12,980,497	1,527,035	88.2%	4,318,827	35.4%

All dollar amounts in thousands



Table IV
(continued two)

3. Assumptions and Methods

Valuation date	July 1, 1997
Actuarial cost method	Entry-Age-Normal
Amortization method	Level percent open
Remaining amortization period	14 years
Asset valuation method	5 year smoothed market
Actuarial assumptions	
Investment rate of return*	7.25%
Projected salary increases	4.25% - 11.35%
*Including inflation at	4.25%
Cost-of -living adjustments	None



Table V

South Carolina Retirement System (SCRS)

Valuation Balance Sheet

	<u>July 1, 1997</u>	<u>July 1, 1996</u>
1. <u>Assets</u>		
a. <u>Current Assets</u>		
i) Employee Annuity Savings Fund	\$ 3,657,217	\$ 3,399,816
ii) Employer Annuity Accumulation Fund	<u>9,964,145</u>	<u>9,099,419</u>
iii) Total Current Assets	\$ 13,621,362	\$ 12,499,235
b. <u>Future Member Contributions to Employee Annuity Savings Fund</u>	\$ 2,952,247	\$ 2,861,922
c. <u>Prospective Contributions to Employer Annuity Accumulation Fund</u>		
i) Normal Contributions	\$ 2,460,206	\$ 2,385,629
ii) Accrued Liability Contributions	<u>1,355,817</u>	<u>1,562,857</u>
iii) Total Prospective Employer Contributions	\$ 3,816,023	\$ 3,948,486
d. <u>Total Assets</u>	<u>\$ 20,389,632</u>	<u>\$ 19,309,643</u>
2. <u>Liabilities</u>		
a. <u>Employee Annuity Savings Fund</u>		
i) Past Member Contributions	\$ 3,657,217	\$ 3,399,816
ii) Future Member Contributions	<u>2,952,247</u>	<u>2,861,922</u>
iii) Total Contributions to Employee Annuity Savings Fund	\$ 6,609,464	\$ 6,261,738
b. <u>Employer Annuity Accumulation Fund</u>		
i) Benefits Currently in Payment	\$ 5,866,156	\$ 5,349,968
ii) Benefits to be Paid to Current Active Members	<u>7,914,012</u>	<u>7,697,937</u>
iii) Total Benefits Payable from Employer Annuity Accumulation Fund	\$ 13,780,168	\$ 13,047,905
c. <u>Total Liabilities</u>	<u>\$ 20,389,632</u>	<u>\$ 19,309,643</u>

All dollar amounts in thousands



Table VI

South Carolina Retirement System (SCRS)

Number and Annual Retirement Allowances of Benefit Recipients as of July 1, 1997

	<u>Number</u>	<u>Annual Retirement Allowances</u>
1. <u>Service Retirement</u>		
a. <u>Employees</u>		
Life Annuity	12,533	\$ 116,707
10 Year Certain and Life	949	10,196
100% J & S	1,915	27,046
100 % Pop-Up	1,184	15,023
50% J & S	1,281	24,629
50% Pop-Up	1,224	22,476
Level Off	2,621	44,819
	21,707	\$ 260,896
b. <u>Teachers</u>		
Life Annuity	14,575	\$ 147,005
10 Year Certain and Life	1,093	13,376
100% J & S	764	8,581
100 % Pop-Up	525	6,907
50% J & S	582	9,979
50% Pop-Up	717	13,361
Level Off	4,574	87,474
	22,830	\$ 286,683
c. <u>Total</u>		
Life Annuity	27,108	\$ 263,712
10 Year Certain and Life	2,042	23,572
100% J & S	2,679	35,627
100 % Pop-Up	1,709	21,930
50% J & S	1,863	34,608
50% Pop-Up	1,941	35,837
Level Off	7,195	132,293
	44,537	\$ 547,579



Table VI
(continued two)

2. Disability Retirement

a. Employees

Life Annuity	2,876	\$ 24,844
10 Year Certain and Life	217	1,851
100% J & S	462	3,161
100 % Pop-Up	174	1,243
50% J & S	173	1,873
50% Pop-Up	<u>148</u>	<u>1,586</u>
	4,050	\$ 34,558

b. Teachers

Life Annuity	2,121	\$ 20,083
10 Year Certain and Life	130	1,323
100% J & S	175	1,192
100 % Pop-Up	52	424
50% J & S	63	701
50% Pop-Up	<u>61</u>	<u>869</u>
	2,602	\$ 24,592

c. Total

Life Annuity	4,997	\$ 44,927
10 Year Certain and Life	347	3,174
100% J & S	637	4,353
100 % Pop-Up	226	1,667
50% J & S	236	2,574
50% Pop-Up	<u>209</u>	<u>2,455</u>
	6,652	\$ 59,150

3. Beneficiaries of Deceased Retired Members and Active Members

a. Employees and Teachers	4,938	\$ 37,075
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4. <u>Grand Total</u>	<u>56,127</u>	<u>\$ 643,804</u>
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All dollar amounts in thousands



South Carolina Retirement System (SCRS)

Table VII

Distribution of Active Members by Attained Age Groups and Service Groups as of July 1, 1997

Attained Age Group	Years of Service											Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45 & Up		
Under 20	220	1	.	.	.	.	.	.	.	.	.	221
20-24	5,502	85	.	.	.	.	.	.	.	.	.	5,587
25-29	14,253	3,824	117	1	.	.	.	.	.	.	.	18,195
30-34	9,704	7,885	3,078	84	.	.	.	.	.	.	.	20,751
35-39	9,187	6,721	6,550	2,967	185	.	.	.	.	.	.	25,610
40-44	8,730	6,988	5,389	6,127	3,887	174	.	.	.	.	.	31,295
45-49	7,089	6,431	5,033	4,365	6,435	3,666	93	.	.	.	.	33,112
50-54	4,689	4,384	3,984	3,497	3,493	4,427	1,194	20	.	.	.	25,688
55-59	2,605	2,625	2,341	2,113	2,345	1,848	973	181	8	1	.	15,040
60-64	1,222	1,324	1,196	1,036	1,159	949	358	154	39	2	.	7,439
65-69	484	346	285	208	178	147	70	31	33	3	.	1,785
70-74	244	122	84	55	52	25	16	7	9	7	.	621
75-79	68	41	19	19	15	6	7	.	2	2	.	179
80 & Up	57	5	3	2	3	4	.	.	.	.	.	74
Total	64,054	40,782	28,079	20,474	17,752	11,246	2,711	393	91	15	.	185,597

Average Attained Age
Average Hire Age
Average Pay
Percent Female

42.75 years
32.73 years
\$26,545
68.3%



Table VIII

South Carolina Retirement System (SCRS)

Distribution of Participants Receiving Benefits

1. Service Retirement

<u>Current Age Group</u>	<u>Number</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Under 50	97	\$ 818,520	\$ 8,438
50 - 54	898	20,912,328	23,288
55 - 59	2,632	63,930,348	24,290
60 - 64	6,116	89,538,864	14,640
65 - 69	10,146	119,973,408	11,825
70 - 74	9,191	104,210,592	11,338
75 - 79	7,322	74,838,468	10,221
80 & Over	<u>8,135</u>	<u>73,356,792</u>	<u>9,017</u>
Total	44,537	\$ 547,579,320	\$ 12,295

2. Disability Retirement

<u>Current Age Group</u>	<u>Number</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Under 50	1,292	\$ 10,908,588	\$ 8,443
50 - 54	902	9,186,264	10,184
55 - 59	1,001	9,399,096	9,390
60 - 64	1,172	10,004,196	8,536
65 - 69	897	7,534,224	8,399
70 - 74	673	5,945,388	8,834
75 - 79	483	4,289,544	8,881
80 & Over	<u>232</u>	<u>1,882,860</u>	<u>8,116</u>
Total	6,652	\$ 59,150,160	\$ 8,892

3. Beneficiaries

<u>Current Age Group</u>	<u>Number</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Under 50	758	\$ 4,296,408	\$ 5,668
50 - 54	264	1,939,452	7,346
55 - 59	336	2,828,460	8,418
60 - 64	463	3,797,988	8,203
65 - 69	571	5,180,940	9,073
70 - 74	738	5,883,468	7,972
75 - 79	746	5,509,668	7,386
80 & Over	<u>1,062</u>	<u>7,638,780</u>	<u>7,193</u>
Total	4,938	\$ 37,075,164	\$ 7,508



Table IX

South Carolina Retirement System (SCRS)

Outline of Actuarial Assumptions and Methods

1. **Interest to be Earned by Fund**

7.25% per annum, compounded annually.

2. **Salary Increases**

Salary increases are assumed in accordance with the following representative rates:

<u>Age</u>	<u>Annual Increases</u>	<u>Age</u>	<u>Annual Increases</u>
25	10.15%	45	4.75%
30	7.95%	50	4.45%
35	6.45%	55	4.25%
40	5.55%	60	4.25%

3. **Decrement Rates**

a. **Service Retirement**

<u>Age</u>	<u>Annual Rates of</u>					
	<u>Reduced Service Retirement</u>	<u>Unreduced Service Retirement*</u>	<u>Reduced Service Retirement</u>	<u>Unreduced Service Retirement*</u>	<u>Reduced Service Retirement</u>	<u>Unreduced Service Retirement*</u>
	<u>Male Teachers</u>		<u>Female Teachers</u>		<u>Male & Female Employees</u>	
50		10.0%		15.0%		10.0%
55	5.0%	10.0%	5.0%	15.0%	5.0%	10.0%
60	7.5%	15.0%	10.0%	25.0%	7.5%	15.0%
61	10.0%	20.0%	10.0%	25.0%	7.5%	15.0%
62	20.0%	30.0%	25.0%	45.0%	20.0%	30.0%
63	15.0%	25.0%	15.0%	30.0%	15.0%	25.0%
64	15.0%	25.0%	15.0%	30.0%	15.0%	25.0%
65		35.0%		45.0%		35.0%
66		20.0%		25.0%		25.0%
67		15.0%		20.0%		20.0%
68		15.0%		20.0%		20.0%
69		15.0%		25.0%		20.0%
70		100.0%		100.0%		100.0%

*Plus 25% in year when first become eligible for unreduced service retirement before age 65.



Table IX
(continued two)

b. In-service Mortality, Disability and Withdrawal

<u>Age</u>	<u>Mortality</u>	<u>Disability</u>	<u>Annual Rates of</u>		
			<u>Withdrawal</u>		
			<u>Years of Service</u>		
			<u>0-4</u>	<u>5-9</u>	<u>10+</u>
<u>Male Teachers</u>					
25	0.06%	0.02%	11.90%	7.50%	
30	0.07%	0.04%	10.20%	4.20%	2.80%
35	0.07%	0.05%	10.50%	4.80%	2.10%
40	0.10%	0.11%	8.10%	4.60%	1.50%
45	0.18%	0.19%	9.40%	4.00%	1.50%
50	0.30%	0.35%	7.70%	4.00%	1.90%
55	0.46%	0.60%	7.70%	3.60%	2.90%
60	0.65%	1.03%			
64	0.90%	1.65%			
<u>Female Teachers</u>					
25	0.03%	0.05%	8.80%	6.10%	
30	0.04%	0.07%	9.30%	4.20%	2.40%
35	0.04%	0.07%	8.20%	4.00%	1.70%
40	0.05%	0.12%	6.70%	3.30%	1.40%
45	0.08%	0.21%	6.30%	2.90%	1.20%
50	0.13%	0.35%	6.30%	3.00%	1.20%
55	0.21%	0.61%	6.60%	2.80%	1.60%
60	0.33%	1.07%			
64	0.49%	1.44%			
<u>Male Employees</u>					
25	0.06%	0.07%	15.10%	8.70%	
30	0.07%	0.11%	12.50%	6.40%	3.60%
35	0.07%	0.14%	11.50%	5.90%	2.90%
40	0.10%	0.18%	10.60%	5.50%	2.30%
45	0.18%	0.26%	9.20%	4.60%	2.00%
50	0.30%	0.44%	7.90%	4.60%	1.70%
55	0.46%	0.70%	7.70%	4.00%	2.10%
60	0.65%	1.07%			
64	0.90%	1.49%			
<u>Female Employees</u>					
25	0.03%	0.07%	13.40%	7.90%	
30	0.04%	0.11%	12.00%	6.70%	4.00%
35	0.04%	0.14%	11.10%	5.40%	2.70%
40	0.05%	0.18%	9.90%	4.90%	2.40%
45	0.08%	0.26%	8.50%	4.60%	1.80%
50	0.13%	0.44%	8.20%	4.00%	2.10%
55	0.21%	0.70%	6.80%	3.90%	2.00%
60	0.33%	1.07%			
64	0.49%	1.49%			



Table IX
(continued three)

4. Mortality After Retirement

For healthy retirees and beneficiaries, the 1983 Group Annuity Mortality Table rates. A separate table of mortality rates is used for disabled retirees. The following are sample rates for the healthy retirees and beneficiaries:

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.39%	0.16%
55	0.61%	0.25%
60	0.92%	0.42%
65	1.56%	0.71%
70	2.75%	1.24%
75	4.46%	2.40%
80	7.41%	4.29%
85	11.48%	6.99%

5. Marriage Assumption

100% of all active members are assumed to be married, with female spouses being 3 years younger.

6. Asset Valuation Method

Actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed investment rate of return. The amount recognized each year is 20% of the difference between market and expected value. The actuarial value of assets is limited to a range between 80% and 120% of market value.

7. Cost Methods

a. Normal Retirement, Termination, Death and Disability Benefits

Projected benefit with level percentage entry age normal cost and open-end unfunded actuarial accrued liability. Gains and losses are reflected in the period remaining to liquidate the unfunded actuarial accrued liability.

b. Group Life Insurance Benefit

One-year term cost method.



Table IX
(continued four)

8. **Additional Assumptions**

There are certain other assumptions made that have a relatively minor effect on liabilities. These assumptions are available upon request.

9. **Cost-of-Living Increases**

None assumed.



Table X

South Carolina Retirement System (SCRS)

Outline of Principal Plan Provisions

1. Effective Date

July 1, 1945.

2. Eligibility Requirements

All full-time, part-time, or temporary personnel who fill a permanent position as a public school employee, public higher education personnel, state employees, and city, county and other local public employees of participating employers must join as a condition of employment as of the effective date of employment.

Employees in non-permanent positions may choose to join.

3. Creditable Service

The sum of "prior service" and "membership service." Prior service means service rendered prior to membership for which credit is allowed. Membership service means service during which contributions have been made. This is counted in years, months, and days.

There are a number of different types of service that may be purchased by an employee under special rules, including educational leave, medical leave, federal service, maternity leave, military leave, municipality service, non-member service, out-of-state service, additional service credit, and others.

4. Average Final Compensation

The total of the highest 12 consecutive quarters of compensation earned divided by 3. Denoted AFC. Compensation generally includes gross salary or wages, overtime, sick pay, wage deferrals, and termination pay for unused annual leave. For member who joined the system on or after January 1, 1996, compensation for benefit and contribution purposes is limited to \$150,000, subject to annual index.

5. Normal Retirement

- a. Eligibility Attainment of age 65, or completion of 30 years of creditable service.
- b. Benefit 1.82% of AFC times creditable service.



Table X
(continued two)

6. Early Retirement

- a. Eligibility Attainment of age 60, or attainment of age 55 with 25 years of creditable service.
- b. Benefit Benefit accrued to date of retirement, reduced 5% for each year prior to 65 (for age 60 eligibility), or 4% for each year prior to 30 years (for age 55 with 25 years eligibility).

7. Disability Retirement

- a. Eligibility Disability prior to normal retirement age with at least 5 years of creditable service. The service requirement is waived for job related disability.
- b. Benefit Benefit equal to the amount that would have been payable at age 65 assuming continued employment and AFC at date of disability, less the equivalent benefit that would have been provided by the employee contributions that would have been made until age 65.

8. Death Benefits

- a. Death prior to age 60 or 15 years of creditable service

Refund of employee contributions with interest plus Group Life Insurance in a lump sum equal to annual earnable compensation at death of death. Group life Insurance only payable to those with at least 1 year of creditable service, unless death is job related, and whose employer participates.

- b. Death after age 60 or with 15 years of creditable service

Same as above, however, instead of the refund of employee contributions with interest, the beneficiary may elect to receive an annuity equal to the amount that would have been payable had the employee retired the day before death under option 2 described below.

9. Employee Contributions

6% of earnable compensation.



Table X
(continued three)

10. Vested Benefit upon Termination

- a. Eligibility 100% vesting upon completion of 5 years of creditable service.
- b. Benefit Accrued benefit as of date of termination payable as of age 60.

11. Termination Benefit

- a. Eligibility Elect return of accumulated employee contributions.
- b. Benefit Return of employee contributions plus interest.

12. Normal Form of Retirement Income

Monthly life annuity with guaranteed return of employee contributions plus interest.

13. Optional Forms of Retirement Income

- a. Option 1. Monthly life annuity. If death occurs in first 10 years, employee contributions plus interest are refunded less 10% for each year of retirement.
- b. Option 2. Monthly life annuity with 100% of reduced benefit continued to beneficiary upon death.
- c. Option 2(a). Same as option 2 with revert to maximum option if beneficiary predeceases retiree.
- d. Option 3. Monthly life annuity with 50% of reduced benefit continued to beneficiary upon death.
- e. Option 3(a). Same as option 3 with revert to maximum option if beneficiary predeceases retiree.
- f. Option 4. Social security leveling option which provides additional benefits before eligibility for social security and a lesser benefit after social security eligibility.

14. Cost of Living Adjustment

Granted upon approval of State Budget and Control Board if funding objectives are met. The amount is the increase in the calendar year CPI, unless the CPI increases greater than 3%. If this occurs, a 4% increase is granted.

