

**A REPORT ON THE
ACTUARIAL VALUATION
FOR THE
TEACHERS RETIREMENT SYSTEM
OF PUERTO RICO
AS OF JUNE 30, 2004**

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February 28, 2005

Retirement Board
Puerto Rico Teachers Retirement System
Capital Center North Tower
235 Arterial Hostos Avenue
Suite #3
San Juan, Puerto Rico 00917

Dear Board Members:

Actuarial valuations of the Teachers Retirement System of Puerto Rico are prepared on an annual basis to determine the employer contribution required to fund the Retirement System on a sound actuarial basis. The annual actuarial valuation of the Puerto Rico Teachers Retirement System, prepared as of June 30, 2004, has been completed. This report presents the results of the actuarial valuation and the contributions payable by the employer to the Retirement System.

Discussion of Valuation Results

The valuation does not include any benefit changes since the prior valuation.

The actuarial valuation as of June 30, 2004 indicates that a total employer contribution rate of 16.26% of payroll is required to meet the employer normal cost and to amortize the unfunded actuarial liability over 16 years from July 1, 2004 as a level percentage of payroll.

Actual contributions to the Retirement System are set by legislation of the Government of Puerto Rico. In the table below we present a comparison of the estimated contribution rates as a percentage of payroll as determined by law and the actuarial contribution rate recommended to maintain the sound financing of the System.

(1) <u>Expected contribution rates according to Law - beginning 6/30/2004</u>	
(a) Active member contribution rate (Law #43)	9.00%
(b) Retiree contribution rate special program (Law #44)	0.28%
(c) Total member contribution rate	9.28%
(d) Regular Education Department contribution rate	8.50%
(e) Education Dept. contribution rate special program (Law #44)	1.02%
(f) Total Education Department contribution rate	9.52%
(g) Total member plus Education Department contribution rate	18.80%
(2) <u>Actuarial valuation contribution rate – beginning 6/30/2004</u>	
(a) Active member contribution rate (Law #43)	9.00%
(b) Education Department contribution rate	16.26%
(c) Total actuarial valuation contribution rate	25.26%
(3) <u>Excess of contribution rate according to Law over actuarial contribution rate [(1)(g) minus (2)(c)]</u>	-6.46%

The above indicates that the expected contributions from members and the Education Department for the year beginning June 30, 2004 are expected not to meet the actuarially determined contributions.

Since the prior valuation, the actuarial employer contribution has decreased from 17.29% to 16.26%. The decrease in the contribution rate is due primarily to the following factors:

- A higher than anticipated return on the assets of the fund. The asset return was approximately 16.49% compared to an assumed return of 8%.
- A projected total payroll increase of 8.2% compared to an expected increase of 5%. A higher than expected payroll increase reduces the contribution rate as a percentage of payroll.
- The elimination from the benefits payable by the Retirement System of prior pension increases granted by special law.

The gains mentioned above were somewhat offset by average individual member pay increases of 7.58% versus expected pay increases of 5% per year.

Based on the June 30, 2003 actuarial valuation contribution rate and projected payroll, the required employer contribution was \$217,001,910. The actual employer contribution for the year beginning July 1, 2003 was \$159,152,000. The contribution deficiency was \$57,849,910 as of June 30, 2004.

The **Liabilities** section of the report presents the results of the valuation, including the accounting information required under GASB Statements Nos. 25 and 27, in greater detail.

Our calculations are based on the data provided by the Retirement System. Based on this data, for the 2004 actuarial valuation the retiree pension benefits have been adjusted to eliminate prior postretirement pension increases granted by separate special law.

In addition, the valuation is based on certain actuarial assumptions and methods, including an annual interest rate of 8%. The valuation is based on the same assumptions and methods utilized in the previous valuation.

A summary of the assumptions and methods used in the valuation are outlined in the **Assumptions and Methods** section of the report.

There have been no changes in the benefits provided by the Retirement System since the prior valuation. The valuation does not reflect any prior or future cost of living increases for current and future retired members. As discussed with Retirement System staff, we understand the cost of living benefits form part of a separate special law and are not included in the law providing the benefits of the Retirement System. The **Plan Provisions** section of the report summarizes the Retirement System benefits.

Certification

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate and, in my opinion, the techniques and assumptions used are reasonable. There

is no benefit or expense to be provided by the Retirement System and/or paid from the System's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends that may require a material increase in System costs or required contribution rates have been taken into account in the valuation.

Respectfully submitted,

(SIGNED) JOSE I. FERNANDEZ

Jose I. Fernandez
Principal, Consulting Actuary

Summary of Valuation Results

	As of June 30, 2003	As of June 30, 2004
1. Number of Members		
a. Active Members	50,723	51,026
b. Deferred Vested Members	494	781
c. Retired Members:		
i. Service	23,080	22,721
ii. Disabled	2,122	2,113
iii. Beneficiaries	2,350	2,329
iv. Sub-total	<u>27,552</u>	<u>27,163</u>
d. Total Members	<u>78,769</u>	<u>78,970</u>
2. Total Annual Rate of Covered Payroll	\$ 1,195,167,867	\$ 1,293,532,830
3. Total Annual Retired Members Benefits	\$ 302,969,825	\$ 291,358,356
4. Funding Results		
a. PV of Future Benefits	\$ 5,771,094,052	\$ 6,018,434,247
b. PV of Future Employee Contributions	(1,043,836,425)	(1,117,563,714)
c. PV of Future Employer Normal Contributions	<u>(187,447,644)</u>	<u>(198,963,298)</u>
d. Actuarial Accrued Liability	4,539,809,983	4,701,907,235
e. Actuarial Value of Assets	<u>(2,142,662,000)</u>	<u>(2,402,995,000)</u>
f. Unfunded Actuarial Accrued Liability	\$ 2,397,147,983	\$ 2,298,912,235
g. Normal Cost	\$ 133,273,168	\$ 143,970,204
h. Amortization of UAAL	179,981,586	181,025,408
i. Retiree window contribution	5,205,132	3,757,148
j. Administrative Expenses	<u>16,690,519</u>	<u>18,064,186</u>
k. Total Cost	\$ 335,150,405	\$ 346,816,946
l. Total projected payroll	\$ 1,254,926,260	\$ 1,358,209,472
5. Annual Contribution Rate (% of projected payroll)		
a. Employee	9.00%	9.00%
b. Retiree window contribution	0.41%	0.28%
c. Employer		
i. Normal Cost	1.62%	1.60%
ii. Amortization of UAAL	14.34%	13.33%
iii. Administrative Expenses	<u>1.33%</u>	<u>1.33%</u>
iv. Sub-total	<u>17.29%</u>	<u>16.26%</u>
d. Total	<u>26.70%</u>	<u>25.54%</u>
6. Period remaining to amortize UAAL	17	16

Accounting Disclosures (GASB 25/27)

	For the Fiscal Year Beginning	
	July 1, 2003	July 1, 2004
1. Number of Plan Members as of June 30:		
a. Retirees and beneficiaries receiving benefits	27,552	27,163
b. Terminated plan members entitled to but not yet receiving benefits	494	781
c. Active plan members		
i. Vested	16,722	17,816
ii. Non-Vested	34,001	33,210
iii. Subtotal	<u>50,723</u>	<u>51,026</u>
d. Total	<u><u>78,769</u></u>	<u><u>78,970</u></u>
2. Development of Annual Required Contribution (ARC):		
a. Employer normal cost:		
i. Total normal cost (EOY)	\$ 155,168,819	\$ 165,791,538
ii. Expected employee contribution	(118,148,495)	(125,996,000)
iii. Employer normal cost	<u>\$ 37,020,324</u>	<u>\$ 39,795,538</u>
b. 40-year amortization of UAAL:		
i. PV of future benefits	\$ 5,771,094,052	\$ 6,018,434,247
ii. PV of future employer normal costs	(187,447,644)	(198,963,298)
iii. PV of future employee contributions	(1,043,836,425)	(1,117,563,714)
iv. Actuarial accrued liability (AAL)	\$ 4,539,809,983	\$ 4,701,907,235
v. Actuarial value of assets	(2,142,662,000)	(2,402,995,000)
vi. Unfunded AAL (UAAL)	\$ 2,397,147,983	\$ 2,298,912,235
vii. 40-year amortization of UAAL ⁽¹⁾	<u>146,912,043</u>	<u>141,616,857</u>
c. 40-year amortization of NPO: ⁽¹⁾	<u>33,069,543</u>	<u>39,408,551</u>
d. ARC (Item 2.a.iii. + Item 2.b.vii. + Item 2.c.)	<u><u>\$ 217,001,910</u></u>	<u><u>\$ 220,820,946</u></u>
3. Annual Pension Cost and Net Pension Obligation (NPO):		
a. ARC	\$ 217,001,910	\$ 220,820,946
b. Interest on NPO	35,235,866	40,037,165
c. Adjustment to ARC	(33,069,543)	(39,408,551)
d. Annual Pension Cost	<u>\$ 219,168,233</u>	<u>\$ 221,449,560</u>
e. Contributions made	(159,152,000)	
f. Increase(decrease) in NPO	\$ 60,016,233	
g. NPO (beginning of year)	440,448,327	
h. NPO (end of year)	<u><u>\$ 500,464,560</u></u>	

⁽¹⁾ 40 year amortization from June 30, 1980

4. Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Contribution Made	Percentage Contributed	(Excess)/ Deficiency
1995	90,359,806	72,104,190	79.80%	\$ 18,255,616
1996	107,781,000	79,324,365	73.60%	28,456,635
1997	112,197,869	92,502,000	82.45%	19,695,869
1998	126,214,840	95,122,000	75.37%	31,092,840
1999	120,572,924	91,155,000	75.60%	29,417,924
2000	112,838,599	86,246,000	76.43%	26,592,599
2001	103,230,246	116,134,000	112.50%	(12,903,754)
2002	172,338,498	124,152,000	72.04%	48,186,498
2003	172,338,498	140,264,000	81.39%	32,074,498
2004	217,001,910	159,152,000	73.34%	57,849,910

5. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll [(b) - (a)] /(c)
6/30/1995	1,473,507,210	2,599,879,467	\$1,126,372,257	56.68%	848,672,047	132.72%
6/30/1996	1,652,819,537	2,615,833,862	\$ 963,014,325	63.19%	838,332,409	114.87%
6/30/1997	1,892,142,000	2,862,947,039	\$ 970,805,039	66.09%	1,002,686,410	96.82%
6/30/1998	2,135,436,000	2,919,939,567	784,503,567	73.13%	1,003,839,305	78.15%
6/30/1999	2,313,730,000	2,904,195,938	590,465,938	79.67%	996,344,777	59.26%
6/30/2000	2,509,490,000	3,204,824,362	695,334,362	78.30%	1,006,196,783	69.11%
6/30/2001	2,283,554,000	3,683,354,872	1,399,800,872	62.00%	871,250,722	160.67%
6/30/2002	2,167,091,000	4,154,848,177	1,987,757,177	52.16%	991,068,262	200.57%
6/30/2003	2,142,662,000	4,539,809,983	2,397,147,983	47.20%	1,195,167,867	200.57%
6/30/2004 2005	2,402,995,000 2,561,139	4,701,907,235	2,298,912,235	51.11%	1,293,532,830	177.72%

6. Additional Information

Valuation Date:	June 30, 2004
Actuarial cost method:	Entry Age Normal (employer normal cost includes a provision for administrative expenses)
Amortization method:	Level percentage closed (5.00% payroll increases per year)
Remaining amortization period:	16 years
Asset valuation method:	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00%
Includes inflation at	3.50%
Cost of living adjustments	N/A

(1) Reflects early retirement window program in July 2000

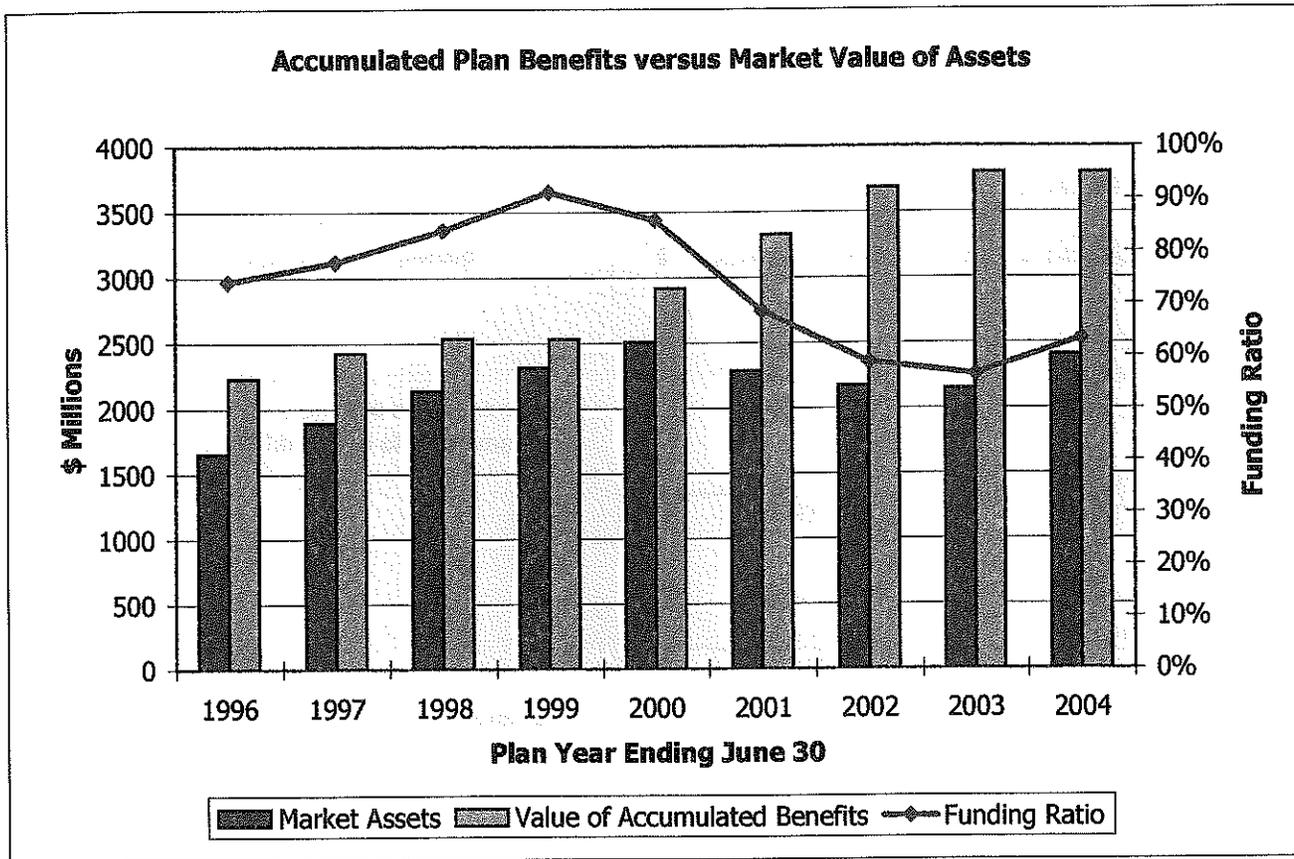
(2) Reflects early retirement window program in July 2001

Valuation Results

	As of June 30, 2003	As of June 30, 2004
1. Active Members		
a. Number	50,723	51,026
b. Annual rate of compensation	\$ 1,195,167,867	\$ 1,293,532,830
2. Retired Members		
a. Number on service retirements	23,080	22,721
b. Annual benefits	\$ 283,433,545	\$ 272,432,891
c. Number on disability retirements	2,122	2,113
d. Annual benefits	\$ 11,585,943	\$ 11,003,094
e. Number of beneficiaries	2,350	2,329
f. Annual benefits	\$ 7,950,337	\$ 7,922,371
g. Number of deferred vested members	494	781
3. Actuarial Liabilities		
<i>Present value of prospective benefits payable in respect of:</i>		
a. Present retired members and beneficiaries:		
i. Receiving age & service allowances	\$ 2,637,324,965	\$ 2,530,249,070
ii. Disabled members receiving allowances	90,998,047	86,808,662
iii. Beneficiaries receiving allowances	62,787,382	62,395,890
iv. Sub-total	\$ 2,791,110,394	\$ 2,679,453,622
b. Former active members eligible for deferred benefits:	\$ 16,030,292	\$ 21,446,577
c. Present active members:		
i. Service and separation retirement benefits	\$ 2,538,785,865	\$ 2,864,543,639
ii. Disability retirement benefits	288,329,131	322,275,532
iii. Death benefits	63,617,431	67,689,558
vi. Refund of members' contributions	73,220,939	63,025,319
vii. Sub-total	\$ 2,963,953,366	\$ 3,317,534,048
d. Total present value of all prospective benefits payable:	\$ 5,771,094,052	\$ 6,018,434,247
4. Present Value of Future Normal Costs		
a. Employee Future Normal Cost	\$ 1,043,836,425	\$ 1,117,563,714
b. Employer Future Normal Cost	187,447,644	198,963,298
c. Total Present Value of Future Normal Costs	\$ 1,231,284,069	\$ 1,316,527,012
5. Accrued Actuarial Liability	\$ 4,539,809,983	\$ 4,701,907,235
6. Actuarial Value of Assets	\$ 2,142,662,000	\$ 2,402,995,000
7. Unfunded Accrued Actuarial Liability	\$ 2,397,147,983	\$ 2,298,912,235

	As of June 30, 2003	As of June 30, 2004
8. Present Value of Future Salaries	\$ 11,598,182,500	\$ 12,417,374,600
9. Projected Payroll	\$ 1,254,926,260	\$ 1,358,209,472
10. Cost as a dollar amount		
<u>Employee</u>		
a. Employee Normal Cost	\$ 112,943,363	\$ 122,238,852
<u>Retiree</u>		
b. Special Program	\$ 5,205,132	\$ 3,757,148
<u>Employer</u>		
c. Employer Normal Cost	\$ 20,329,805	\$ 21,731,352
d. Amortization of Unfunded Liability	179,981,586	181,025,408
e. Administrative Expenses	16,690,519	18,064,186
f. Total Employer Cost	<u>\$ 217,001,911</u>	<u>\$ 220,820,946</u>
<u>Total</u>		
g. Total Cost	\$ 335,150,406	\$ 346,816,946
h. Years Remaining to Amortize UAAL	17	16
12. Total Cost as a Percentage of Future Payroll		
<u>Employee</u>		
a. Employee Normal Rate	9.00%	9.00%
<u>Retiree</u>		
b. Special Program	0.41%	0.28%
<u>Employer</u>		
c. Employer Normal Rate	1.62%	1.60%
d. Amortization of Unfunded Liability	14.34%	13.33%
e. Administrative Expenses	1.33%	1.33%
f. Total Employer Contribution Rate	<u>17.29%</u>	<u>16.26%</u>
<u>Total</u>		
g. Total Contribution Rate	26.70%	25.54%

Funding Ratio



Plan Year Ending	Market Value of Assets	Present Value Accumulated Benefits	Funding Ratio
1996	1,652,819,537	2,226,766,222	74.23%
1997	1,892,142,000	2,425,395,275	78.01%
1998	2,135,436,000	2,538,716,559	84.11%
1999	2,313,730,000	2,533,494,748	91.33%
2000	2,509,490,000	2,918,463,300	85.99%
2001	2,283,554,000	3,329,223,926	68.59%
2002	2,167,091,000	3,682,578,836	58.85%
2003	2,142,662,000	3,800,102,968	56.38%
2004	2,402,995,000	3,851,414,377	62.39%

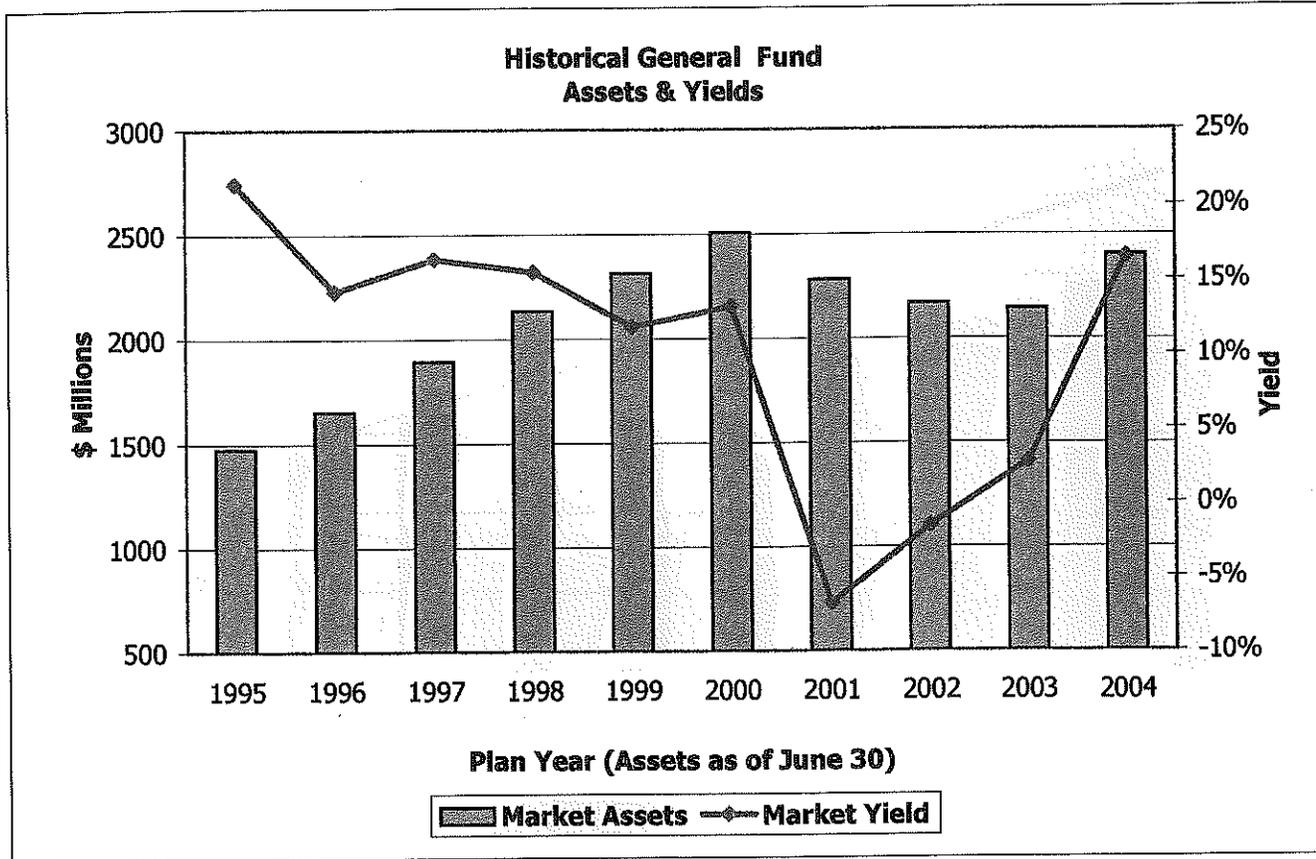
The funding ratio (market value of assets divided by the present value of accumulated benefits) is one measure of the Retirement System's current financial status. The present value of accumulated benefits is based on the members' accrued benefits taking into account their service and salary as of the valuation date. On the other hand, the required employer contribution is based on total projected benefits including service and pay projected to retirement for active members. The funded ratio under that basis is presented in the Schedule of Funding Progress in the Accounting Disclosures (GASB 25/27) section.

Assets

1. Market (Actuarial) Assets

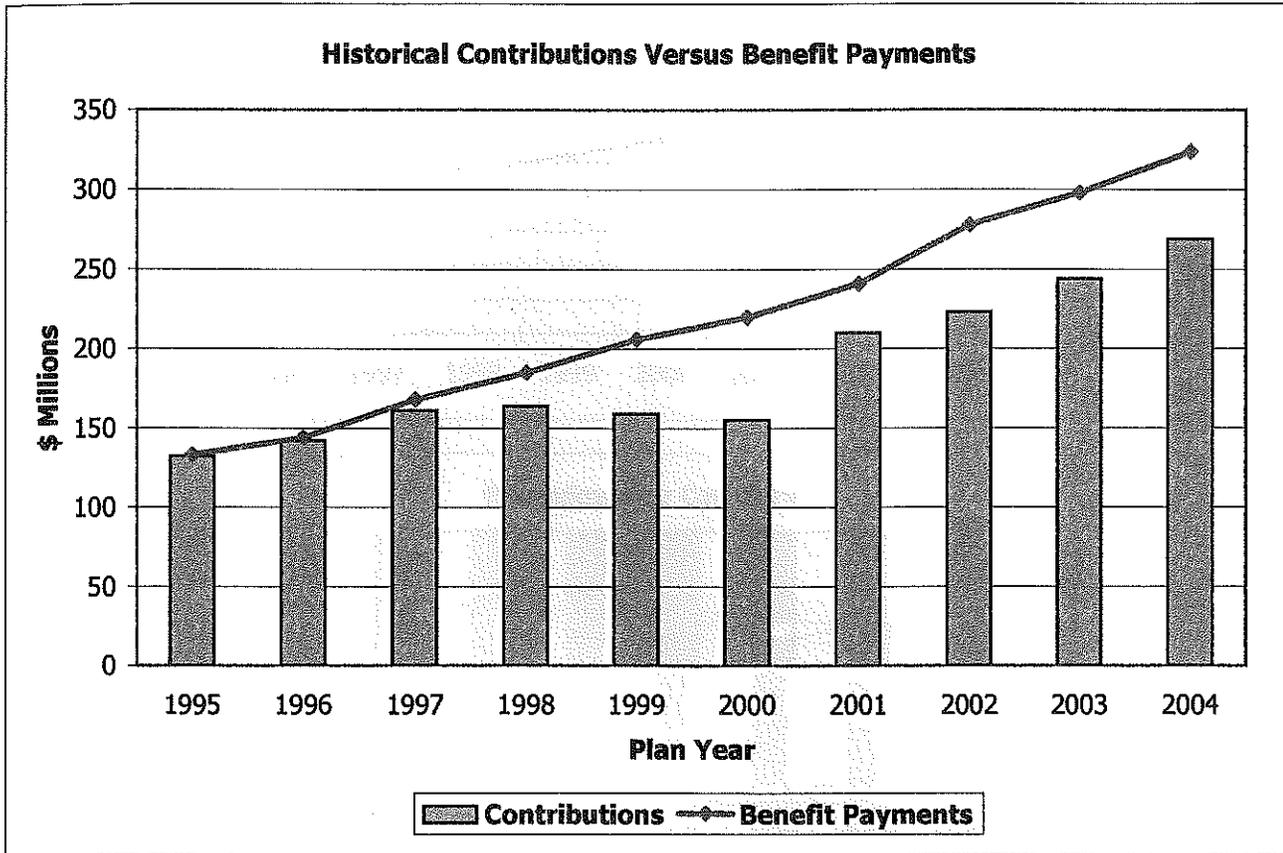
Beginning of period:	June 30, 2002	June 30, 2003
Ending of period:	June 30, 2003	June 30, 2004
Assets at beginning of period	\$ 2,167,091,000	\$ 2,142,662,000
Prior Period Adjustments	0	0
Net Assets at beginning of period	<u>\$ 2,167,091,000</u>	<u>\$ 2,142,662,000</u>
Investment Income:		
Interest Income	\$ 82,210,000	\$ 55,878,000
Dividend Income	16,513,000	17,264,000
Net realized gain on sale of investments	(42,227,000)	240,732,000
Net change in fair value of investments	0	0
Others	1,010,000	32,397,000
	<u>\$ 57,506,000</u>	<u>\$ 346,271,000</u>
Contributions:		
Employer	\$ 140,264,000	\$ 159,152,000
Member	104,403,000	110,548,000
	<u>\$ 244,667,000</u>	<u>\$ 269,700,000</u>
Transfers to Other Retirement Systems	\$ -	\$ -
Benefits Accrued:		
Retirement Allowances	(298,529,000)	(324,611,000)
Death benefits	0	0
Employer contributions refunded and other	(3,021,000)	(3,432,000)
Interest Expense	0	0
	<u>\$ (301,550,000)</u>	<u>\$ (328,043,000)</u>
Administrative and Investment Expenses:		
Administrative Expenses	(19,544,000)	(22,637,000)
Investment Expenses	(5,508,000)	(4,958,000)
	<u>\$ (25,052,000)</u>	<u>\$ (27,595,000)</u>
Assets at end of period	<u>\$ 2,142,662,000</u>	<u>\$ 2,402,995,000</u>

Historical Asset Information



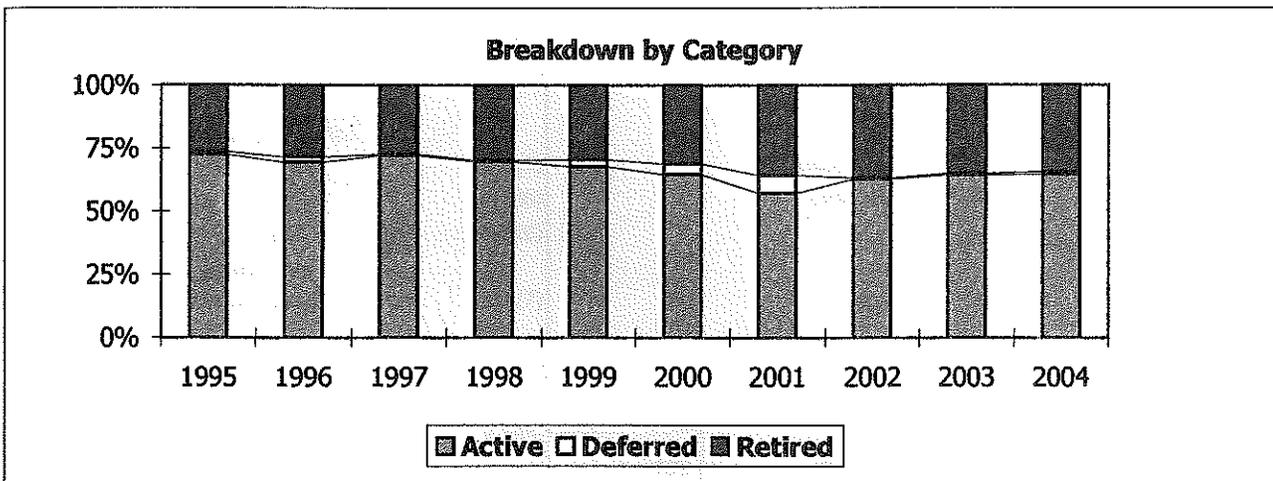
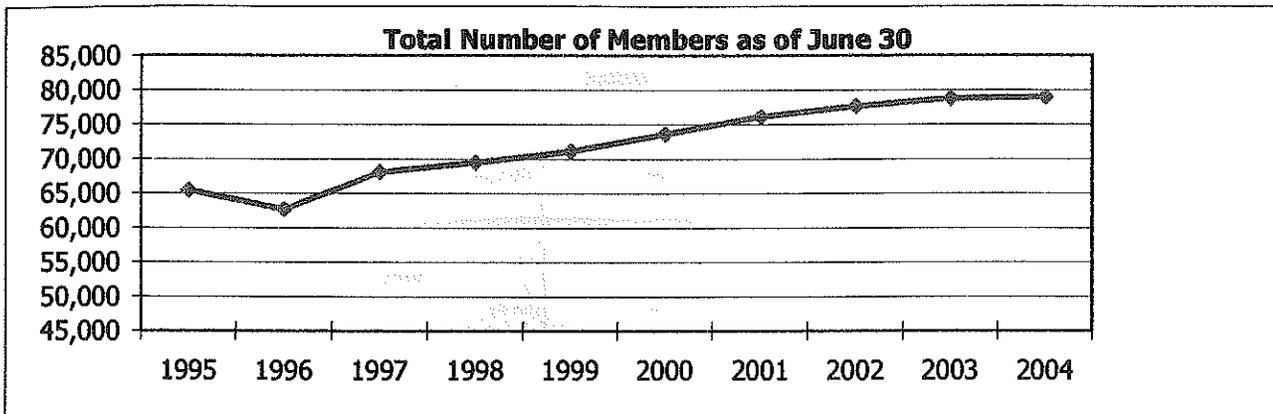
Plan Year Ending	Market (Actuarial) Value of Assets	Investment Income	Benefit Payments	Expenses	Employee and Employer Contributions	Asset Yield
1995	\$ 1,473,507,000	\$ 262,043,000	\$ 132,612,000	\$ 8,901,000	\$ 132,052,000	21.43%
1996	\$ 1,652,820,000	\$ 207,359,000	\$ 143,681,000	\$ 9,812,000	\$ 142,315,000	14.21%
1997	\$ 1,892,142,000	\$ 268,167,000	\$ 168,643,000	\$ 21,480,000	\$ 161,279,000	16.37%
1998	\$ 2,135,436,000	\$ 289,552,000	\$ 184,571,000	\$ 25,254,000	\$ 163,567,000	15.49%
1999	\$ 2,313,730,000	\$ 247,586,000	\$ 206,397,000	\$ 21,857,000	\$ 158,962,000	11.79%
2000	\$ 2,509,490,000	\$ 298,038,000	\$ 219,886,000	\$ 37,502,000	\$ 155,110,000	13.17%
2001	\$ 2,283,554,000	\$ (168,927,000)	\$ 242,963,000	\$ 24,475,000	\$ 210,429,000	-6.81%
2002	\$ 2,167,091,000	\$ (35,873,000)	\$ 280,520,000	\$ 23,676,000	\$ 223,606,000	-1.60%
2003	\$ 2,142,662,000	\$ 57,506,000	\$ 301,550,000	\$ 25,052,000	\$ 244,667,000	2.70%
2004	\$ 2,402,995,000	\$ 346,271,000	\$ 328,043,000	\$ 27,595,000	\$ 269,700,000	16.49%

Contributions vs. Fund Payouts



Please refer to table on previous page for the historical benefit payments and contributions.

Summary of Member Data



	<u>As of June 30, 2003</u>	<u>As of June 30, 2004</u>
1. Active Members	50,723	51,026
2. Deferred Vested Members	494	781
3. Retired Members		
a. Service Retirements	23,080	22,721
b. Disabled Retirements	2,122	2,113
c. Beneficiaries	2,350	2,329
d. Sub-total	<u>27,552</u>	<u>27,163</u>
4. Total Members	<u>78,769</u>	<u>78,970</u>

DATA RECONCILIATION

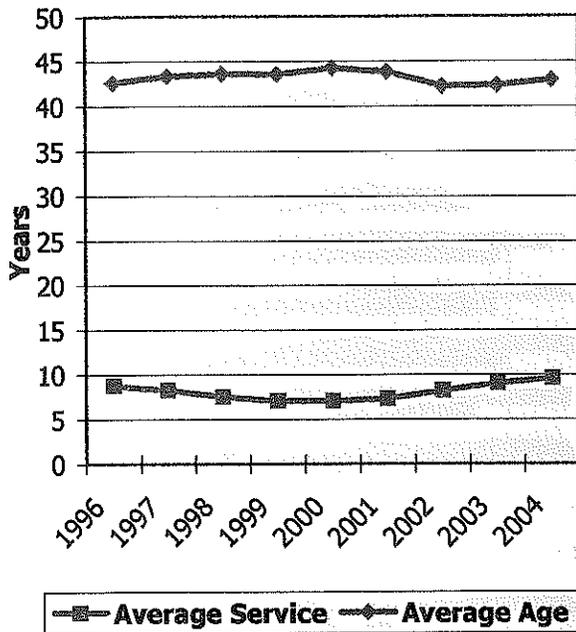
	<u>Active</u>	<u>Terminated Vested</u>	<u>Service Retirees</u>	<u>Beneficiaries</u>	<u>Disableds Retirees</u>	<u>Total</u>
1. Number of participants as of June 30, 2003	50,723	494	23,080	2,350	2,122	78,769
2. Change in status during the plan year:						
a. Actives who became inactive	(412)	412				
b. Actives who retired	(605)		549	7	49	
c. Inactives who became active	3	(1)	(1)	(1)		
d. Inactives who retired		(12)	10		2	
e. Retirees who became active						
f. Correction of status	213	(213)	(2)		2	
3. No longer participating due to:						
a. Death	(1)		(922)	(212)	(63)	(1,198)
b. Transfers	(166)		(80)	(30)	(17)	(293)
c. Termination of service	(1,316)					(1,316)
d. Deletion of duplicate data						
e. Included in error last year	(7)	(1)		(4)		(12)
4. New participant due to:						
a. Initial participation	2,593					2,593
b. Pickups	1	102	85		18	206
c. Omitted in error last year			2			2
d. Beneficiaries				219		219
5. Number of participants as of June 30, 2004	51,026	781	22,721	2,329	2,113	78,970

DATA RECONCILIATION

	<u>Active</u>	<u>Terminated Vested</u>	<u>Service Retirees</u>	<u>Beneficiaries</u>	<u>Disableds Retirees</u>	<u>Total</u>
1. Number of participants as of June 30, 2003	50,723	494	23,080	2,350	2,122	78,769
2. Change in status during the plan year:						
a. Actives who became inactive	(412)	412				
b. Actives who retired	(605)		549	7	49	
c. Inactives who became active	3	(1)	(1)	(1)		
d. Inactives who retired		(12)	10		2	
e. Retirees who became active						
f. Correction of status	213	(213)	(2)		2	
3. No longer participating due to:						
a. Death	(1)		(922)	(212)	(63)	(1,198)
b. Transfers	(166)		(80)	(30)	(17)	(293)
c. Termination of service	(1,316)					(1,316)
d. Deletion of duplicate data						
e. Included in error last year	(7)	(1)		(4)		(12)
4. New participant due to:						
a. Initial participation	2,593					2,593
b. Pickups	1	102	85		18	206
c. Omitted in error last year			2			2
d. Beneficiaries				219		219
5. Number of participants as of June 30, 2004	51,026	781	22,721	2,329	2,113	78,970

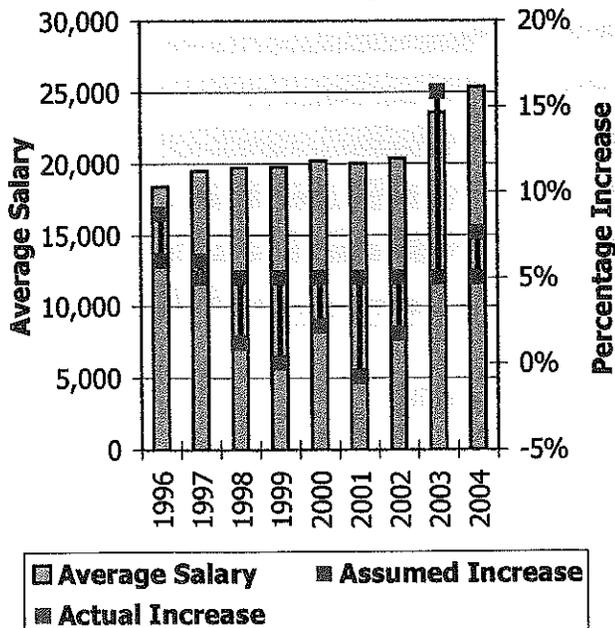
Active Data

Historical Average Age & Service



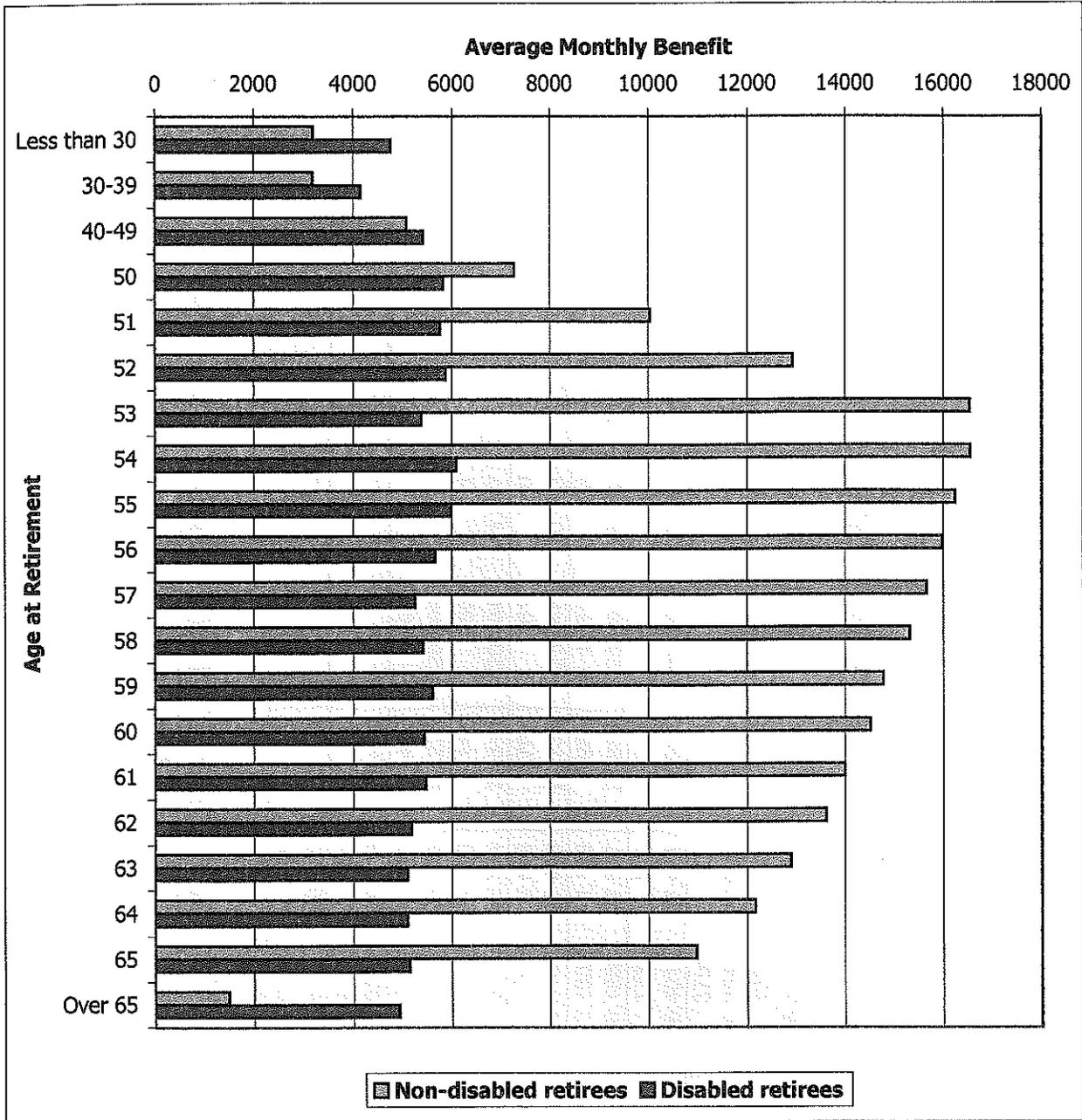
Plan Year Ending	Average Service	Average Age
1996	8.8	42.6
1997	8.3	43.3
1998	7.5	43.6
1999	7.1	43.6
2000	7.1	44.3
2001	7.3	43.9
2002	8.2	42.2
2003	9.0	42.3
2004	9.6	42.9

Historical Salary Rate



Plan Year Ending	Average Salary	Average Salary Increase
1996	\$ 18,383	8.72%
1997	\$ 19,480	5.97%
1998	\$ 19,713	1.20%
1999	\$ 19,719	0.03%
2000	\$ 20,149	2.18%
2001	\$ 19,997	-0.75%
2002	\$ 20,345	1.74%
2003	\$ 23,563	15.82%
2004	\$ 25,350	7.58%

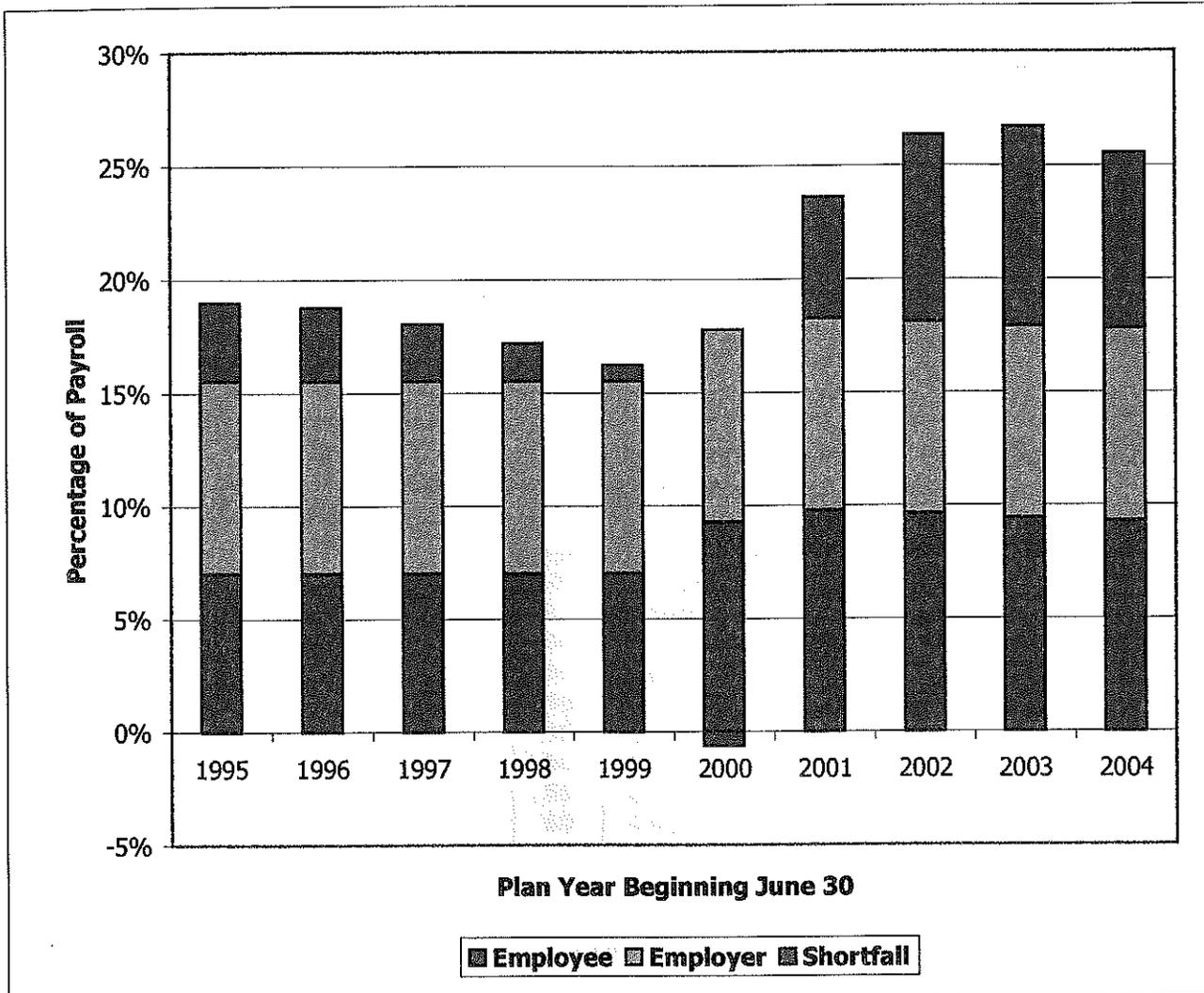
Retiree Data



Age, Service and Salary Table

Nearest Age	Years of Service													Total		
	0	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & over						
24 & under	111	382	77	-	-	-	-	-	-	-	-	-	-	-	-	570
Avg. Pay	24,796	22,960	18,622	-	-	-	-	-	-	-	-	-	-	-	-	22,731
25 to 29	104	707	3,007	236	-	-	-	-	-	-	-	-	-	-	-	4,054
Avg. Pay	24,796	22,235	20,670	20,130	-	-	-	-	-	-	-	-	-	-	-	21,017
30 to 34	51	381	4,414	464	218	-	-	-	-	-	-	-	-	-	-	5,528
Avg. Pay	24,796	22,383	22,936	20,703	19,863	-	-	-	-	-	-	-	-	-	-	22,606
35 to 39	147	326	6,703	219	482	191	-	-	-	-	-	-	-	-	-	8,068
Avg. Pay	24,791	23,035	24,832	21,261	20,225	20,260	-	-	-	-	-	-	-	-	-	24,278
40 to 44	23	249	7,204	1,769	146	150	61	-	-	-	-	-	-	-	-	9,602
Avg. Pay	24,796	23,504	25,602	26,864	22,314	20,934	21,207	-	-	-	-	-	-	-	-	25,627
45 to 49	12	249	4,520	2,546	2,707	61	100	35	-	-	-	-	-	-	-	10,154
Avg. Pay	24,796	23,504	26,018	27,428	27,735	25,048	20,483	19,178	-	-	-	-	-	-	-	26,699
50 to 54	4	173	2,763	1,139	2,981	1,317	54	14	7	-	-	-	-	-	-	8,363
Avg. Pay	24,796	23,352	26,188	27,597	27,883	28,380	28,292	21,778	18,760	-	-	-	-	-	-	27,308
55 to 59	3	84	1,173	512	664	449	384	14	-	-	-	-	-	-	-	3,246
Avg. Pay	24,796	24,206	26,401	27,471	27,984	28,955	29,297	27,891	-	-	-	-	-	-	-	27,573
60 to 64	-	44	375	173	216	77	82	83	7	-	-	-	-	-	-	1,033
Avg. Pay	-	25,017	26,054	27,030	28,304	28,378	28,285	30,118	28,273	20,923	-	-	-	-	-	27,334
65 to 69	-	17	123	41	66	20	16	13	21	4	-	-	-	-	-	309
Avg. Pay	-	24,164	26,375	27,088	27,978	27,500	29,018	30,487	28,639	21,671	-	-	-	-	-	27,265
70 & over	-	5	28	11	9	8	11	9	6	17	-	-	-	-	-	99
Avg. Pay	-	24,987	26,770	25,834	27,840	29,765	29,227	28,617	28,430	31,886	-	-	-	-	-	28,425
Total	455	2,368	30,387	7,110	7,489	2,273	708	168	41	27	-	-	-	-	-	51,026
Avg. Pay	24,794	22,842	24,695	26,433	27,016	27,227	27,154	26,906	26,859	28,166	-	-	-	-	-	25,350

Historical Contribution Rate



Plan Year Beginning	Contribution Rate		
	Employee	Employer	Shortfall
1995	7.00%	8.50%	3.50%
1996	7.00%	8.50%	3.27%
1997	7.00%	8.50%	2.55%
1998	7.00%	8.50%	1.70%
1999	7.00%	8.50%	0.72%
2000	9.28%	8.50%	-0.62%
2001	9.22%	8.50%	5.34%
2002	9.62%	8.50%	8.79%
2003	9.41%	8.50%	8.79%
2004	9.28%	8.50%	7.76%

Actuarial Assumptions and Methods

FOR THE DETERMINATION OF CONTRIBUTION AMOUNTS

1. Actuarial Cost Method

- Projected benefit method with entry age normal cost liability. The amortization of the accrued liability assumes future payroll increases of 5.00% per annum.

2. Interest Rates (Investment earnings and discount rate)

8.00% per annum, net of investment expense.

3. Salary Increases

5.00% per annum.

4. Decrements

- **Pre-Retirement Mortality**

1983 Group Annuity Mortality. Representative values of the assumed annual rates of pre-retirement mortality among members in active service are as follows:

Age	Men	Women
20	0.038%	0.019%
25	0.046%	0.025%
30	0.061%	0.034%
35	0.086%	0.048%
40	0.124%	0.066%
45	0.218%	0.101%
50	0.391%	0.165%
55	0.613%	0.254%
60	0.916%	0.424%
64	1.387%	0.638%

- **Post-Retirement Healthy Mortality**

1983 Group Annuity Mortality Table.

- **Post-Retirement Disabled Mortality**

1981 Disability Mortality Table, with a 5-year setback for females.

- **Disability**

Representative values of the assumed annual rates of disability among members in active service are as follows (5% of the projected disabilities are assumed to be due to occupational causes):

Age	Rate
20	0.050%
25	0.050%
30	0.050%
35	0.060%
40	0.090%
45	0.180%
50	0.400%
55	0.850%

- **Permanent Withdrawal from Active Status**

Representative values of the assumed annual rates of withdrawal among members in active service are as follows:

Age	Rate
20	21.28%
25	15.80%
30	11.50%
35	8.30%
40	6.10%
45	4.00%
50	2.20%
55	0.30%

- **Retirement**

All members are assumed to retire at the later of the age at which they complete 30 years of service or age 55, but not later than age 65.

5. Loading for Contingencies

1.33% of total projected payroll for administrative expenses.

6. Assets

The actuarial value of assets is equal to the market value of assets.

FOR DETERMINATION OF GASB ACCOUNTING INFORMATION

The determination of the GASB Nos. 25 and 27 accounting information has been made on the basis of the same assumptions and methods used for the determination of the funding amounts.

Plan Provisions

Our actuarial valuation is based on the benefit provisions of the Teachers Retirement Act as of the valuation date, which are summarized in this section.

1. Participation

- All teachers.

2. Final Average Salary

- Average of the three highest annual salaries.

3. Age and Service Retirement

- Service retirement annuity is based on a teacher's final average salary, service and age as follows:
- Age 50 with 30 or more years of service
75% of Final Average Salary.
- Under age 50 with 30 or more years of service
65% of Final Average Salary.
- Age 60 with at least 10 years but less than 25 years of service
1.8% of Final Average Salary times service.
- Age 50 with at least 25 years but less than 30 years of service
1.8% of Final Average Salary times service.
- Age 47 with at least 25 years but less than 30 years of service
1.71% of Final Average Salary times service.

4. Minimum and Maximum Benefits

- Minimum is \$300 per month.
- Maximum is 75% of Final Average Salary.

5. Deferred Retirement

- Age less than 60 with at least 10 but less than 25 years of service (deferred to age 60)
1.8% of Final Average Salary times service.
- Under age 52 with 25 or more years of service (deferred to age 52)
1.8% of Final Average Salary times service.

The deferred retirement benefit is payable only if the member contributions are not refunded.

6. Disability Pension**• Eligibility**

Any age with at least 5 years of service for non-occupational disability or any teacher who becomes disabled in the course of and as a result of employment.

• Regular Benefit

1.8% of Final Average Salary times service, not to be less than the age and service benefit.

7. Death Benefits**• Pre-Retirement Death Benefit**

Refund of member's accumulated contributions with 2% interest, plus a lump sum equal to one year's salary in position teacher was holding at time of death.

• Post-Retirement Death Benefits

Beneficiaries will receive all contributions not used by the participant (but not less than \$500), if no survivors are entitled to receive an annuity from the Retirement System.

The only survivors of the participant who are entitled to an annuity from the Retirement System are:

- A Widow or widower of a member who retired under the pre-1951 law provisions (who is entitled to receive 50% of the spouse's pension), and
- Children under 22 years of age who are enrolled in a regular program of studies. The annuity will cease as soon as the youngest child turns 22, unless there are disabled children, in which case the annuity will continue as long as the disability continues. Minors are entitled to 50% of the participant's pension.

8. Pension Increases

- Pensions payable to all benefit recipients who have been receiving benefits for at least three years may be increased 3% every three years. The first 3% increase, which was retroactive to January 1, 1992, was paid in October 1992. The second 3% increase, which was retroactive to January 1, 1995, was paid in October 1995.
- The valuation does not reflect any prior or future cost-of-living increases for retired members.

9. Contribution Rates**• Teacher Contribution**

9.00% of salary.

• Employer Contribution

8.50% of salary.

10. Early Retirement Program

- In July 2000 an early retirement program (Law # 44) was offered to teachers who had attained at least age 50 and 28 years of service. The special program offered a benefit of 75% of highest three-year average pay.
- In July 2001 an early retirement program (Law # 44) was offered to teachers who had attained at least age 50 and 25 years of service. The special program offered a benefit of 75% of highest three-year average pay.