

**ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN
CONSOLIDATED REPORT**

JUNE 30, 2009



October 30, 2009

Fund Manager
Arizona Corrections Officer Retirement Plan
Phoenix, Arizona

Re: Arizona Corrections Officer Retirement Plan Actuarial Valuation as of June 30, 2009

Ladies and Gentlemen:

The results of the **June 30, 2009 annual actuarial valuations of members** covered by the Arizona Corrections Officer Retirement Plan (CORP) are presented in this report. The purpose of the valuations is to measure CORP' funding progress and to establish contribution rates for the 2010-2011 fiscal year.

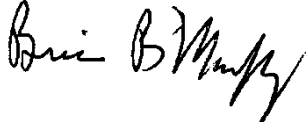
The valuations are based upon current plan provisions of the Arizona Corrections Officer Retirement Plan. All promised benefits are included in the actuarially calculated contribution rates. These provisions are summarized in Section F.

In preparing this report we relied, without audit, on information (some oral and some written) supplied by the State Retirement Plan. This information includes, but is not limited to, statutory provisions, employee and retiree census, and financial information. In our examination of this data, we have found it to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

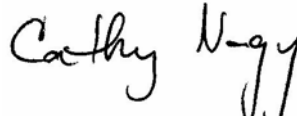
GRS's work product was prepared exclusively for the Arizona Correction's Officer Retirement Plan for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Plan's operations, and uses System data, which GRS has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of GRS's work product who desires professional guidance should not rely upon GRS's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be provided in its entirety including this cover letter, unless prior written consent is obtained from GRS.

The valuations were completed by qualified actuaries in accordance with accepted actuarial procedures prescribed by the Actuarial Standards Board. All of the actuaries submitting this report are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and the actuarial methods and assumptions produced results that are reasonable.

Respectfully submitted,



Brian B. Murphy, FSA, EA, MAAA



Cathy Nagy, FSA, EA, MAAA



Mark Buis, FSA, EA, MAAA

BBM/CN/MB:mrb

1211

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Executive Summary/Board Summary..... | 1 |
| Section A Introduction | |
| Funding Objective and Contribution Rates..... | 1 |
| Contribution Requirements..... | 2 |
| Historical Summary of Employer Rates | 3 |
| Employer Contribution Rate Changes | 4 |
| Employer Contribution Rates | 5 |
| Section B Funding Results | |
| Present Value of Future Benefits and Accrued Liability | 1 |
| Derivation of Experience Gain/(Loss) | 2 |
| Unfunded Actuarial Accrued Liabilities Comparative Statement | 3 |
| Short Condition Test..... | 4 |
| Funded Percent Summary | 5 |
| Section C Fund Assets | |
| Development of Funding Value of Assets (7-Year Smoothing)..... | 1 |
| Section D Census Data | |
| June 30, 2009 Valuation Data Summary | 1 |
| Active Members..... | 2 |
| Terminated Vested Members..... | 3 |
| Retirees and Beneficiaries..... | 4 |
| Pensions Being Paid – Historical Schedule | 5 |
| Section E Methods & Assumptions | 1 |
| Section F Plan Provisions..... | 1 |
| Section G Glossary | 1 |
| Appendix I Accounting Disclosures | |
| Schedule of Funding Progress | 1 |
| Schedule of Employer Contributions..... | 2 |
| Summary of Actuarial Methods and Assumptions | 3 |
| GASB Statement No. 45 Supplementary Information..... | 4 |

EXECUTIVE SUMMARY/BOARD SUMMARY

1. Required Employer Contributions to Support Retirement Benefits

The computed employer contribution and funded status for the fiscal year beginning July 1, 2010 is shown below.

| | Contribution | Funded Status |
|---------|---------------------|----------------------|
| Average | 8.57% | 82.6% |

2. Contribution Rate Comparison

The chart below compares the results of this valuation of the Retirement System with the results of the prior year's valuation:

| Valuation Date | Contribution | Funded Status |
|-----------------------|---------------------|----------------------|
| 6/30/2008 | 7.49% | 86.8% |
| 6/30/2009 | 8.57% | 82.6% |

The 2008 results were calculated by the prior actuary.

3. Reasons for Change

There are three general reasons why contribution rates change from one valuation to the next. The first is a change in the benefits or eligibility conditions of the plan. The second is a change in the valuation assumptions or methods used to predict future occurrences. The third is the difference during the year between the plan's actual experience and what the assumptions predicted.

There were no benefit changes reported to the actuary for the year ended June 30, 2009. In addition, there were no assumption changes. There was a change in actuary during the year which resulted in some technical adjustments to the actuarial methods that were applied.

EXECUTIVE SUMMARY/BOARD SUMMARY

4. Plan Experience

Experience during the year ended June 30, 2009 was unfavorable. During the year ended June 30, 2009, the return on fund assets was lower than expected. The market value smoothing techniques used in this valuation of the System recognize both past and present investment gains. While on a market value basis, the Plan's return was -18.7%, the resulting actuarial asset yield for the year ended June 30, 2009 was 3.2%. The asset losses were partially offset by gains attributable to demographic experience. Detailed information related to System experience is shown on page B-2.

5. Looking Ahead

Recent market turmoil has resulted in significant declines since June 30, 2008. Due to the smoothing method, only a portion of the current year asset loss was recognized this year. If the Market Value of Assets were used as the basis of our calculations (instead of the smoothed value), the employer contribution would have been approximately 13% of payroll (instead of 8.57% of payroll) and the funded status would have been 61.0% (instead of 82.6%). If equity markets do not improve significantly, the June 30, 2010 valuation will likely show an increase in the employer contribution amount (absent any liability gains).

6. Other Comments

The ratio of the Funding Value of Assets to Market Value of Assets as shown on Page C-1 is 137.8%. The Actuarial Standards of Practice require that the Funding Value fall within a reasonable range around the Market Value. Although some actuarial judgment is used to determine what is deemed 'reasonable', a ratio approaching 140% is on the high end. We recommend that consideration be given to establishing an asset corridor for the June 30, 2010 actuarial valuation. An asset corridor, sometimes called a "Collar", is a limitation on the amount by which the Funding Value is permitted to differ from Market Value. 20% is a common standard, although many systems have relaxed their standards in response to the extraordinary events of late 2008 and early 2009.

7. Conclusion

The effect of a very large loss was dampened by the 7 year smoothing period, and further offset by the effect of lower than expected pay increases. There remains \$363 million of unrecognized investment losses that will, in the absence of other gains, drive the contribution rate up over the next several years.

SECTION A
INTRODUCTION

FUNDING OBJECTIVE

The purpose of the annual actuarial valuation of the Arizona Corrections Officer Retirement Plan as of June 30, 2009 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members. This information is contained in Section B.
- Compare accrued assets with accrued liabilities to assess the funded condition. This information is contained in Section B.
- Compute the employers' recommended contribution rates for the Fiscal Year beginning July 1, 2010. This information is contained in Section A.

This objective is stated in Article 4, Chapter 5, Title 38, Sections 843B and 848N of the Arizona Revised Statutes.

CONTRIBUTION RATES

The Retirement System is supported by member contributions, employer contributions and investment income from Retirement System assets.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are sufficient to:

- (1) Cover the actuarial present value of benefits allocated to the current year by the actuarial cost method described in Section E (the normal cost); and
- (2) Finance over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (the unfunded actuarial accrued liability).

Computed contribution rates for the fiscal year beginning July 1, 2010 are shown on page A-2.

CONTRIBUTION REQUIREMENTS

Development of Employer Contributions for the Indicated Valuation Date

| Contribution for Fiscal Year | June 30, | |
|---|--------------|--------------|
| | 2008 2010 | 2009 2011 |
| Pension | | |
| Normal cost requirement | | |
| Service pensions | 10.65% | 10.51% |
| Disability pensions | 0.69 | 0.21 |
| Survivors of active members | 1.15 | 1.08 |
| Refunds of members' accumulated contributions | <u>1.59</u> | <u>2.43</u> |
| Total normal cost requirement | 14.08% | 14.23% |
| Less member contributions | <u>8.41</u> | <u>8.41</u> |
| Employer normal cost requirement | 5.67% | 5.82% |
| Amortization of unfunded liabilities | <u>0.98%</u> | <u>1.60%</u> |
| Total pension contribution requirement | 6.65% | 7.42% |
| Health | | |
| Normal cost requirement | 0.43% | 0.61% |
| Amortization of unfunded liabilities | <u>0.41%</u> | <u>0.54%</u> |
| Total health contribution requirement | 0.84% | 1.15% |
| Total contribution requirement | 7.49% | 8.57% |

Actuarial accrued liability, \$1,584,293,344, exceeded the funding value of accrued assets, \$1,309,124,035. The unfunded actuarial accrued liabilities were amortized as a level percent of payroll over a closed period of 27 years and added to the employer normal cost. The 27 year period is a one year decrease from last year. The results shown above are prior to the application of the statutory minimum of 6% of payroll (5% of payroll if the actual employer contribution rate is less than 5% for the 2006/2007 fiscal Year).

2008 results were calculated by prior actuary. Split amounts between pension and health were estimated.

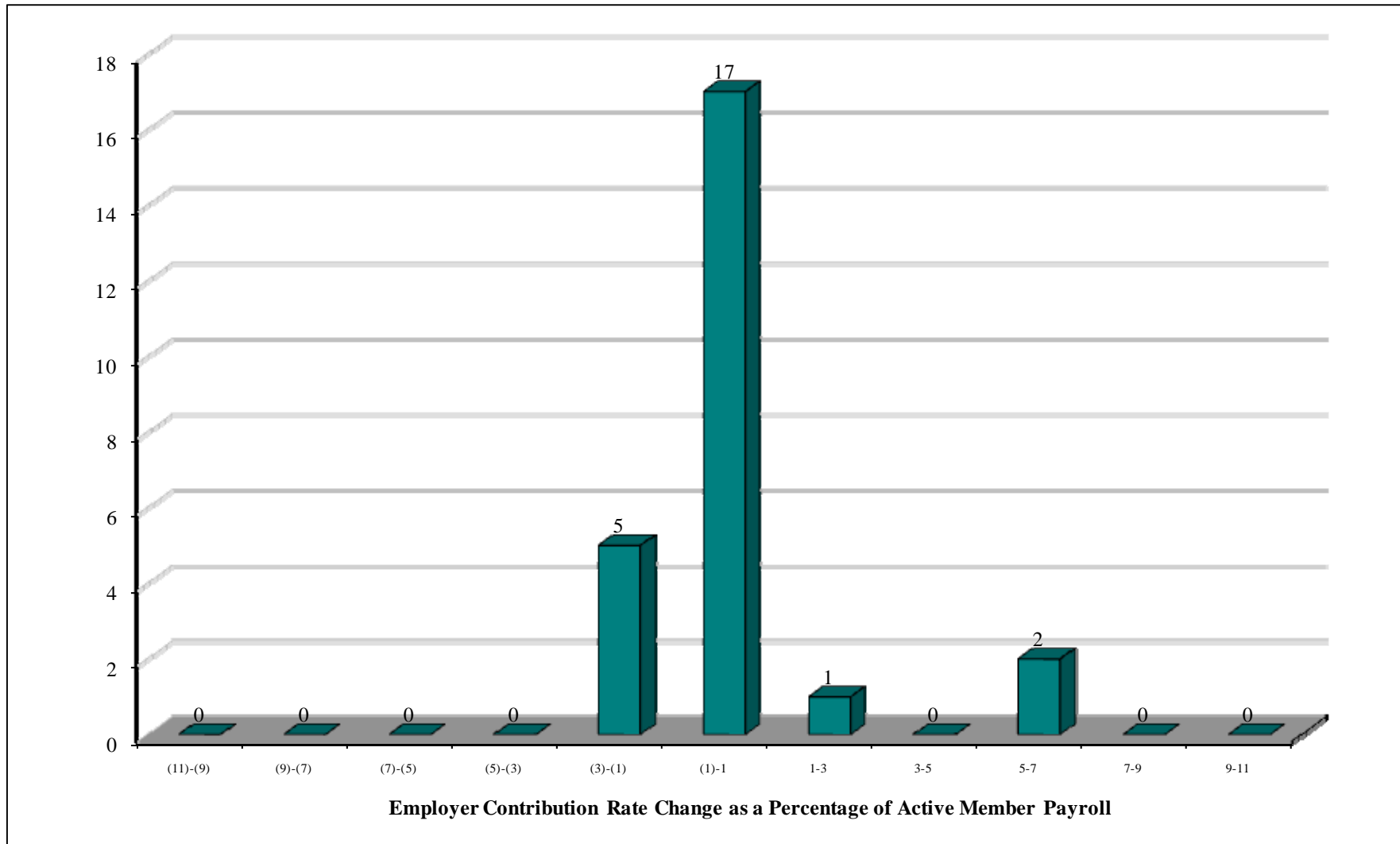
HISTORICAL SUMMARY OF EMPLOYER RATES

| Valuation Date June 30 | Fiscal Year | Normal Cost | Unfunded Actuarial Accrued Liability | Total |
|---|------------------------------|--------------------|---|--------------|
| 2000 | 2002 | 4.90 | (3.75) | 1.15 |
| 2001 | 2003 | 5.79 | (4.08) | 1.71 |
| 2002 | 2004 | 6.79 | (2.84) | 3.95 |
| 2003 | 2005 | 5.74 | (1.67) | 4.07 |
| 2004 | 2006 | 6.05 | (0.58) | 5.47 |
| 2005 | 2007 | 4.64 | (0.18) | 4.46 |
| 2006 | 2008 | 6.07 | 0.65 | 6.72 |
| 2007 | 2009 | 7.10 | 1.55 | 8.65 |
| 2008 | 2010 | 6.10 | 1.39 | 7.49 |
| 2009 | 2011 | 6.43 | 2.14 | 8.57 |

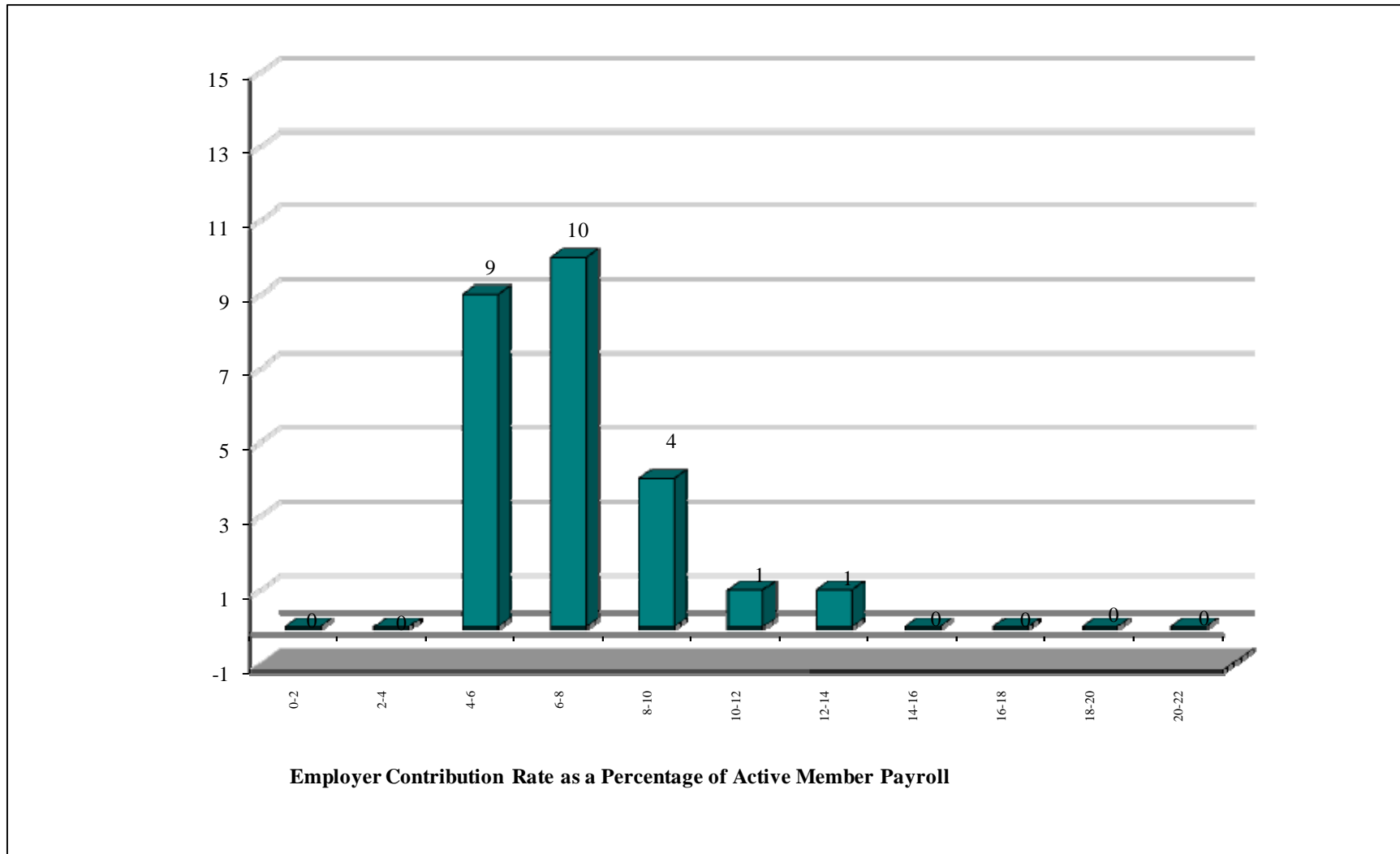
2005 results were revised pursuant to changes enacted by the 2006 Legislature and the CORP Fund Manager.

Results prior to 2009 were calculated by the prior actuary.

**EMPLOYER CONTRIBUTION RATE CHANGES AT JUNE 30, 2009
ALL EMPLOYERS**



EMPLOYER CONTRIBUTION RATES - ALL EMPLOYERS AT JUNE 30, 2009



SECTION B
FUNDING RESULTS

PRESENT VALUE OF FUTURE BENEFITS AND ACCRUED LIABILITY

| | June 30, | |
|---|----------------------|----------------------|
| | <u>2008</u> | <u>2009</u> |
| A. Accrued Liability | | |
| 1. For retirees and beneficiaries | \$ 504,461,874 | \$ 586,596,231 |
| 2. For vested terminated members | 12,618,412 | 14,599,457 |
| 3. For present active members | | |
| a. Value of expected future benefit payments | 1,551,554,129 | 1,688,145,270 |
| b. Value of future normal costs | <u>678,271,073</u> | <u>705,047,614</u> |
| c. Active member accrued liability: (a) - (b) | <u>873,283,056</u> | <u>983,097,656</u> |
| 4. Total accrued liability | 1,390,363,342 | 1,584,293,344 |
| B. Present Assets (Funding Value) | <u>1,207,026,191</u> | <u>1,309,124,035</u> |
| C. Unfunded Accrued Liability: (A.4) - (B) | 183,337,151 | 275,169,309 |
| D. Stabilization Reserve | <u>12,348,702</u> | <u>2,034,724</u> |
| E. Net Unfunded Accrued Liability: (C) + (D) | <u>195,685,853</u> | <u>277,204,034</u> |
| F. Funding Ratio: (B) / (A.4) | <u>86.8%</u> | <u>82.6%</u> |

2008 results were calculated by the prior actuary.

Present Assets exclude \$15,124,946 in reserves held for future pension increases pursuant to state statute.

DERIVATION OF EXPERIENCE GAIN/(LOSS)

Actual experience will never (except by coincidence) exactly match assumed experience. Gains and losses often cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below, along with a year-by-year comparative schedule.

| | June 30, | |
|---|---------------|---------------|
| | 2008 | 2009 |
| (1) UAAL at start of year | \$170,674,932 | \$183,337,151 |
| (2) Normal cost from last valuation | 77,607,436 | 91,532,707 |
| (3) Actual Contributions | 97,632,464 | 106,905,385 |
| (4) Interest Accrual | 13,656,305 | 14,930,319 |
| (5) Expected UAAL before changes: (1) + (2) - (3) + (4) | 164,306,209 | 182,894,792 |
| (6) Changes from benefit increases | 10,000,000 | 18,197,108 |
| (7) Changes in actuarial methods & actuary | - | 78,118,530 |
| (8) Change in Reserve for future pension increases | - | (28,133,467) |
| (9) Expected UAAL after changes: (5) + (6) + (7) + (8) | 174,306,209 | 251,076,963 |
| (10) Actual UAAL at end of year | 183,337,151 | 275,169,309 |
| (11) Experience Gain/(Loss): (9) -(10) | (9,030,942) | (24,092,346) |

2008 results were calculated by the prior actuary.

FY2009 Gains and Losses by Source

| | Gain/(Loss) | % of Liability |
|-------------------|---------------------|----------------|
| Investment Return | \$(66,722,832) | -4.8% |
| Salary Increases | 59,082,145 | 4.2% |
| Retirement | 4,477,510 | 0.3% |
| Turnover | (17,433,879) | -1.3% |
| Disability | 363,878 | 0.0% |
| Death-in-service | (488,372) | 0.0% |
| Retiree Mortality | 1,136,681 | 0.1% |
| Other | (4,507,477) | -0.3% |
| Total | (24,092,346) | -1.7% |

**UNFUNDED ACTUARIAL ACCRUED LIABILITIES
COMPARATIVE STATEMENT**

(Dollar amounts in \$'000s)

| Valuation Date | (1) Actuarial Accrued Liabilities (AAL) | (2) Valuation Assets | (3) Unfunded AAL | (5) Funded Ratio (2)/(1) | (6) Financing Period |
|----------------|---|----------------------------|------------------------|-----------------------------------|----------------------------|
| 2000 | \$ 501,323 | \$ 704,991 | \$(203,668) | 140.6 | 20 yrs. |
| 2001 | 554,387 | 776,177 | (221,790) | 140.0 | 20 |
| 2002 | 632,238 | 782,446 | (150,208) | 123.8 | 20 |
| 2003 | 709,298 | 811,791 | (102,493) | 114.4 | 20 |
| 2004 | 795,775 | 833,621 | (37,846) | 104.8 | 20 |
| 2005 | 863,791 | 872,981 | (9,190) | 101.1 | 20 |
| 2006 | 981,208 | 919,868 | 61,340 | 93.7 | 30 |
| 2007 | 1,110,801 | 940,126 | 170,675 | 84.6 | 29 |
| 2008 | 1,390,363 | 1,207,026 | 183,337 | 86.8 | 28 |
| 2009 | 1,584,293 | 1,309,124 | 275,169 | 82.6 | 27 |

2005 Results revised pursuant to changes in assumptions and methods enacted by the 2006 Legislature and the CORP Fund Manager. Results prior to 2009 were calculated by prior actuary.

SHORT CONDITION TEST

If the contributions to CORP are soundly executed, the System will *pay all promised benefits when due -- the ultimate test of financial soundness.*

A short condition test is one means of checking a system’s progress under its funding program. In a short condition test, the plan’s present assets (cash and investments) are compared with:

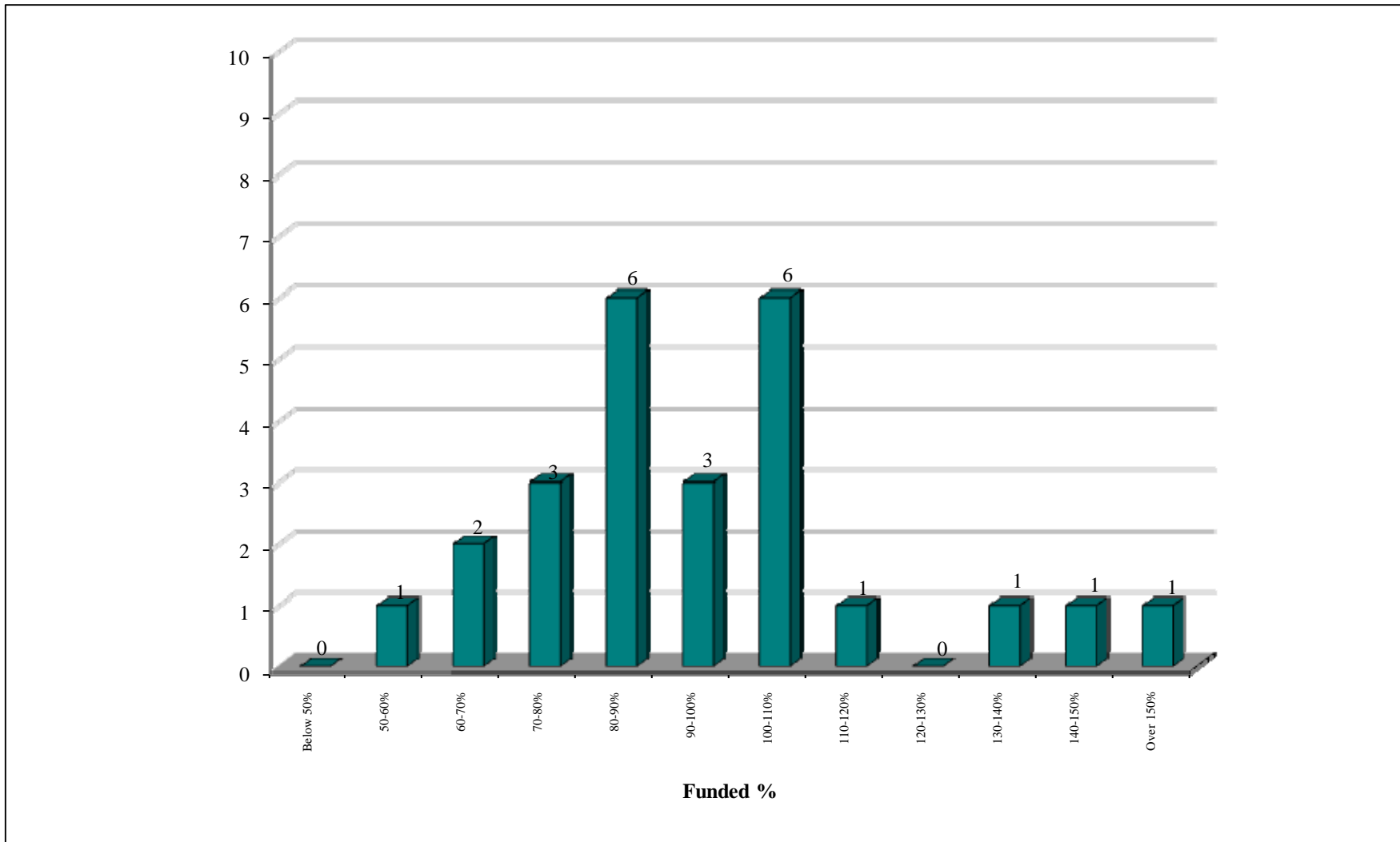
- 1) Member contributions on deposit;
- 2) The liabilities for future benefits to present retired lives;
- 3) The liabilities for service already rendered by active and inactive members.

In a system that has been following the discipline of pre-funding, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active and inactive members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system.

Short Condition Test (Including Health Insurance Subsidy)
(in \$'000s)

| Calendar Year | Aggregate Actuarial Liabilities For | | | Actuarial Assets | Portion of Actuarial Liabilities Covered by Assets | | |
|---------------|-------------------------------------|------------|---|------------------|--|------|-------|
| | (1) | (2) | (3) | | (1) | (2) | (3) |
| | Non-Retired Contributions | Annuitants | Non-Retired Members (Employer Financed Portion) | | | | |
| 2009 | \$314,100 | \$586,596 | \$683,597 | \$1,309,124 | 100% | 100% | 59.7% |

FUNDED PERCENTS - ALL EMPLOYERS AT JUNE 30, 2009



SECTION C
FUND ASSETS

DEVELOPMENT OF FUNDING VALUE OF ASSETS (7-YEAR SMOOTHING)

| Year Ended June 30: | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| A. Funding Value Beginning of Year (Including Future Benefit Increases) | \$ 1,247,659,869 | | | | | | |
| B. Market Value End of Year | 961,016,116 | | | | | | |
| C. Market Value Beginning of Year | 1,141,587,845 | | | | | | |
| D. Non Investment Net Cash Flow | 35,741,827 | | | | | | |
| E. Investment Income | | | | | | | |
| E1. Total: B-C-D | (216,313,556) | | | | | | |
| E2. Amount for Immediate Recognition (8.50%) | 107,570,117 | | | | | | |
| E3. Amount for Phased in Recognition: E1-E2 | (323,883,673) | | | | | | |
| F. Phased in Recognition of Investment Income | | | | | | | |
| F1. Current Year: E3 / 7 | \$ (46,269,096) | | | | | | |
| F2. First Prior Year | (22,975,892) | \$ (46,269,096) | | | | | |
| F3. Second Prior Year | 9,080,499 | (22,975,892) | \$ (46,269,096) | | | | |
| F4. Third Prior Year | (1,985,127) | 9,080,499 | (22,975,892) | \$ (46,269,096) | | | |
| F5. Fourth Prior Year | (1,611,273) | (1,985,127) | 9,080,499 | (22,975,892) | \$ (46,269,096) | | |
| F6. Fifth Prior Year | 2,117,111 | (1,611,273) | (1,985,127) | 9,080,499 | (22,975,892) | \$ (46,269,096) | |
| F7. Sixth Prior Year | (5,079,054) | 2,117,110 | (1,611,274) | (1,985,130) | 9,080,496 | (22,975,892) | \$ (46,269,097) |
| F8. Total Recognized Investment Gain | \$ (66,722,832) | \$ (61,643,779) | \$ (63,760,890) | \$ (62,149,619) | \$ (60,164,492) | \$ (69,244,988) | \$ (46,269,097) |
| G. Funding Value End of Year | | | | | | | |
| G1. Preliminary Funding Value End of Year: (A+D3+E2+F6) | 1,324,248,981 | | | | | | |
| G2. Future Benefit Increases | 15,124,946 | | | | | | |
| G3. End of Year: (G1-G2) | 1,309,124,035 | | | | | | |
| H. Difference Between Market Value & Funding Value | (363,232,865) | | | | | | |
| I. Market Rate of Return | -18.7% | | | | | | |
| J. Recognized Rate of Return | 3.2% | | | | | | |
| K. Ratio of Funding Value to Market Value | 137.8% | | | | | | |

The funding value of assets recognizes assumed investment return (line E2) fully each year. Differences between actual and assumed investment return (line E3) are phased in over a closed 7-year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The funding value of assets is **unbiased** with respect to market value. At any time it may be either greater or less than market value. If actual and assumed rates of investment return are exactly equal for 7 consecutive years, the funding value will become equal to market value.

SECTION D
CENSUS DATA

JUNE 30, 2009 VALUATION DATA SUMMARY

For purposes of the June 30, 2009 valuation, information on 18,647 covered persons was furnished. These people may be briefly described as follows.

June 30, 2009

| | No. | Averages | | | |
|--------------------------|--------|----------|---------|------------------------------------|----------|
| | | Age | Service | Annual Pay or Retirement Allowance | |
| | | | | 2009 | 2008 |
| Actives | 14,580 | 40.2 | 7.4 | \$43,266 | \$43,668 |
| Retirees & Beneficiaries | 2,591 | 62.6 | | 22,806 | 21,031 |
| Inactive Vested | 1,476 | 38.4 | | | |
| | 18,647 | | | | |

ACTIVE MEMBERS

**Members in Active Service as of June 30, 2009
by Years of Service**

| Age | Years of Service | | | | | | | Total Count | Total Pay | Average Pay |
|--------------|------------------|--------------|--------------|--------------|------------|------------|-----------|----------------|-----------------------|-----------------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 & Up | | | |
| Under 25 | 895 | 6 | | | | | | 901 | \$ 31,750,071 | \$35,239 |
| 25 - 29 | 1,700 | 374 | 2 | | | | | 2,076 | 78,606,351 | 37,864 |
| 30 - 34 | 1,201 | 789 | 188 | | | | | 2,178 | 89,562,719 | 41,122 |
| 35 - 39 | 989 | 702 | 580 | 103 | 1 | | | 2,375 | 103,504,814 | 43,581 |
| 40 - 44 | 675 | 545 | 424 | 306 | 49 | | | 1,999 | 90,195,232 | 45,120 |
| 45 - 49 | 504 | 385 | 331 | 301 | 181 | 19 | | 1,721 | 80,004,969 | 46,487 |
| 50 - 54 | 350 | 366 | 267 | 206 | 156 | 42 | 7 | 1,394 | 64,879,246 | 46,542 |
| 55 - 59 | 285 | 252 | 209 | 173 | 94 | 38 | 22 | 1,073 | 50,825,018 | 47,367 |
| 60 - 64 | 131 | 173 | 147 | 108 | 78 | 25 | 7 | 669 | 32,405,041 | 48,438 |
| 65 and over | 45 | 67 | 41 | 17 | 16 | 8 | | 194 | 9,091,397 | 46,863 |
| Total | 6,775 | 3,659 | 2,189 | 1,214 | 575 | 132 | 36 | 14,580 | \$ 630,824,858 | \$43,266 |

TERMINATED VESTED MEMBERS

| Age | Years of Service | | | | | Total Count |
|--------------|------------------|------------|-----------|-----------|----------|-------------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 & Up | |
| Under 30 | 475 | 8 | | | | 483 |
| 30 - 39 | 368 | 49 | 10 | | | 427 |
| 40 - 44 | 100 | 13 | 15 | 4 | | 132 |
| 45 - 49 | 99 | 9 | 14 | 3 | | 125 |
| 50 - 54 | 75 | 13 | 17 | 6 | | 111 |
| 55 - 59 | 55 | 16 | 27 | 10 | 1 | 109 |
| 60 - 69 | 50 | 10 | 15 | 8 | | 83 |
| 70 and over | 6 | | | | | 6 |
| Total | 1228 | 118 | 98 | 31 | 1 | 1476 |

RETIREES AND BENEFICIARIES

| Attained Ages | Males | | Females | | Total | |
|---------------|--------------|-------------------------|------------|-------------------------|--------------|-------------------------|
| | No. | Annual Pension Benefits | No. | Annual Pension Benefits | No. | Annual Pension Benefits |
| Under 25 | 2 | \$ 30,341 | 2 | \$ 33,668 | 4 | \$ 64,009 |
| 25-29 | 4 | 62,466 | 9 | 118,844 | 13 | 181,310 |
| 30-34 | 2 | 36,720 | 7 | 96,395 | 9 | 133,115 |
| 35-39 | 13 | 218,904 | 20 | 310,690 | 33 | 529,594 |
| 40-44 | 48 | 1,096,092 | 25 | 421,426 | 73 | 1,517,518 |
| 45-49 | 156 | 4,146,726 | 59 | 1,346,094 | 215 | 5,492,820 |
| 50-54 | 195 | 5,653,016 | 93 | 2,489,693 | 288 | 8,142,709 |
| 55-59 | 249 | 8,011,167 | 100 | 2,507,795 | 349 | 10,518,962 |
| 60-64 | 306 | 8,710,494 | 140 | 3,327,994 | 446 | 12,038,488 |
| 65-69 | 338 | 7,198,041 | 151 | 2,614,712 | 489 | 9,812,753 |
| 70-74 | 269 | 4,632,635 | 103 | 1,685,947 | 372 | 6,318,582 |
| 75-79 | 135 | 2,028,258 | 64 | 910,727 | 199 | 2,938,985 |
| 80-84 | 55 | 780,202 | 23 | 312,286 | 78 | 1,092,488 |
| 85-89 | 12 | 149,001 | 8 | 128,777 | 20 | 277,778 |
| 90-94 | 2 | 21,679 | 1 | 8,801 | 3 | 30,480 |
| 95-99 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100 and Over | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 1,786 | \$42,775,742 | 805 | \$16,313,849 | 2,591 | \$59,089,591 |

| Pension Being Paid | | Number | Annual Pensions | Average Pensions |
|---------------------------------|-------------------------|--------------------|------------------------|----------------------------------|
| Retired Members | Service Pensions | 2,090 | \$51,110,430 | \$24,455 |
| | Disability Pensions | 93 | 1,856,642 | 19,964 |
| Totals | | 2,183 | 52,967,072 | 24,263 |
| Survivors of Members | Spouses | 370 | 5,606,169 | 15,152 |
| | Children with Guardians | 38 | 516,350 | 13,588 |
| Total | | 408 | 6,122,519 | 28,740 |
| Total Pension being Paid | | 2,591 | \$59,089,591 | \$22,806 |
| | | Average Age | Average Service | Average Age at Retirement |
| Normal retired members | | 63.3 | 19.1 | 57.2 |
| Disability retired members | | 53.4 | 9.8 | 44.6 |
| Spouse beneficiaries | | 63.1 | 11.4 | 51.7 |

**PENSIONS BEING PAID
HISTORICAL SCHEDULE**

| Valuation Date June 30 | No. | Annual Pensions | % Incr. in Annual Pensions | Average Pension | Present Value of Pensions | |
|------------------------------|--------------|--------------------|----------------------------------|--------------------|---------------------------|----------------|
| | | | | | Total | Average |
| 1990 | 115 | \$ 765,738 | 34.0% | \$ 6,659 | \$ 7,150,080 | \$ 62,175 |
| 1995 | 435 | 3,456,705 | 27.5 | 7,946 | 34,140,660 | 78,484 |
| 1996 | 504 | 4,274,602 | 23.7 | 8,481 | 41,777,424 | 82,892 |
| 1997 | 598 | 5,305,705 | 24.1 | 8,872 | 52,028,400 | 87,004 |
| 1998 | 708 | 6,884,614 | 29.8 | 9,724 | 66,342,827 | 93,705 |
| 1999 | 825 | 9,642,797 | 40.1 | 11,688 | 89,514,713 | 108,503 |
| 2000 | 925 | 11,042,151 | 14.5 | 11,937 | 107,650,253 | 116,379 |
| 2001 | 1,040 | 13,446,069 | 21.8 | 12,929 | 124,247,094 | 119,468 |
| 2002 | 1,218 | 17,660,065 | 31.3 | 14,499 | 166,073,532 | 136,349 |
| 2003 | 1,363 | 21,653,042 | 22.6 | 15,886 | 201,489,450 | 147,828 |
| 2004 | 1,536 | 26,261,143 | 21.3 | 17,097 | 255,272,652 | 166,193 |
| 2005 | 1,733 | 31,329,225 | 19.3 | 18,078 | 332,199,210 | 191,690 |
| 2006 | 1,955 | 37,272,183 | 19.0 | 19,065 | 384,512,841 | 196,682 |
| 2007 | 2,123 | 42,666,000 | 14.5 | 20,097 | 430,172,373 | 202,625 |
| 2008 | 2,428 | 51,062,647 | 19.7 | 21,031 | 504,461,674 | 207,768 |
| 2009 | 2,591 | 59,089,591 | 15.7 | 22,806 | 566,228,807 | 218,537 |

SECTION E
METHODS AND ASSUMPTIONS

VALUATION METHODS

Actuarial Cost Method - Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using the Projected Unit Credit Cost Method having the following characteristics:

- (i) The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) Each annual normal cost is the portion of the actuarial present value allocated to the current year. The normal cost is expected to increase as accrued service increases.

This method tends to be less stable than the Entry Age Normal Method particularly if the group size changes.

Actuarial Accrued Liability - The actuarial accrued liability is the portion of actuarial present value allocated to service rendered prior to the valuation date, including experience gains and losses. The actuarial accrued liability was computed using the assumptions summarized in this report.

Actuarial Value of System Assets - The actuarial value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed seven year period. During periods when investment performance exceeds the assumed rate, actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, the actuarial value of assets will tend to be greater than market value.

Financing of Unfunded Actuarial Accrued Liabilities - The actuarial value of assets were subtracted from the computed actuarial accrued liability. Any unfunded amount would be amortized as level percent of payroll over a closed period of 27 years. If the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.

Active member payroll was assumed to increase 5.5% annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.

VALUATION ASSUMPTIONS

Beginning with the June 30, 2007 valuation and with each subsequent valuation, if the actuarial value of assets exceeds the actuarial accrued liabilities, one half of this excess in each year is allocated to a Stabilization Reserve. The Stabilization Reserve is excluded from the calculation of the employer contribution rates. The Stabilization Reserve continues to accumulate as long as the plan is over-funded. Once the plan becomes under-funded, the Stabilization Reserve will be used to dampen increases in the employer contribution rates.

The rate of investment return was 8.5% a year, compounded annually net of investment and administrative expenses.

The assumed real return is the rate of return in excess of wage growth. Considering other assumptions used in the valuation, the 8.5% nominal rate translates to a net real return over wage growth of 3.0% a year.

The rates of pay increase used for individual members are shown below. This assumption is used to project a member's current pay to the pay upon which System benefits will be based.

| Sample Ages | Salary Increase Assumptions For an Individual Member | | |
|----------------|---|-------------------|-----------------------|
| | Merit & Seniority | Base (Economy) | Increase Next Year |
| 20 | 3.0% | 5.5% | 8.5% |
| 25 | 3.0% | 5.5% | 8.5% |
| 30 | 2.2% | 5.5% | 7.7% |
| 35 | 0.9% | 5.5% | 6.4% |
| 40 | 0.2% | 5.5% | 5.7% |
| 45 | 0.2% | 5.5% | 5.7% |
| 50 | 0.2% | 5.5% | 5.7% |
| 55 | 0.1% | 5.5% | 5.6% |
| 60 | 0.0% | 5.5% | 5.5% |
| Ref: | | | 320 |

Active Member Payroll is assumed to grow at 5.5% per year. There is no specific price inflation assumption used for this valuation since no benefits are linked to prices.

The healthy mortality table used in this valuation of the System was the RP 2000 Healthy Annuity Mortality table for males with 2 years set forward, and the female table with two years set forward. This assumption was first used for the June 30, 2007 valuation of the System. Sample rates of mortality and years of life expectancy are shown below:

| Sample Attained Ages | Probability of Dying Next Year | | Future Life Expectancy (years) | |
|----------------------|----------------------------------|----------------------------------|--------------------------------|-------|
| | Men | Women | Men | Women |
| 50 | 0.56% | 0.26% | 28.39 | 31.42 |
| 55 | 0.64 | 0.44 | 24.16 | 26.89 |
| 60 | 0.99 | 0.77 | 20.00 | 22.58 |
| 65 | 1.65 | 1.25 | 16.09 | 18.55 |
| 70 | 2.73 | 2.07 | 12.54 | 14.82 |
| 75 | 4.69 | 3.41 | 9.42 | 11.50 |
| 80 | 8.05 | 5.63 | 6.81 | 8.62 |
| Ref: | 702 x 1.00 2 year set forward | 703 x 1.00 2 year set forward | | |

This assumption is used to measure the probabilities of each benefit payment being made after retirement. For disabled members, non-disability rates with a five year set forward were used.

For actives, the sample rates of mortality and years of life expectancy are shown below, and were first used for the June 30, 2007 valuation of the System.

| Sample Attained Ages | Probability of Dying Next Year | | Future Life Expectancy (years) | |
|----------------------|----------------------------------|----------------------------------|--------------------------------|-------|
| | Men | Women | Men | Women |
| 50 | 0.26% | 0.21% | 30.38 | 34.23 |
| 55 | 0.40 | 0.33 | 25.80 | 29.63 |
| 60 | 0.65 | 0.50 | 21.37 | 25.17 |
| 65 | 0.91 | 0.69 | 17.09 | 20.84 |
| 70 | 3.04 | 2.30 | 13.27 | 16.96 |
| 75 | 5.21 | 3.76 | 10.55 | 14.17 |
| 80 | 8.97 | 6.25 | 8.74 | 12.26 |
| Ref: | 663 x 1.00 3 year set forward | 664 x 1.00 3 year set forward | | |

VALUATION ASSUMPTIONS

The rates of regular retirement used to measure the probability of eligible members retiring during the next year are shown below. This assumption was first used for the June 30, 2007 valuation of the System.

Retirement Rates: Service-related rates based in the following schedule:

| Service at Retirement | Percent |
|-----------------------|---------|
| 20 | 30% |
| 21 | 30% |
| 22 | 25% |
| 23 | 25% |
| 24 | 25% |
| 25 | 40% |
| 26 | 40% |
| 27 | 30% |
| 28 | 15% |
| 29 | 15% |
| 30 | 30% |
| 31 | 30% |
| 32 | 65% |
| 33 | 65% |
| 34 | 100% |
| Ref. | 1741 |

Active members are eligible to retire at any age with 20 years of service (25 for dispatchers), at age 62 with 10 years of service, or when the sum of age and service equals at least 80.

VALUATION ASSUMPTIONS

Rates of separation from active membership used in the valuation are shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment. This assumption was first used for the June 30, 2007 valuation of the System.

| Sample Ages | Years of Service | % of Active Members Separating Within Next Year |
|--------------------|-------------------------|--|
| All | 0 | 25.00% |
| | 1 | 20.00% |
| | 2 | 18.00% |
| | 3 | 15.00% |
| | 4 | 14.00% |
| | 5 & Over | 10.00% |
| | 10 Plus | 4.00% |
| Ref. | | 606 |

Rates of disability among active members used in the valuation are shown below, and were first used for the June 30, 2007 valuation of the System.

| Sample Ages | % of Active Members Becoming Disabled within Next Year |
|--------------------|---|
| 20 | 0.04% |
| 25 | 0.04% |
| 30 | 0.04% |
| 35 | 0.05% |
| 40 | 0.07% |
| 45 | 0.08% |
| 50 | 0.10% |
| 55 | 0.10% |
| Ref | 592 |

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2009
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

| | |
|------------------------------------|---|
| Marriage Assumption: | 90% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes. |
| Decrement Timing: | Decrements of all types are assumed to occur mid-year. |
| Eligibility Testing: | Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur. |
| Decrement Relativity: | Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects. |
| Decrement Operation: | Disability and turnover decrements do not operate during retirement eligibility. |
| Service Credit Accruals: | It is assumed that members accrue one year of service credit per year. |
| Incidence of Contributions: | Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. |
| Normal Form of Benefit: | A straight life payment is the assumed normal form of benefit for members who are not married, and the 75% Joint and Survivor form of payment with no reduction, for married members. 90% of members are assumed to be married at the time of retirement. |
| Benefit Service: | Exact fractional service is used to determine the amount of benefit payable. |
| Normal Cost Percentage: | For the purposes of calculating the Normal Cost as a percent of payroll under the Projected Unit Credit Cost Method, the Normal Cost was projected with interest to the applicable Fiscal Year and divided by the Payroll projected with wage base to the applicable Fiscal Year. |
| Health Care Utilization | 80% of future retirees are expected to utilize retiree health care. 90% of those are assumed to be married. |

SECTION F
PLAN PROVISIONS

Summary of Plan Provisions Valued and/or Considered

Normal Retirement (no reduction for age). A corrections officer may retire upon meeting one of the following age and service requirements:

- a) Any age with 20 (25 for dispatchers) or more years of credited service (effective August 9, 2001);
- b) Age 62 years with 10 or more years of credited service;
- c) A combination of age and credited service equal to 80 (effective July 1, 1995).

The amount of normal pension at 20 years of credited service is 50% of average monthly salary with 2% increments for every year over 20 years of credited service up to 25 years of credited service. With 25 or more years of credited service the accrual rate is 2.5% for each year. Maximum is 80% of average monthly salary.

Early Retirement (reduction for age). No provision

Vested Termination (deferred retirement). A member may be eligible for deferred retirement after completion of 10 or more years of credited service if member contributions are left on deposit in the plan. The amount of deferred pension is determined in the same manner as a normal retirement pension based on credited service, compensation and benefit provisions at the time of termination.

Disability Retirement. A member who is injured in the performance of his duties which totally and permanently prevent him from performing a reasonable range of duties in his department and was the result of either physical contact with an inmate, responding to a confrontational situation with an inmate or a job-related motor vehicle accident may be retired under accidental disability. A corrections officer who becomes incapacitated for any gainful employment, as the direct and proximate result of performance of duty as a corrections officer, may be retired by the fund manager under total and permanent disability. The amount of pension for both types of disability is 50 percent of average monthly salary.

A member who has a total and permanent disability that prevents the performance of a reasonable range of duties in his department may be retired by the fund manager under an ordinary disability (non-duty related). The amount of the pension is a percentage of normal retirement benefit. The percentage based on credited service divided by 20 (25 for dispatchers).

DROP: Beginning July 1, 2006, through June 30, 2011, the Fund Manager shall offer the Reverse DROP plan to members on a voluntary basis. Any member who is eligible for a normal pension and who has at least 24 or more years of credited service under the Plan may elect to participate in the Reverse DROP. Under the Reverse DROP, the member must voluntarily and irrevocably elect to terminate employment and receive a normal retirement upon participation in the Reverse DROP. The member elects a “Reverse DROP Date” that is the first day of the month immediately following completion of 24 years of credited service or a date not more than 60 consecutive months before the date the member elects to participate in the Reverse DROP, whichever is later. The member’s pension will be calculated using the factors of credited service and average monthly benefit compensation in effect on the Reverse DROP Date. In addition, a lump sum distribution reflecting an amount that is credited as though accrued monthly from the Reverse DROP Date to the date the member elected to participate in the Reverse DROP is paid out. This amount is credited with an interest rate equal to the yield on a 5 year Treasury note as of the first day of the month as published by the Federal Reserve Board, and can either be paid to the member or paid to an eligible retirement plan or individual retirement account. Neither the member, nor the employer, are entitled to a refund of contributions made between the Reverse DROP Date and the date the member elects to participate in the Reverse DROP

Survivor Pensions. Payable to the eligible beneficiary of a retired corrections officer or an active corrections officer. An eligible beneficiary is a surviving spouse who was married to the retired or active corrections officer for at least two years. A surviving spouse’s pension terminates upon death. The amount of a surviving spouse’s pension is 80% of the pension being paid the deceased retired corrections officer and 40% (100% if duty-related) of the average monthly salary of the deceased active corrections officer. Eligible surviving children are paid equal shares of the pension which would have been payable to a surviving spouse if a surviving spouse pension is not being paid. If no pension is payable because of the death of an active member, a refund of twice the member’s accumulated contributions is paid to the beneficiary.

Other Terminations. The member is paid a refund of accumulated member contributions, plus an additional amount if the member has at least five years of service credited. The additional amount is a percent, based on service credit, of the member contribution amount, ranging from 25% (with five years of service credited) to 100% (with 10 or more years of service credited).

Post-Retirement Adjustments: Pensions payable to retirees or beneficiaries who have been on the retirement rolls for at least two years or are age 55 or older and were on the retirement rolls on June 30 of the previous year may receive pension increases up to 4%. Increases are subject to the level of investment income earned.

Arizona Corrections Officer Retirement Plan Annual Actuarial Valuation

Post-Retirement Health Insurance Subsidy: Payable on behalf of retired members and survivors who elect coverage provided by the state or participating employer. The amounts cannot exceed:

| Member Only | | With Dependents | | |
|-----------------------|-------------------|---------------------------|-----------------------|-------------------|
| Not Medicare Eligible | Medicare Eligible | All Not Medicare Eligible | All Medicare Eligible | One With Medicare |
| \$150 | \$100 | \$260 | \$170 | \$215 |

Member Contributions. 8.50% of base salary. For Fiscal Years 2007/2008 and 2008/2009, the member contribution rate is 7.96% pursuant to legislation adopted in 2005. Effective after 9/26/2008, non-dispatcher members contribute 8.41% until the Plan is 100% funded.

Employer Contributions. Level percent of payroll normal cost plus 27 year amortization of unfunded actuarial accrued liability (20 year amortization for accrued assets in excess of accrued liabilities). The minimum employer contribution rate is 6% for fiscal years beginning with FY 2007/2008 (5% for units under 5% as of June 30, 2005 valuation).

SECTION G
GLOSSARY

| | |
|---|---|
| <i>Actuarial Accrued Liability</i> | The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.” |
| <i>Accrued Service</i> | The service credited under the plan which was rendered before the date of the actuarial valuation. |
| <i>Actuarial Assumptions</i> | Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation. |
| <i>Actuarial Cost Method</i> | A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.” |
| <i>Actuarial Equivalent</i> | A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan. |
| <i>Actuarial Present Value</i> | The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment. |
| <i>Amortization</i> | Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment. |
| <i>Experience Gain (Loss)</i> | A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used. |
| <i>Normal Cost</i> | The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost. |

| | |
|--|--|
| <i>Reserve Account</i> | An account used to indicate that funds have been set aside for a specific purpose and is not generally available for other uses. |
| <i>Unfunded Actuarial Accrued Liability</i> | The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.” |
| <i>Valuation Assets</i> | The value of current plan assets recognized for valuation purposes. Generally based on market value plus a portion of unrealized appreciation or depreciation. |

APPENDIX I

ACCOUNTING DISCLOSURES

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.

GASB STATEMENT NO. 25 SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
(EXCLUDING HEALTH INSURANCE SUBSIDY BEGINNING
JUNE 30, 2008)**

SCHEDULE OF FUNDING PROGRESS

| Year Ended June 30 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll [(b)-(a)]/(c) |
|---------------------------|--------------------------------------|--|------------------------------------|-----------------------------|----------------------------|---|
| 2000 | \$ 704,990,577 | \$ 501,322,987 | \$(203,667,590) | 140.6 % | \$339,439,892 | 0.00 % |
| 2001 | 776,177,208 | 554,386,854 | (221,790,354) | 140.0 % | 339,782,697 | 0.00 % |
| 2002 | 782,445,913 | 632,237,814 | (150,208,099) | 123.8 % | 330,427,800 | 0.00 % |
| 2003 | 811,791,293 | 709,297,998 | (102,493,295) | 114.4 % | 358,160,933 | 0.00 % |
| 2004 | 833,620,994 | 795,774,862 | (37,846,132) | 104.8 % | 381,942,220 | 0.00 % |
| 2005 | 872,980,916 | 906,025,039 | 33,044,123 | 96.4 % | 404,155,903 | 8.18 % |
| 2006 | 919,867,995 | 981,207,708 | 61,339,713 | 93.7 % | 437,743,658 | 14.01 % |
| 2007 | 940,126,081 | 1,110,801,013 | 170,674,932 | 84.6 % | 515,427,641 | 33.11 % |
| 2008 | 1,207,026,191 | 1,336,662,478 | 129,636,287 | 90.3 % | 642,621,478 | 20.17 % |
| 2009 | 1,309,124,035 | 1,515,562,589 | 206,438,554 | 86.4 % | 630,824,994 | 32.73 % |

Results before 2009 were calculation by prior actuary.

GASB STATEMENT NO. 25 SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ended June 30 | Annual Required Contribution |
|--|---|
| 2000 | \$16,876,163 |
| 2001 | 14,927,396 |
| 2002 | 7,101,111 |
| 2003 | 7,397,596 |
| 2004 | 14,555,335 |
| 2005 | 16,291,914 |
| 2006 | 24,028,050 |
| 2007 | 24,622,693 |
| 2008 | 45,932,170 |
| 2009 | 58,657,464 |
| 2010 | N/A |
| 2011 | 52,097,600 (est.) |

Fiscal Years prior to 2011 provided by the prior actuary.

Actual Required Contribution dollar amount will be based on the recommended contribution rate and the actual pensionable payroll for the period.

GASB STATEMENT NO. 25 SUPPLEMENTARY INFORMATION

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|-----------------------------|
| Valuation date | June 30, 2009 |
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Level percent-of-pay closed |
| Remaining amortization period | 27 years |
| Asset valuation method | 7-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 8.5% |
| Projected salary increases | 5.5% - 8.5% |
| Payroll Growth | 5.5% |
| Cost-of-living adjustments | None |

GASB STATEMENT NO. 45 SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

| Valuation Date June 30 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|-----------------------------------|--|--|--------------------------------------|-------------------------------|---------------------------------------|---|
| 2006 | \$0 | \$45,454,331 | \$45,454,331 | 0.00% | \$437,743,658 | 10.4% |
| 2007 | 0 | 48,990,212 | 48,990,212 | 0.00 | 515,427,641 | 9.5% |
| 2008 | 0 | 53,700,864 | 53,700,864 | 0.00 | 642,621,478 | 8.4% |
| 2009 | 0 | 68,730,755 | 68,730,755 | 0.00 | 630,824,994 | 10.9% |

ANNUAL REQUIRED CONTRIBUTION

| Valuation Date June 30 | Fiscal Year Ended June 30 | Normal Cost (a) | Actuarial Accrued Liability (b) | Total (a+b) | Dollar Amount |
|-----------------------------------|--------------------------------------|----------------------------|--|------------------------|----------------------|
| 2005 | 2007 | 0.59% | 0.59% | 1.18% | \$5,742,051 |
| 2006 | 2008 | 0.43% | 0.41% | 0.84% | 5,398,020 |
| 2007 | 2009 | N/A | N/A | N/A | N/A |
| 2008 | 2010 | N/A | N/A | N/A | N/A |
| 2009 | 2011 | 0.61% | 0.54% | 1.15% | 8,074,426 |

Fiscal Years prior to 2011 provided by the prior actuary.

Health Insurance Subsidy Payment Reported for FY 2009: \$2,207,889

Note: GASB Statement No. 45 Supplementary information is shown individually the separate reports for each participating unit.