

State Retirement and Pension System of Maryland

*Actuarial Valuation and Review
as of June 30, 2006*

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October 2, 2006

*Board of Trustees
State Retirement and Pension
System of Maryland
120 East Baltimore Street
Baltimore, MD 21202*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for the budget beginning July 1, 2007 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the System and the financial information was provided by the State Street Bank and Trust Company. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of K. Eric Freden, FSA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

*Leon F. (Rocky) Joyner, Jr. FCA, ASA, MAAA, EA
Vice President and Consultant*

*K. Eric Freden, FSA, MAAA, EA
Vice President and Actuary*

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SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Purpose

This report has been prepared by The Segal Company to present a valuation of the State Retirement and Pension System of Maryland as of June 30, 2006. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The valuation presents the contribution requirements for the year beginning July 1, 2007. The valuation results presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2006, provided by the System;
- The assets of the Plan as of June 30, 2006, provided by the SRA Finance Division;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- State contributions for the year beginning July 1, 2007 are estimated to total \$950 million. This compares to the estimated amount of about \$765 million in the last valuation. This change includes \$121 million attributable to the enhanced benefits adopted in the 2006 Legislative session.
- The above amounts include the limitations on State contributions as a result of the corridor method. Without these limitations contributions in the year ended June 30, 2006 would have been \$166 million higher than actually received. The expected limitation amounts for the years ending June 30, 2007 and June 30, 2008 are \$199 and \$162 million respectively.
- The effective amortization periods including recognition of the corridor method for the Teachers and Employees Plans are 78 and 110 years respectively as of the June 30, 2006 valuation. These amortization periods do not comply with current generally accepted actuarial principles and practices. They also do not conform with current accounting guidelines. We note that the corridor method was reviewed and changes were proposed recently. We recommend further review of this methodology with a possible change in conjunction with the next actuarial experience review.

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

- As noted in the recent actuarial audit the funding method used to value the plan, the Aggregate Entry Age Normal method, is no longer accepted by the Internal Revenue Service as a reasonable funding method. We note that while this IRS ruling is not binding for governmental pension plans, the Aggregate EAN method is rarely used and can mask plan experience. We recommend reviewing the continued appropriateness of using this method in conjunction with the next scheduled actuarial experience review.
- The net experience gain/(loss) for the State portion of the system was 0.07% of the June 30, 2005 actuarial accrued liability. For the individual plans, this percentage ranged from 0.07% for the Teacher's system to 3.35% for the Judge's System. These results indicate that in total the actuarial assumptions reasonably estimated emerging plan liabilities. These assumptions will be reviewed in detail with the next regular experience review.
- This report shows some totals including results for municipal plans. Any totals that include such municipal results should be treated as estimates since some information needed to complete the valuation of the municipal plans is not yet available.

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Total System (State and Municipal*)

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	7.69%	7.89%
Unfunded liability rate	<u>5.16%</u>	<u>3.15%</u>
Required contribution rate without corridor	12.85%	11.04%
Required contribution rate with corridor	11.15%	8.88%
Funding elements for valuation as of June 30:		
Market value of assets	\$34,370,818,638	\$32,075,918,515
Actuarial value of assets	35,795,025,134	34,519,500,395
Actuarial accrued liability	43,243,492,457	39,133,449,767
Unfunded/(overfunded) actuarial accrued liability	7,448,467,323	4,613,949,372
GASB 25/27 for valuation as of June 30:		
Funding ratio	82.78%	88.21%
Total salary for valuation as of June 30	\$9,287,575,596	\$8,869,006,512
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	103,831	100,196
Number of vested former members	49,310	47,664
Number of active members	191,273	188,050
Covered salary at June 30	\$9,089,950,701	\$8,603,760,761
Total salary for valuation as of June 30	\$9,287,575,596	\$8,869,006,512
Average salary based on valuation salary	48,557	47,163

* *Municipal cost components are estimated.*

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Total System (State Only)

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	7.74%	8.01%
Unfunded liability rate	<u>5.27%</u>	<u>3.57%</u>
Required contribution rate without corridor	13.01%	11.58%
Required contribution rate with corridor	11.10%	9.18%
Funding elements for valuation as of June 30:		
Market value of assets	\$31,964,277,264	N/A
Actuarial value of assets	33,293,131,693	\$32,177,199,299
Actuarial accrued liability	39,984,483,700	36,630,670,370
Unfunded/(overfunded) actuarial accrued liability	6,691,352,007	4,453,471,071
GASB 25/27 for valuation as of June 30:		
Funding ratio	83.27%	87.84%
Total salary for valuation as of June 30	\$8,285,799,057	\$7,982,528,505
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	90,212	88,763
Number of vested former members	41,702	41,664
Number of active members	165,177	163,645
Covered salary at June 30	\$8,113,383,912	N/A
Total salary for valuation as of June 30	\$8,285,799,057	\$7,982,528,505
Average salary based on valuation salary	50,163	48,780

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Teachers

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	7.47%	7.70%
Unfunded liability rate	<u>5.31%</u>	<u>3.47%</u>
Required contribution rate without corridor	12.78%	11.17%
Required contribution rate with corridor	11.60%	9.71%
Funding elements for valuation as of June 30:		
Market value of assets	\$20,741,517,825	\$19,357,871,605
Actuarial value of assets	21,575,451,378	20,801,529,328
Actuarial accrued liability	25,617,483,931	23,305,198,400
Unfunded/(overfunded) actuarial accrued liability	4,042,032,553	2,503,669,072
GASB 25/27 for valuation as of June 30:		
Funding ratio	84.22%	89.26%
Total salary for valuation as of June 30	\$5,269,185,016	\$5,055,391,445
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	50,279	48,091
Number of vested former members	21,053	20,143
Number of active members	100,318	97,790
Covered salary at June 30	\$5,161,482,879	\$4,867,396,045
Total salary for valuation as of June 30	\$5,269,185,016	\$5,055,391,445
Average salary based on valuation salary	52,525	51,696

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Employees Combined System (State and Municipal*)

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	7.06%	7.27%
Unfunded liability rate	<u>4.77%</u>	<u>2.53%</u>
Required contribution rate without corridor	11.83%	9.80%
Required contribution rate with corridor	9.29%	6.55%
Funding elements for valuation as of June 30:		
Market value of assets	\$11,821,365,766	\$11,037,018,138
Actuarial value of assets	12,287,941,567	11,855,672,591
Actuarial accrued liability	15,291,090,847	13,671,755,822
Unfunded/(overfunded) actuarial accrued liability	3,003,149,280	1,816,083,231
GASB 25/27 for valuation as of June 30:		
Funding ratio	80.36%	86.72%
Total salary for valuation as of June 30	\$3,793,125,332	\$3,611,095,343
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	50,487	49,158
Number of vested former members	28,063	27,349
Number of active members	87,100	86,656
Covered salary at June 30	\$3,707,419,470	\$3,537,601,880
Total salary for valuation as of June 30	\$3,793,125,332	\$3,611,095,343
Average salary based on valuation salary	43,549	41,672

* Municipal cost components are estimated.

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Employees Combined System (State Only)

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	7.16%	7.50%
Unfunded liability rate	<u>5.11%</u>	<u>3.61%</u>
Required contribution rate without corridor	12.27%	11.11%
Required contribution rate with corridor	8.86%	6.83%
Funding elements for valuation as of June 30:		
Market value of assets	\$9,452,342,737	N/A
Actuarial value of assets	9,825,415,906	\$9,544,540,847
Actuarial accrued liability	12,184,215,085	11,241,812,915
Unfunded/(overfunded) actuarial accrued liability	2,358,799,179	1,697,272,068
GASB 25/27 for valuation as of June 30:		
Funding ratio	80.64%	84.90%
Total salary for valuation as of June 30	\$2,828,348,315	\$2,743,254,448
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	37,000	37,785
Number of vested former members	20,505	21,377
Number of active members	61,769	62,685
Covered salary at June 30	\$2,767,076,825	N/A
Total salary for valuation as of June 30	\$2,828,348,315	\$2,743,254,448
Average salary based on valuation salary	45,789	43,763

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – State Police

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	25.05%	25.05%
Unfunded liability rate	<u>-9.61%</u>	<u>-11.22%</u>
Required contribution rate without corridor	15.44%	13.83%
Required contribution rate with corridor	N/A	N/A
Funding elements for valuation as of June 30:		
Market value of assets	\$1,210,073,370	\$1,154,310,866
Actuarial value of assets	1,301,876,790	1,289,345,033
Actuarial accrued liability	1,325,874,916	1,284,949,704
Unfunded/(overfunded) actuarial accrued liability	23,998,126	-4,395,329
GASB 25/27 for valuation as of June 30:		
Funding ratio	98.19%	100.34%
Total salary for valuation as of June 30	\$80,648,855	\$77,610,367
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	1,937	1,909
Number of vested former members	58	47
Number of active members	1,441	1,439
Covered salary at June 30	\$79,049,617	\$76,463,416
Total salary for valuation as of June 30	\$80,648,855	\$77,610,367
Average salary based on valuation salary	55,967	53,934

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Judges

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	28.15%	28.15%
Unfunded liability rate	<u>15.97%</u>	<u>14.28%</u>
Required contribution rate without corridor	44.12%	42.43%
Required contribution rate with corridor	N/A	N/A
Funding elements for valuation as of June 30:		
Market value of assets	\$261,060,907	\$240,135,182
Actuarial value of assets	273,678,641	260,124,866
Actuarial accrued liability	352,537,011	328,032,741
Unfunded/(overfunded) actuarial accrued liability	78,858,370	67,907,875
GASB 25/27 for valuation as of June 30:		
Funding ratio	77.63%	79.30%
Total salary for valuation as of June 30	\$35,939,104	\$33,897,984
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	330	316
Number of vested former members	14	15
Number of active members	296	282
Covered salary at June 30	\$35,524,704	\$33,074,430
Total salary for valuation as of June 30	\$35,939,104	\$33,897,984
Average salary based on valuation salary	121,416	120,206

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – LEOPS (State and Municipal*)

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	21.14%	21.19%
Unfunded liability rate	<u>19.16%</u>	<u>18.03%</u>
Required contribution rate without corridor	40.30%	39.22%
Required contribution rate with corridor	N/A	N/A
Funding elements for valuation as of June 30:		
Market value of assets	\$333,024,309	\$283,944,060
Actuarial value of assets	352,415,577	310,087,428
Actuarial accrued liability	649,825,724	537,735,690
Unfunded/(overfunded) actuarial accrued liability	297,410,147	227,648,262
GASB 25/27 for valuation as of June 30:		
Funding ratio	54.23%	57.67%
Total salary for valuation as of June 30	\$106,668,684	\$88,925,957
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	782	708
Number of vested former members	115	104
Number of active members	2,063	1,826
Covered salary at June 30	\$104,515,314	\$87,219,783
Total salary for valuation as of June 30	\$106,668,684	\$88,925,957
Average salary based on valuation salary	51,706	48,700

* Municipal cost components are estimated.

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – LEOPS (State Only)

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	21.25%	21.25%
Unfunded liability rate	<u>20.49%</u>	<u>19.35%</u>
Required contribution rate without corridor	41.74%	40.60%
Required contribution rate with corridor	N/A	N/A
Funding elements for valuation as of June 30:		
Market value of assets	\$299,282,425	N/A
Actuarial value of assets	316,708,978	\$281,659,225
Actuarial accrued liability	504,372,757	470,676,610
Unfunded/(overfunded) actuarial accrued liability	187,663,779	189,017,385
GASB 25/27 for valuation as of June 30:		
Funding ratio	62.79%	59.84%
Total salary for valuation as of June 30	\$71,677,767	\$72,374,261
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	666	662
Number of vested former members	72	82
Number of active members	1,353	1,449
Covered salary at June 30	\$70,249,887	N/A
Total salary for valuation as of June 30	\$71,677,767	\$72,374,261
Average salary based on valuation salary	52,977	49,948

SECTION 1: Valuation Summary for the State Retirement and Pension System of Maryland

Summary of Key Valuation Results – Local Fire and Police System

	2006	2005
Contributions for budget year beginning next July 1:		
Employer normal cost rate	11.25%*	11.25%**
Unfunded liability rate	<u>9.74%*</u>	<u>8.15%**</u>
Required contribution rate without corridor	20.99%*	19.40%**
Required contribution rate with corridor	N/A	N/A
Funding elements for valuation as of June 30:		
Market value of assets	\$3,776,461	\$2,638,664***
Actuarial value of assets	3,661,181	2,741,149***
Actuarial accrued liability	6,680,028	5,777,410***
Unfunded/(overfunded) actuarial accrued liability	3,018,847	3,036,261***
GASB 25/27 for valuation as of June 30:		
Funding ratio	54.81%	47.45%
Total salary for valuation as of June 30	\$2,008,605	2,085,416
Demographic data for valuation as of June 30:		
Number of retired members and beneficiaries	16	14
Number of vested former members	7	6
Number of active members	55	57
Covered salary at June 30	\$1,958,717	\$2,005,207
Total salary for valuation as of June 30	\$2,008,605	\$2,085,416
Average salary based on valuation salary	36,520	36,586

* Preliminary

** Based on Municipal Report issued April 2006

*** Based on Combined Report presented October 2005

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

The ratio of non-actives to actives has slowly but steadily climbed for the past decade. As the number of annuitants per active employee rises, cash flow is impacted. The system either becomes more dependent on investment income to cover benefit payments, or contributions must rise to meet these obligations.

This section presents a summary of significant statistical data on these member groups.

In addition, information for each system can be found in Section 3.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1
Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	166,602	35,966	71,488	0.64
1998	170,663	37,476	74,339	0.66
1999	174,674	39,665	77,478	0.67
2000	179,586	42,514	80,773	0.69
2001	184,600	43,199	84,185	0.69
2002	190,123	44,355	87,367	0.69
2003	190,021	45,573	90,803	0.72
2004	185,861	46,911	94,880	0.76
2005	188,050	47,664	100,196	0.79
2006	191,273	49,310	103,831	0.80

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

Active Members

System costs are affected by the age, years of service and salaries of active members. In this year's valuation, there were 191,273 active members with an average age of 45.3, average years of service of 12.4 years and average salaries of \$48,557. The 188,050 active members in the prior valuation had an average age of 45.4, average service of 12.0 years and average salaries of \$47,163.

The active distributions for each system are presented in Section 3.

These graphs show a distribution of active members by age and by years of service.

CHART 2
Distribution of Active Members by Age as of June 30, 2006

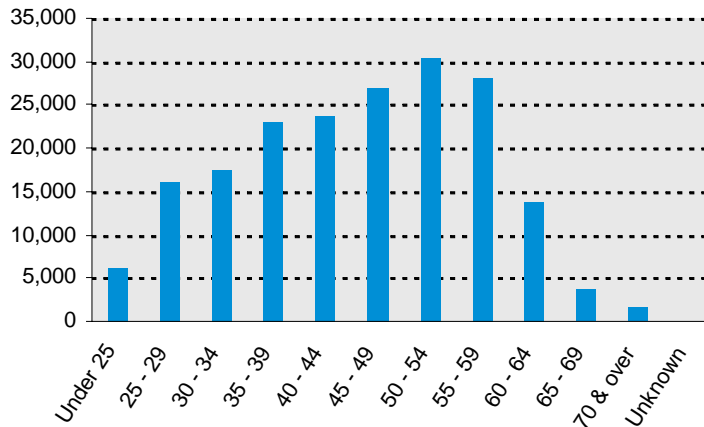
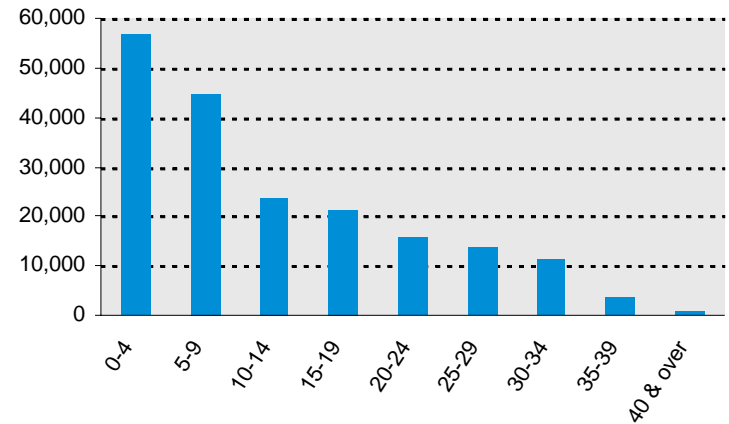


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2006



SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

Retired Members and Beneficiaries

As of June 30, 2006, 96,261 retired members and 7,570 beneficiaries were receiving total monthly benefits of \$155,116,970. This total reflects the the July 1, 2006 cost of living increase. For comparison, in the previous valuation, there were 100,196 retired members and beneficiaries receiving monthly benefits of \$144,194,515.

Graphical distributions of retired members for each system are presented in Section 3.

Inactive Members

In this year's valuation, there were 49,310 members with a vested right to a deferred or immediate vested benefit.

In addition, there were 19,743 members entitled to a return of their employee contributions.

These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2006

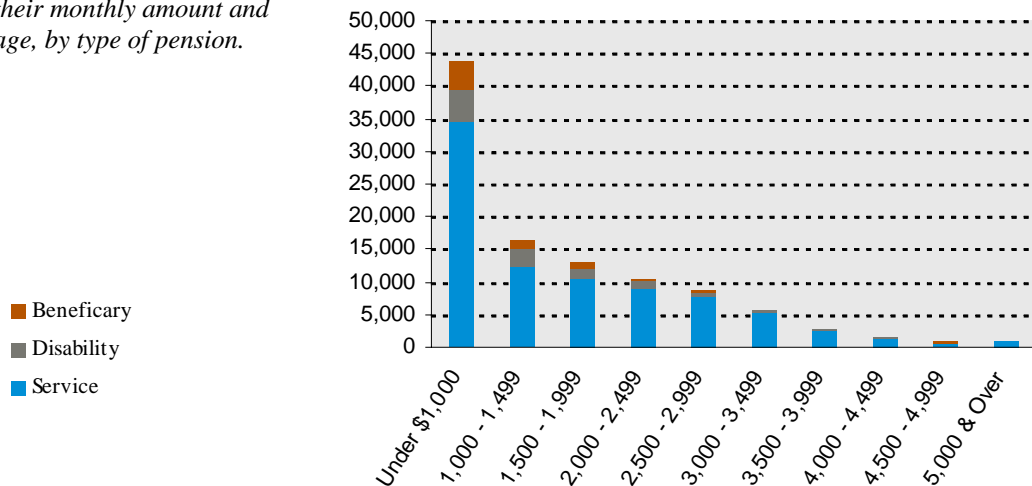
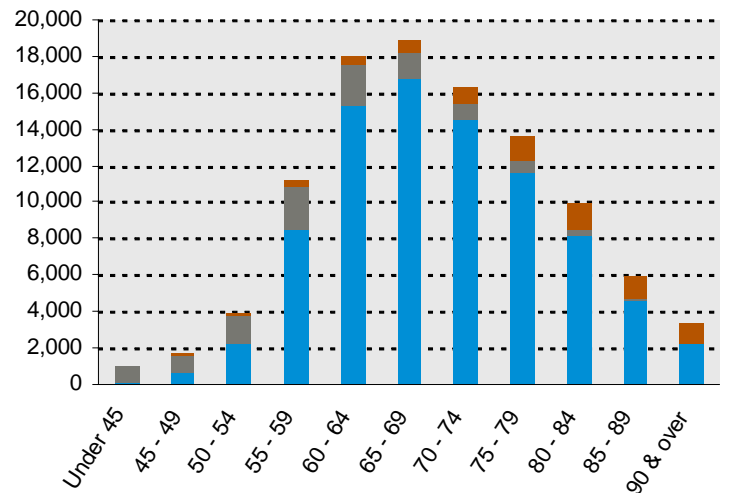


CHART 5
Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2006



SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

B. FINANCIAL INFORMATION

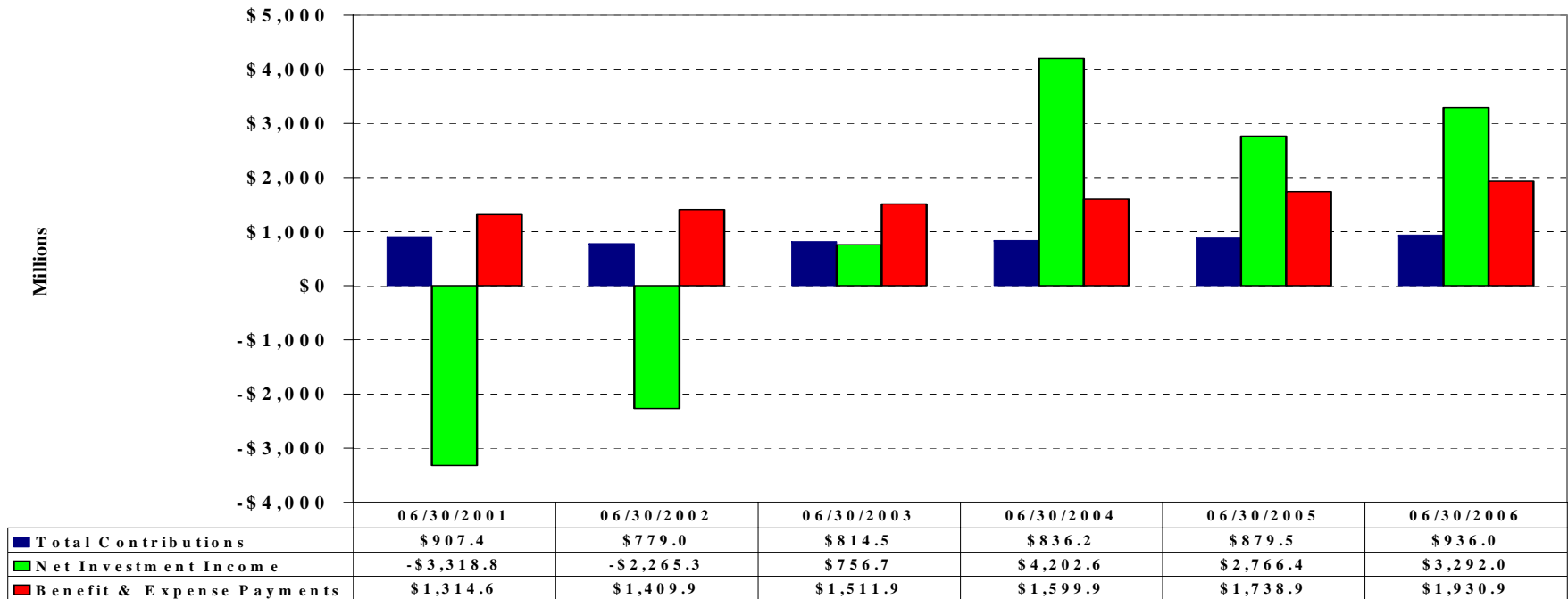
Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year and detailed system-by-system information, is presented in Section 4

The chart depicts the components of changes in the actuarial value of assets over the last six years.

CHART 6

Comparison of Increases and Decreases in the Market Value of Assets for Years Ended June 30, 2001 – 2006



SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7
Determination of Actuarial Value of Assets for Year Ended June 30, 2006

1. Actuarial value of assets at June 30, 2005	\$34,509,382,255
2. Interest on above to June 30, 2006	2,674,477,124
3. Employer and member contributions for Plan Year ended June 30, 2006	935,952,763
4. Interest on Employer and member contributions to June 30, 2006	35,591,452
5. Disbursements from the Trust for Plan Year ended June 30, 2006	-1,930,900,531
6. Interest on disbursements to June 30, 2006	<u>-73,426,305</u>
7. Expected adjusted market value of assets June 30, 2006: (1) + (2) + (3) + (4) + (5) + (6)	36,151,076,758
8. Actual market value of assets at June 30, 2006	34,370,818,638
9. Excess of (8) over (7)	<u>-1,780,258,120</u>
10. Actuarial value of assets at June 30, 2006: (7) + 20% of (9)	<u>\$35,795,025,134</u>

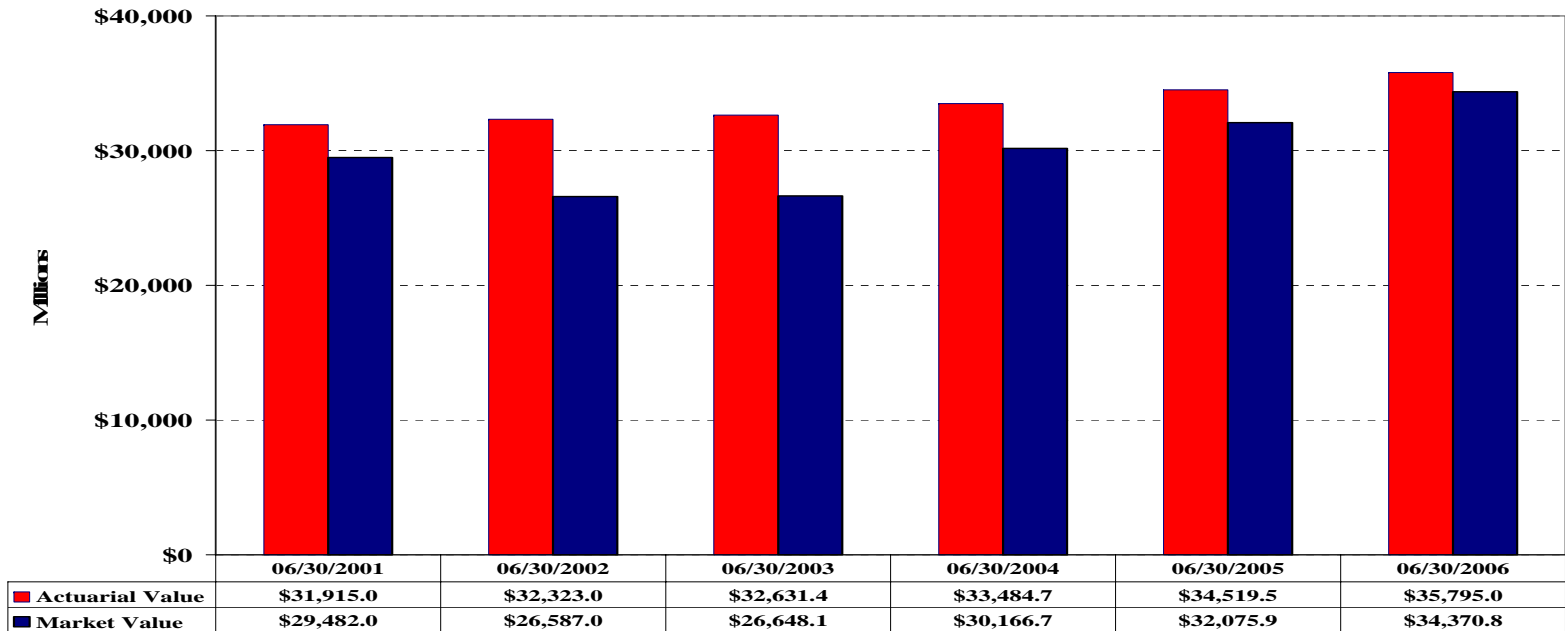
SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

Both the actuarial value and market value of assets are representations of the Plan’s financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan’s liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past six years. The assets shown here reflect combined State and Municipal assets.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2001 – 2006



SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The chart below shows that the actual system experience has been reasonably related to the system's actuarial assumptions.

This chart provides a summary of the actuarial experience during the past year.

CHART 9
Actuarial Experience for Year Ended June 30, 2006 (in Millions)

	Total State System	Teachers' Retirement and Pension	Employees' Retirement and Pension*	State Police	Judges	LEOPS*
1. Actuarial Accrued Liability (AAL) of June 30, 2005	\$36,630	\$23,305	\$11,242	\$1,285	\$328	\$471
2. Net gain/(loss) from investments	(\$331)	(\$208)	(\$93)	(\$23)	(\$3)	(\$4)
3. Net investment gain/(loss) as a percentage of June 30, 2005 AAL	(0.90%)	(0.89%)	(0.83%)	(1.79%)	(0.91%)	(0.84%)
4. Net gain/(loss) from other experience	<u>306</u>	<u>192</u>	<u>118</u>	<u>2</u>	<u>(8)</u>	<u>2</u>
5. Net other experience gain/(loss) as a percentage of June 30, 2005 AAL	0.83%	0.82%	1.05%	0.16%	(2.44%)	0.42%
6. Net experience gain/(loss): (2) + (4)	(\$25)	(\$16)	\$25	(\$21)	(\$11)	(\$2)
7. Net experience gain/(loss) as a percentage of June 30, 2005 AAL	(0.07%)	(0.07%)	0.22%	(1.63%)	(3.35%)	(0.42%)

* State portion only

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

Investment Rate of Return

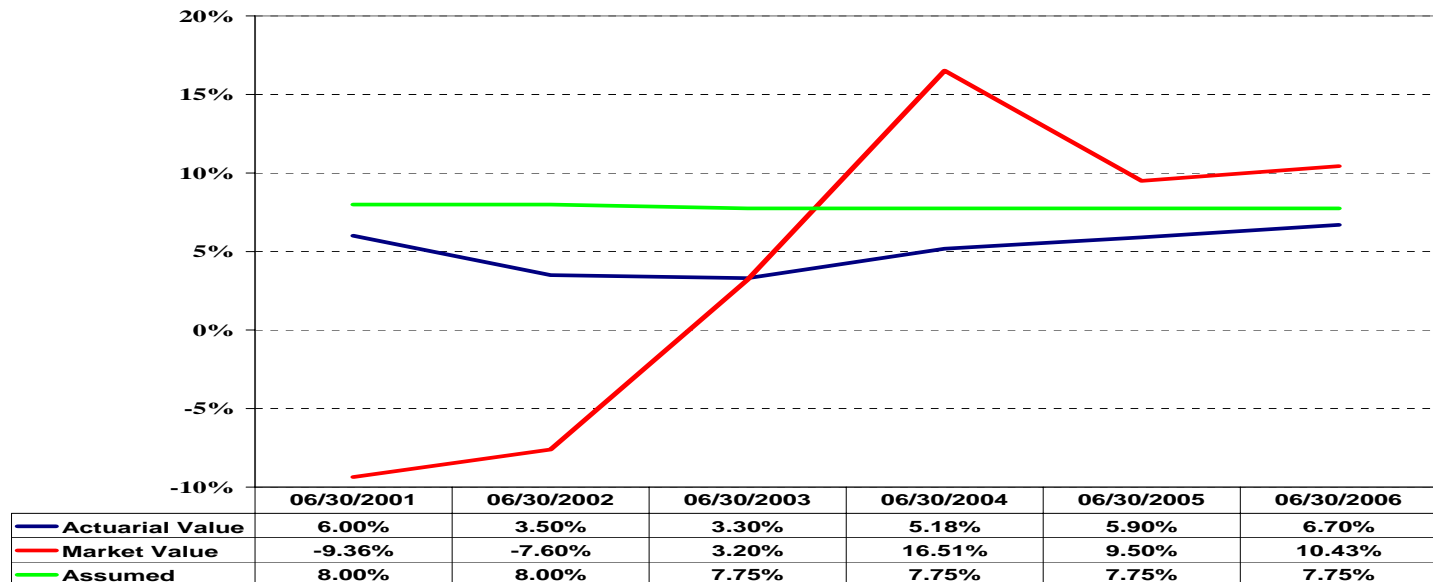
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.75%. The actual rate of return on an actuarial basis for the 2006 plan year was 6.70%. Since the actual return for the year was less than the assumed return, the System experienced an actuarial loss during the year ended June 30, 2006 with regard to its investments. Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time.

The system actuarial asset valuation method (described in detail in Section 7) gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last six years, and illustrates how the leveling effect of the system’s asset smoothing method has worked.

CHART 10

Investment Return – Actuarial Value vs. Market Value: 2001 - 2006



SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

D. ACTUARIALLY DETERMINED CONTRIBUTION RATES

The Aggregate Entry Age Actuarial Cost Method is used to fund these Systems. Under this method, the amount of annual contribution required to fund the Systems is comprised of an employer normal cost payment and a payment on the unfunded/(overfunded) actuarial accrued liability. This total amount is then divided by the projected

salaries for active members to determine the current total state funding rate of 13.01% of salary. The actuarially determined contribution rate ignores any effect of the corridor method used for the budgeted contribution rate. The budgeted contribution is developed in the next subsection.

The actuarially determined state contribution rates are determined for each system. These amounts are shown below.

CHART 11

Actuarially Determined State Contribution Rates for Fiscal Year 2006

	Total State	Teachers' Retirement and Pension	State* Employees' Retirement and Pension	State Police	Judges	LEOPS*
Normal cost as percent of payroll	7.74%	7.47%	7.16%	25.05%	28.15%	21.25%
Unfunded actuarial accrued liability contribution as percent of payroll	<u>5.27%</u>	<u>5.31%</u>	<u>5.11%</u>	<u>-9.61%</u>	<u>15.97%</u>	<u>20.49%</u>
Total employer cost as percent of payroll (without corridor)	13.01%	12.78%	12.27%	15.44%	44.12%	41.74%

*State portion only

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

The chart below illustrates the changes in the actuarially determined state contributions over the last ten years. The chart on the following page summarizes this contribution amount by system for the last ten years.

This chart compares the contribution rate for the State portion of the Total System over the last ten years.

CHART 12
Total Actuarially Determined State Contributions Rate (Total Systems) for Years Ended June 30, 1997 – 2006 (State Portion Only)

Valuation Date	Rate Without Corridor	Rate With Corridor
1997	11.67%	11.67%
1998	10.70%	10.70%
1999	9.31%	9.31%
2000	7.98%	7.98%
2001	8.70%	8.01%
2002	9.44%	8.06%
2003	9.97%	7.97%
2004	10.42%	8.46%
2005	11.58%	9.18%
2006	13.01%	11.10%

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

CHART 13

Actuarially Determined State Contribution Rates By System for Years Ended June 30, 1997 - 2006

Valuation Date	Teachers' Combined		Employees' Combined		State Police	Judges	LEOPS
	Rate without Corridor	Rate with Corridor	Rate without Corridor	Rate with Corridor			
1997	13.99%	13.99%	7.13%	7.13%	10.91%	52.12%	25.60%
1998	12.54%	12.54%	7.15%	7.15%	1.26%	48.18%	22.96%
1999	10.95%	10.95%	5.71%	5.71%	8.44%	46.75%	23.38%
2000	9.35%	9.35%	4.73%	4.73%	5.83%	42.66%	32.41%
2001	9.87%	9.35%	5.74%	4.73%	5.78%	43.92%	36.10%
2002	10.48%	9.35%	6.62%	4.73%	7.58%	43.74%	35.73%
2003	10.03%	9.35%	9.19%	4.73%	0.00%	36.72%	37.73%
2004	10.16%	9.35%	9.88%	5.76%	8.22%	41.12%	38.47%
2005	11.17%	9.71%	11.11%	6.83%	13.83%	42.43%	40.60%
2006	12.78%	11.60%	12.27%	8.86%	15.44%	44.12%	41.74%

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

E. BUDGETED CONTRIBUTION RATES

There are two methods used to determine the State’s total contribution rate. The first method is for the State Police, Judges and LEOPS Systems. For these Systems, the State’s total contribution rate is equal to normal cost plus the unfunded actuarial contribution rate. The unfunded contribution rate consists of the July 1, 2000 unfunded actuarial liability being amortized over 20 years (14 years remaining) plus 25 year amortization of the unfunded actuarial liability that emerges each subsequent year. This newly emerging amortization is on a level percent of pay basis.

Under the second method, used for the Teachers’ Combined System and the Employees’ Combined System, the State’s contribution is equal to the 2000 valuation percentage (first applicable in fiscal 2002) as long as each System’s actuarial funded status remains within a corridor of 90% to 110%. The actuarial funded status is measured using the aggregate entry age funded method. If this funded status is outside of the corridor, a credit (if over 110%) or a charge (if under 90%) will be established. This credit or charge is determined as one-fifth of the difference between the prior year budgeted rate and the actuarially determined rate. Once the funded status returns to within the corridor, the rate becomes fixed and does not change until the funded status is outside the corridor again.

The chart below summarizes the state contributions based on the corridor method by System for the current and prior year.

CHART 14

Summary of State Contributions Based on Corridor Method (State Portion Only)

	Teachers’ Retirement and Pension	State Employees’ Retirement and Pension
July 1, 2005 Valuation Results		
Unfunded actuarial accrued liability – State portion only	\$2,503,669,072	\$1,697,272,068
Total contributions as percentage of payroll	11.17%	11.11%
Corridor percentage	9.71%	6.83%
July 1, 2006 Valuation Results		
Unfunded actuarial accrued liability – State portion only	\$4,042,032,553	\$2,358,799,179
Total contributions as percentage of payroll	12.78%	12.27%
Corridor percentage	11.60%	8.86%

SECTION 2: Valuation Results for the State Retirement and Pension System of Maryland

F. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. For this, the actuarially determined contribution rate is used. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 15 below presents a graphical representation of this information for the System.

The other piece of information regarding the System’s financial status is the funded ratio, which compares the actuarial value of assets to the GASB actuarial accrued liabilities of the System. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Chart 16 shows the funded ratio calculated using the actuarial value of assets. The details regarding the calculations of these values and other GASB numbers may be found in Section 4.

These graphs show key GASB factors.

CHART 15
Required Versus Actual Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
1997	\$740,258	100%
1998	735,788	100%
1999	693,353	100%
2000	682,422	100%
2001	634,309	100%
2002	574,019	100%
2003	654,578	92%
2004	710,632	89%
2005	805,564	83%
2006	874,079	82%

CHART 16
Funded Ratio

Valuation as of June 30,	Funded Ratio
1997	86.36%
1998	90.64%
1999	97.09%
2000	101.22%
2001	98.29%
2002	94.70%
2003	93.30%
2004	92.18%
2005	88.21%
2006	82.78%

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

A. SUMMARY OF TOTAL SYSTEM

Chart A- 1

Summary of Membership Data as of June 30, 2006 (State and Municipal)

		Active Members		Retirees & Beneficiaries			Vested Former Members	Total
		Count	Salary	Count	Benefits	Avg. Age	Count	Counts
Teachers' Retirement	Vested	5,445						
	Non-Vested	4						
	Total	5,449	\$413,849,437	31,138	\$70,166,263	73.1	1,229	37,816
Teachers' Pension	Vested	63,968						
	Non-Vested	30,901						
	Total	94,869	\$4,855,335,579	19,141	\$23,746,271	65.6	19,824	133,834
Employees' Retirement	Vested	10,120						
	Non-Vested	1						
	Total	10,121	\$467,808,791	24,271	\$31,824,968	73.3	1,258	35,650
Employees' Pension	Vested	56,828						
	Non-Vested	20,151						
	Total	76,979	\$3,325,316,541	26,216	\$19,448,504	66.5	26,805	130,000
State Police	Vested	1,109						
	Non-Vested	332						
	Total	1,441	\$80,648,855	1,937	\$6,270,813	59.0	58	3,436
Judges	Vested	296						
	Non-Vested	- -						
	Total	296	\$35,939,104	330	\$1,677,947	77.7	14	640
LEOPS	Vested	1,546						
	Non-Vested	517						
	Total	2,063	\$106,668,684	782	\$1,834,080	56.8	115	2,960
Local F & P	Vested	36						
	Non-Vested	19						
	Total	55	\$2,008,605	16	\$23,211	58.4	7	78
Total Systems	Vested	139,348						
	Non-Vested	51,925						
	Total	191,273	\$9,287,575,596	103,831	\$154,992,057	69.7	49,310	344,414

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

**Chart A- 2
Summary of Membership Data as of June 30, 2006 (Municipal Corporations)**

		Active Members		Retirees & Beneficiaries			Vested Former Members	Total
		Count	Salary	Count	Benefits	Avg. Age	Count	Counts
Employees' Retirement	Vested	629						
	Non-Vested	1						
	Total	630	\$34,251,929	5,598	\$6,301,065	75.7	173	6,401
Employees' Pension	Vested	16,803						
	Non-Vested	7,898						
	Total	24,701	\$930,525,088	7,889	\$5,009,876	67.0	7,385	39,975
LEOPS	Vested	498						
	Non-Vested	212						
	Total	710	\$34,990,917	116	\$239,926	55.7	43	869
Local F & P	Vested	36						
	Non-Vested	19						
	Total	55	\$2,008,605	16	\$23,211	58.4	7	78
Total Systems	Vested	17,966						
	Non-Vested	8,130						
	Total	26,096	\$1,001,776,539	13,619	\$11,574,078	70.5	7,608	47,323

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

**Chart A- 3
Summary of Membership Data as of June 30, 2006 (State Portion Only)**

		Active Members		Retirees & Beneficiaries			Vested Former Members	Total
		Count	Salary	Count	Benefits	Avg. Age	Count	Counts
Teachers' Retirement	Vested	5,445						
	Non-Vested	4						
	Total	5,449	\$413,849,437	31,138	\$70,166,263	73.1	1,229	37,816
Teachers' Pension	Vested	63,968						
	Non-Vested	30,901						
	Total	94,869	\$4,855,335,579	19,141	\$23,746,271	65.6	19,824	133,834
Employees' Retirement	Vested	9,491						
	Non-Vested	- -						
	Total	9,491	\$433,556,862	18,673	\$25,523,903	72.6	1,085	29,249
Employees' Pension	Vested	40,025						
	Non-Vested	12,253						
	Total	52,278	\$2,394,791,453	18,327	\$14,438,628	66.3	19,420	90,025
State Police	Vested	1,109						
	Non-Vested	332						
	Total	1,441	\$80,648,855	1,937	\$6,270,813	59.0	58	3,436
Judges	Vested	296						
	Non-Vested	- -						
	Total	296	\$35,939,104	330	\$1,677,947	77.7	14	640
LEOPS	Vested	1,048						
	Non-Vested	305						
	Total	1,353	\$71,677,767	666	\$1,594,154	57.0	72	2,091
Total Systems	Vested	121,382						
	Non-Vested	43,795						
	Total	165,177	\$8,285,799,057	90,212	\$143,417,979	69.6	41,702	297,091

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

**Chart A- 4
Membership Statistics Data as of June 30, 2006**

System	Count	Average Age	Average Service	Average Salary
Teachers' Retirement	5,449	57.4	32.0	\$75,950
Teachers' Pension	94,869	43.4	11.0	51,179
Employees' Retirement - State	2,136	56.4	31.8	57,709
Employees' Retirement - Municipal	630	56.4	31.1	54,368
Employees' Retirement - Legislators	185	56.2	11.2	44,543
Employees' Retirement – Correctional Officers	<u>7,170</u>	<u>40.2</u>	<u>10.4</u>	<u>42,127</u>
Employees' Retirement Total	10,121	44.9	16.2	46,222
Employees' Pension – State	52,278	47.1	13.1	45,809
Employees' Pension – Municipal	<u>24,701</u>	<u>47.4</u>	<u>10.6</u>	<u>37,672</u>
Employees' Pension – Total	76,979	47.2	12.3	43,198
State Police	1,441	35.3	11.4	55,967
Judges	296	56.4	9.4	121,416
LEOPS - State	1,353	40.8	11.8	52,977
LEOPS – Municipal	<u>710</u>	<u>37.9</u>	<u>10.2</u>	<u>49,283</u>
LEOPS – Total	2,063	39.8	11.2	51,706
Local P & F	55	37.2	11.0	36,520
Total Systems	191,273	45.3	12.4	48,557

	Teachers		State and Municipal Employees	
	Count	Earnings	Count	Earnings
Unlimited COLA	3,504	\$268,457,829	1,730	\$98,281,877
5% COLA Cap	1,303	97,643,379	843	48,266,693
Bifurcate	<u>642</u>	<u>47,748,229</u>	<u>193</u>	<u>10,970,678</u>
Total	5,449	\$413,849,437	2,766	\$157,519,248

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

B. TEACHERS' RETIREMENT

CHART B - 1

Teachers' Retirement Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	15,619	2,062	27,330	1.88
1998	14,346	1,965	27,841	2.08
1999	13,043	1,906	28,383	2.32
2000	11,634	1,857	29,061	2.66
2001	10,396	1,730	29,599	3.01
2002	9,270	1,643	29,989	3.41
2003	8,199	1,577	30,305	3.89
2004	7,197	1,478	30,598	4.46
2005	6,255	1,351	30,921	5.16
2006	5,449	1,229	31,138	5.94

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART B - 2

Distribution of Teachers' Retirement Active Members by Age as of June 30, 2006

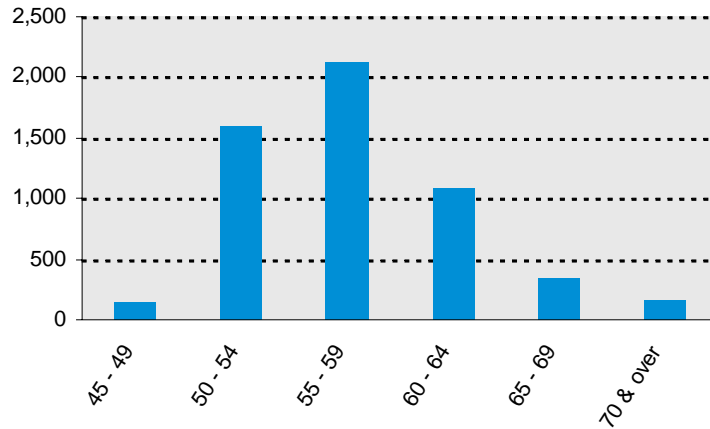


CHART B - 3

Distribution of Teachers' Retirement Active Members by Service as of June 30, 2006

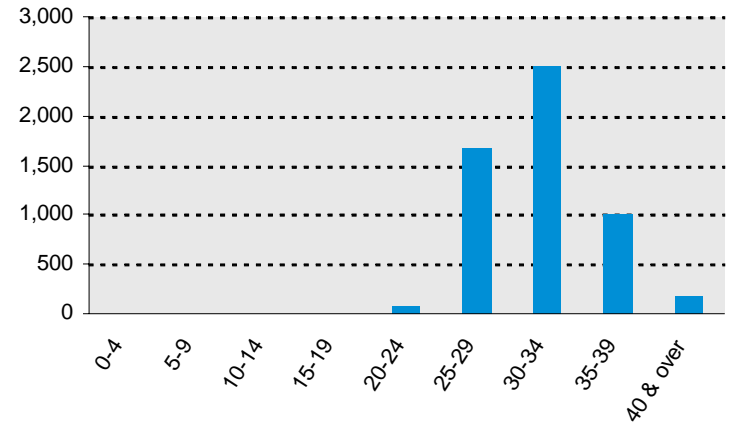


CHART B - 4

Teachers' Retirement Retired Members by Monthly Amount as of June 30, 2006

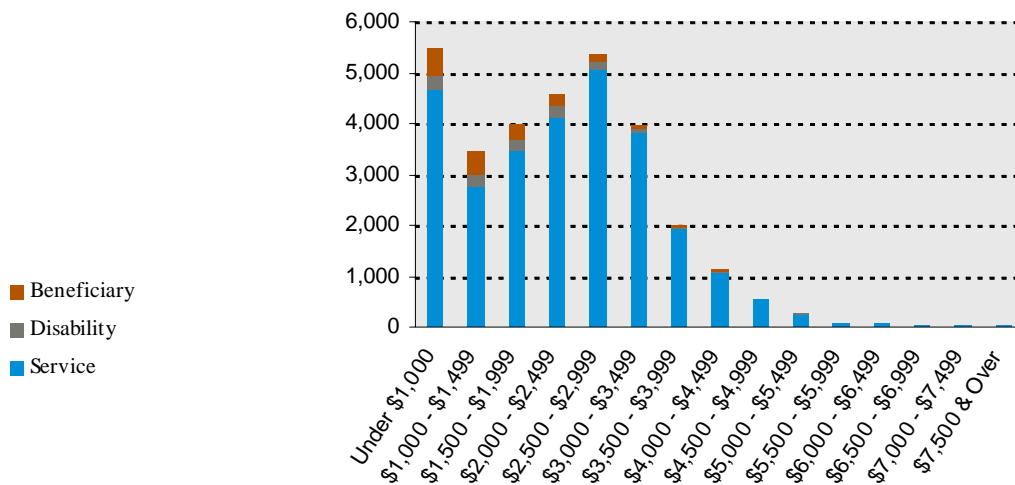
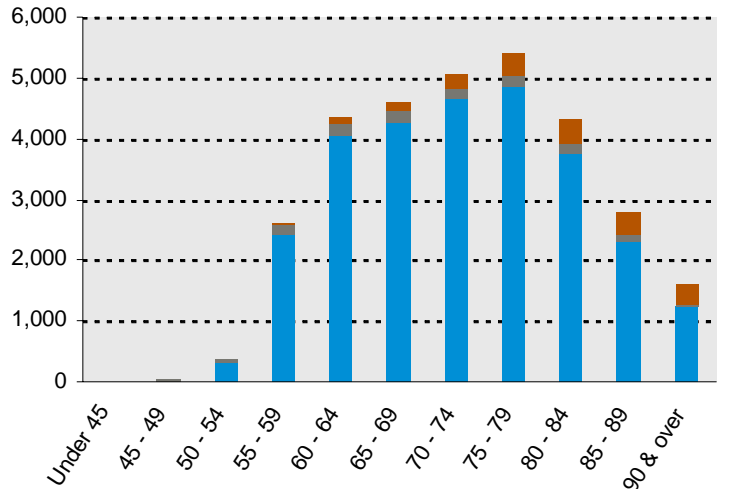


CHART B - 5

Teachers' Retirement Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart B - 6

Table of Plan Coverage – Teachers’ Retirement

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	5,449	6,255	-12.9%
Average age	57.4	56.8	N/A
Average service	32.0	29.9	N/A
Total salary	\$413,849,437	\$464,693,323	-10.9%
Average salary	75,950	74,291	2.2%
Account balances	608,585,638	N/A	N/A
Total active vested members	5,445	6,254	-12.9%
Vested terminated members			
	1,229	N/A	N/A
Retired members:			
Number in pay status	27,910	N/A	N/A
Average age	72.7	N/A	N/A
Average monthly benefit	\$2,313	N/A	N/A
Disabled members:			
Number in pay status	1,228	N/A	N/A
Average age	70.6	N/A	N/A
Average monthly benefit	\$1,857	N/A	N/A
Beneficiaries in pay status			
	2,000	N/A	N/A
Inactive non-vested members			
	0	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

C. TEACHERS' PENSION

CHART C - 1

Teachers' Pension Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	66,978	11,681	5,481	0.26
1998	71,435	12,442	6,499	0.27
1999	75,578	13,304	7,674	0.28
2000	79,294	14,860	9,084	0.30
2001	82,901	15,607	10,527	0.32
2002	87,086	16,397	11,931	0.33
2003	89,099	17,284	13,370	0.34
2004	88,765	18,327	15,093	0.38
2005	91,535	18,792	17,170	0.39
2006	94,869	19,824	19,141	0.41

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART C - 2

Distribution of Teachers' Pension Active Members by Age as of June 30, 2006

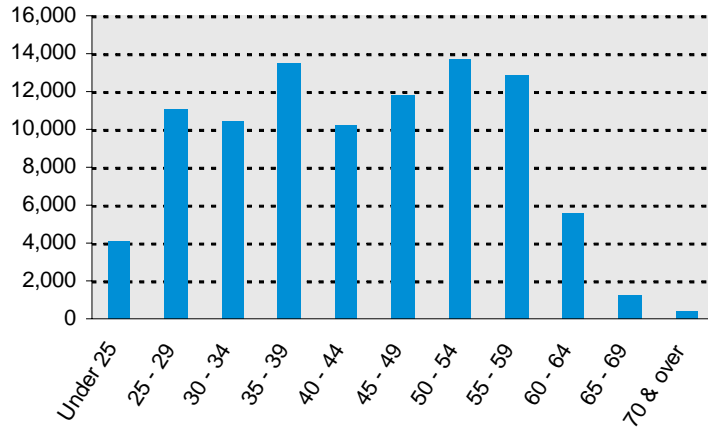


CHART C - 3

Distribution of Teachers' Pension Active Members by Service as of June 30, 2006

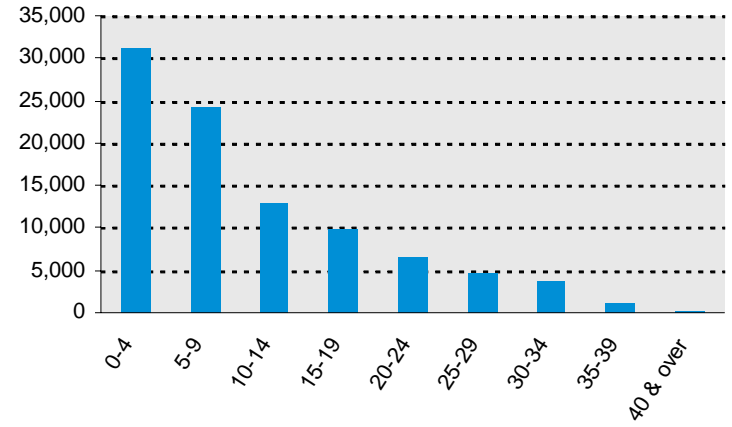


CHART C - 4

Teachers' Pension Retired Members by Monthly Amount as of June 30, 2006

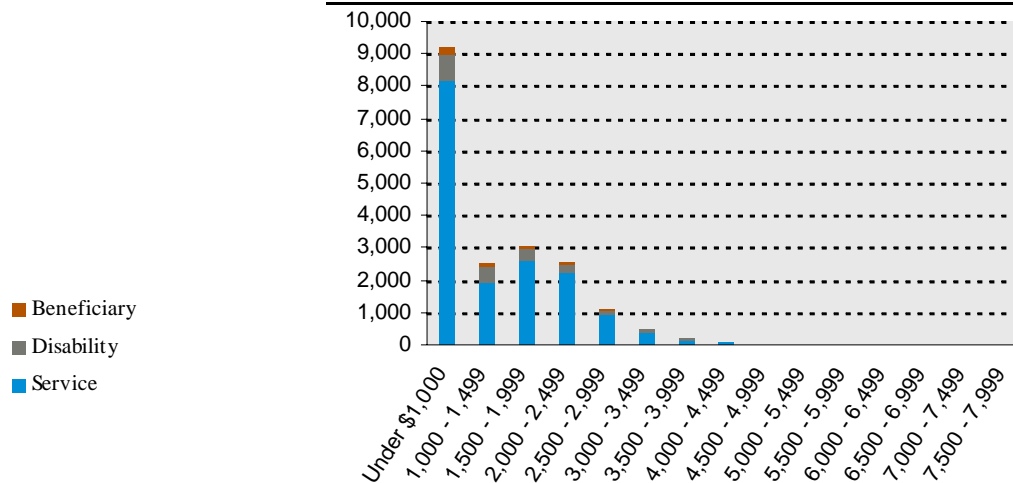
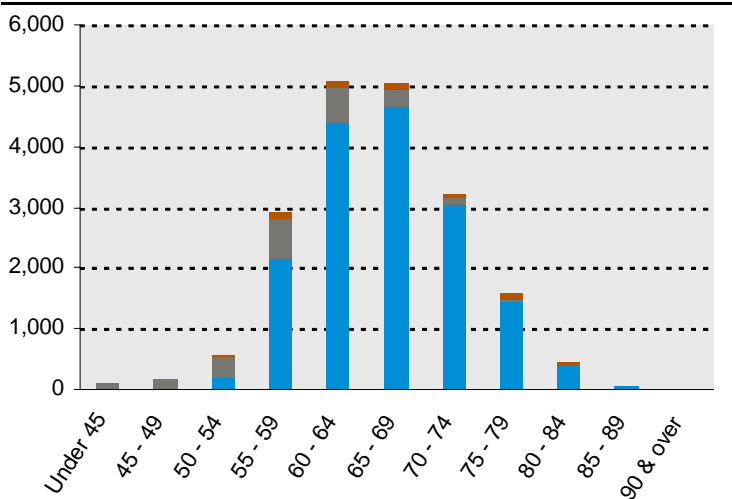


CHART C - 5

Teachers' Pension Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart C - 6

Table of Plan Coverage – Teachers’ Pension

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	94,869	91,535	3.6%
Average age	43.4	43.7	N/A
Average service	11.0	10.6	N/A
Total salary	\$4,855,335,579	\$4,590,698,122	5.8%
Average salary	51,179	50,152	2.0%
Account balances	661,938,191	N/A	N/A
Total active vested members	63,968	59,944	6.7%
Vested terminated members			
	19,824	N/A	N/A
Retired members:			
Number in pay status	16,372	N/A	N/A
Average age	66.5	N/A	N/A
Average monthly benefit	\$1,216	N/A	N/A
Disabled members:			
Number in pay status	2,241	N/A	N/A
Average age	58.7	N/A	N/A
Average monthly benefit	\$1,468	N/A	N/A
Beneficiaries in pay status			
	528	N/A	N/A
Inactive non-vested members			
	10,183	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

D. EMPLOYEES' RETIREMENT

CHART D - 1

Employees' Retirement Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	13,469	1,443	25,882	2.03
1998	13,149	1,372	25,827	2.07
1999	12,657	1,377	25,730	2.14
2000	12,213	1,401	25,489	2.20
2001	11,962	1,350	25,212	2.22
2002	11,722	1,331	24,904	2.24
2003	11,347	1,349	24,662	2.29
2004	10,489	1,311	24,559	2.47
2005	9,869	1,291	24,633	2.63
2006	10,121	1,258	24,271	2.52

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART D - 2

Distribution of Employees' Retirement State Regular Active Members by Age as of June 30, 2006

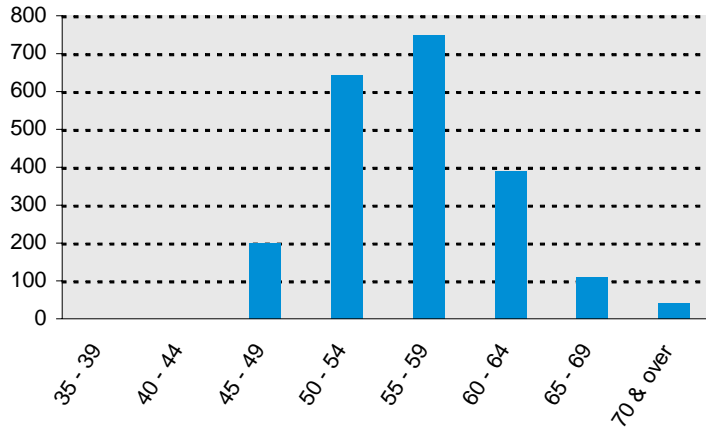


CHART D - 3

Distribution of Employees' Retirement State Regular Active Members by Service as of June 30, 2006

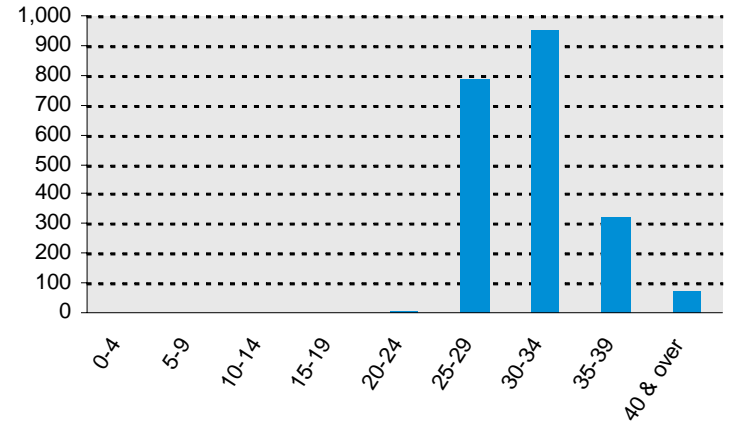


CHART D - 4

Employees' Retirement State Regular Retired Members by Monthly Amount as of June 30, 2006

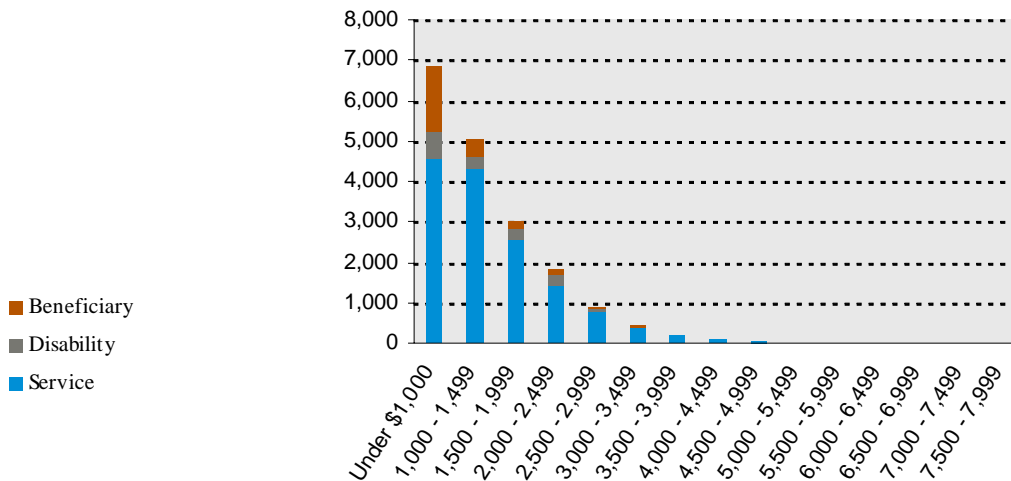
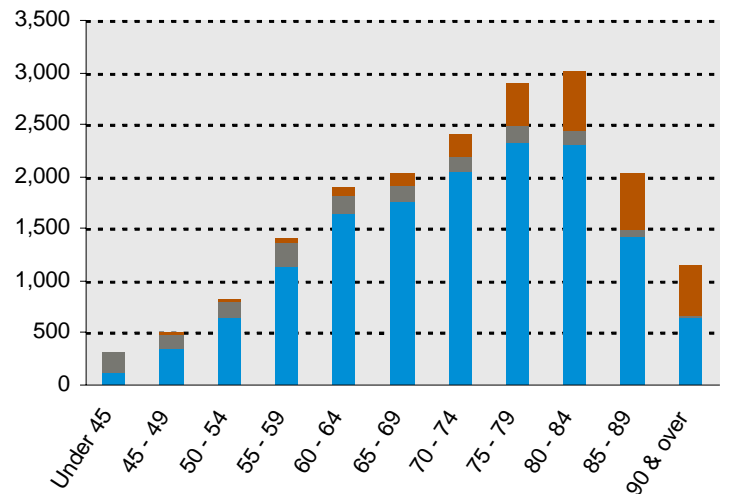


CHART D - 5

Employees' Retirement State Regular Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART D - 6

Distribution of Employees' Retirement Municipal Active Members by Age as of June 30, 2006

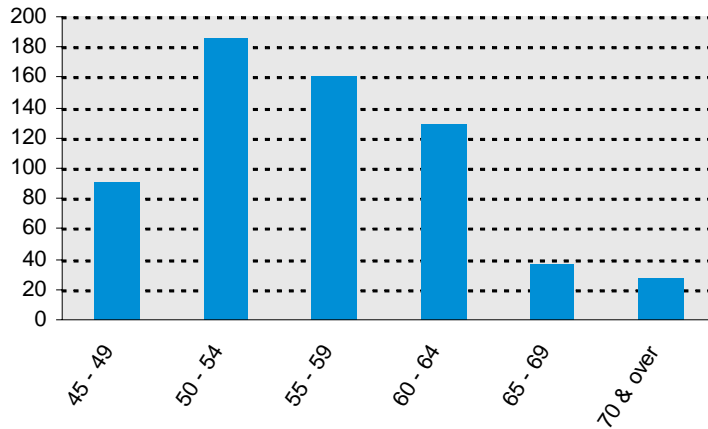


CHART D - 7

Distribution of Employees' Retirement Municipal Active Members by Service as of June 30, 2006

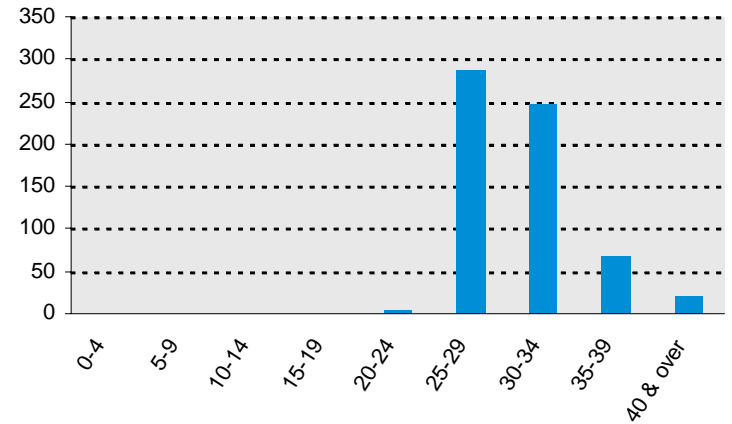


CHART D - 8

Employees' Retirement Municipal Retired Members by Monthly Amount as of June 30, 2006

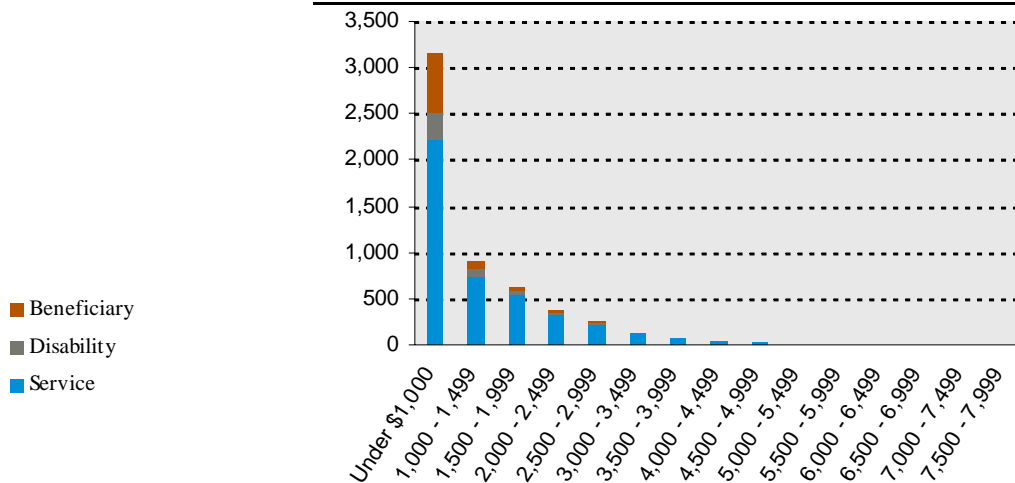
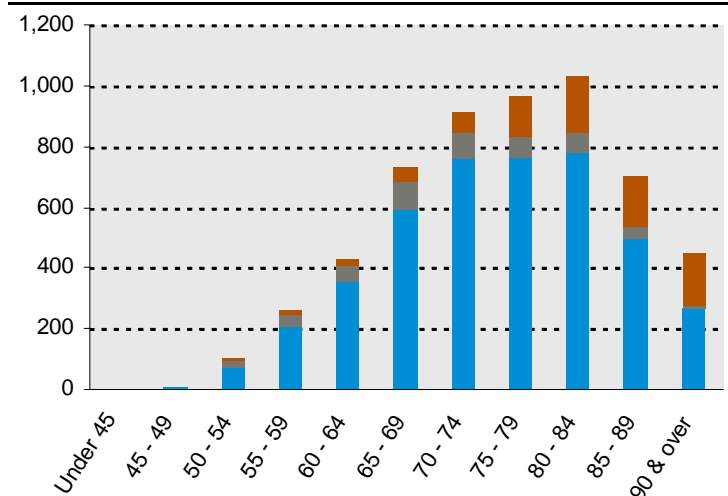


CHART D - 9

Employees' Retirement Municipal Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART D - 10

Distribution of Employees' Retirement Legislative Active Members by Age as of June 30, 2006

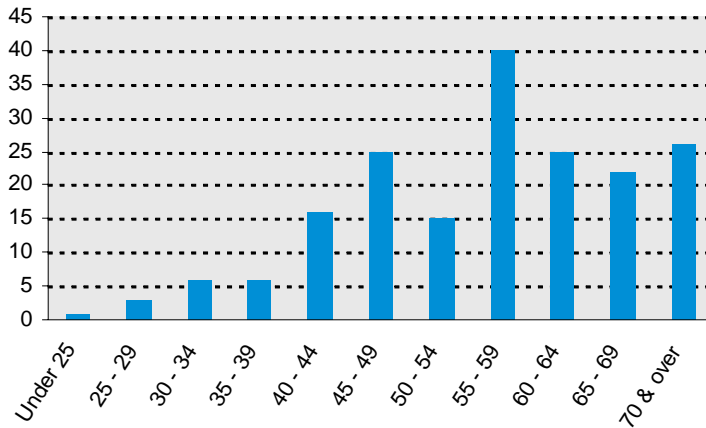


CHART D - 11

Distribution of Employees' Retirement Legislative Active Members by Service as of June 30, 2006

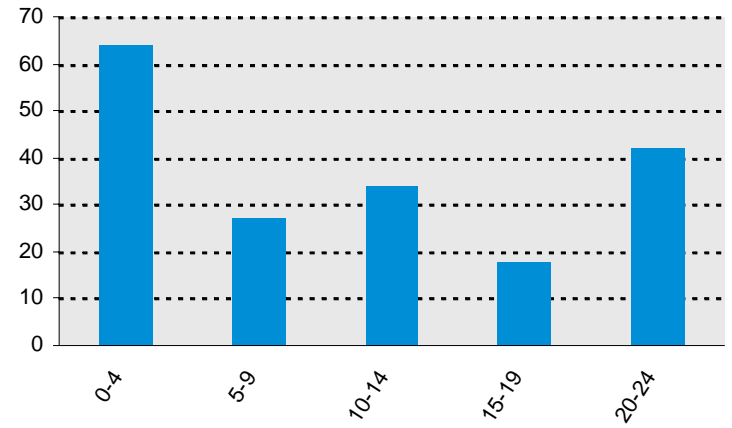


CHART D - 12

Employees' Retirement Legislative Retired Members by Monthly Amount as of June 30, 2006

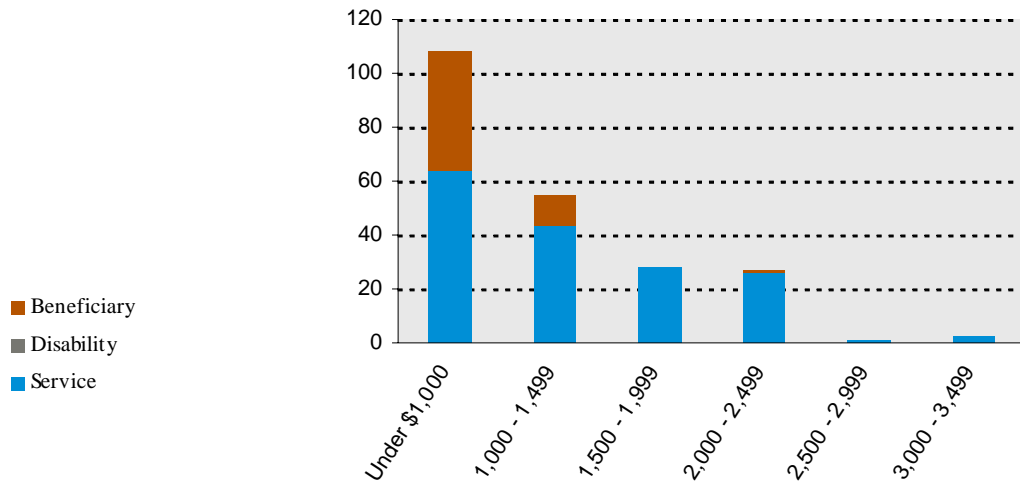
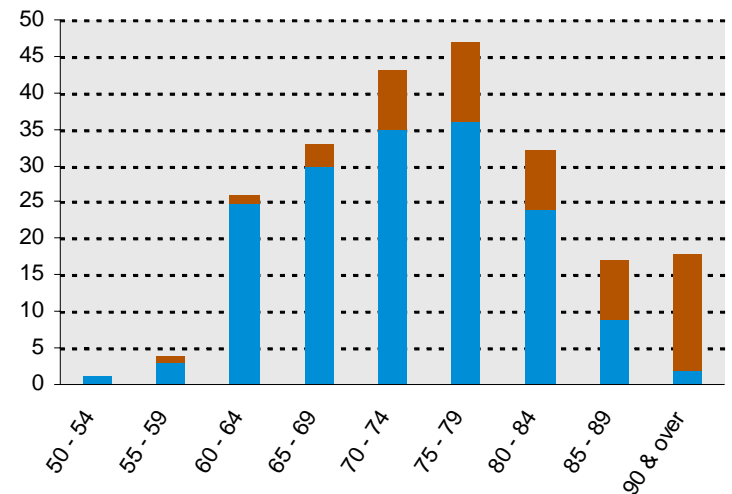


CHART D - 13

Employees' Retirement Legislative Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART D - 14

Distribution of Employees' Retirement Correctional Officers Active Members by Age as of June 30, 2006

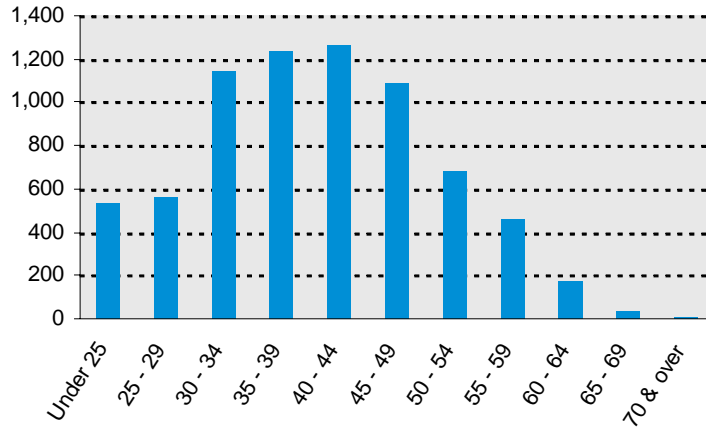
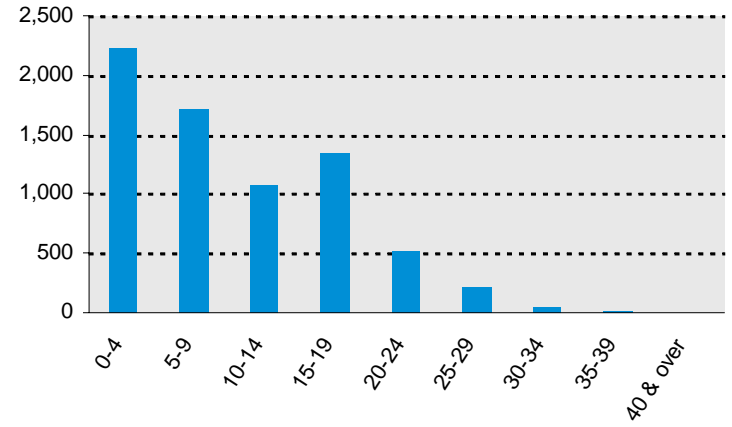


CHART D - 15

Distribution of Employees' Retirement Correctional Officers Active Members by Service as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart D - 16

Table of Plan Coverage – Employees’ Retirement

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	10,121	9,869	2.6%
Average age	44.9	45.1	N/A
Average service	16.2	16.2	N/A
Total salary	\$467,808,791	\$423,715,070	10.4%
Average salary	46,222	42,934	7.7%
Account balances	392,175,936	N/A	N/A
Total active vested members	10,120	7,539	34.2%
Vested terminated members			
	1,258	N/A	N/A
Retired members:			
Number in pay status	18,880	N/A	N/A
Average age	72.8	N/A	N/A
Average monthly benefit	\$1,391	N/A	N/A
Disabled members:			
Number in pay status	2,017	N/A	N/A
Average age	64.2	N/A	N/A
Average monthly benefit	\$1,267	N/A	N/A
Beneficiaries in pay status			
	3,374	N/A	N/A
Inactive non-vested members			
	373	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

E. EMPLOYEES' PENSION

CHART E - 1

Employees' Pension Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	68,195	20,723	11,221	0.47
1998	68,893	21,622	12,513	0.50
1999	70,426	22,988	13,937	0.52
2000	73,212	24,305	15,241	0.54
2001	76,024	24,396	16,702	0.54
2002	78,584	24,845	18,205	0.55
2003	77,939	25,212	19,929	0.58
2004	75,955	25,626	21,913	0.63
2005	76,787	26,058	24,525	0.66
2006	76,979	26,805	26,216	0.69

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART E - 2

Distribution of Employees' Pension State Regular Active Members by Age as of June 30, 2006

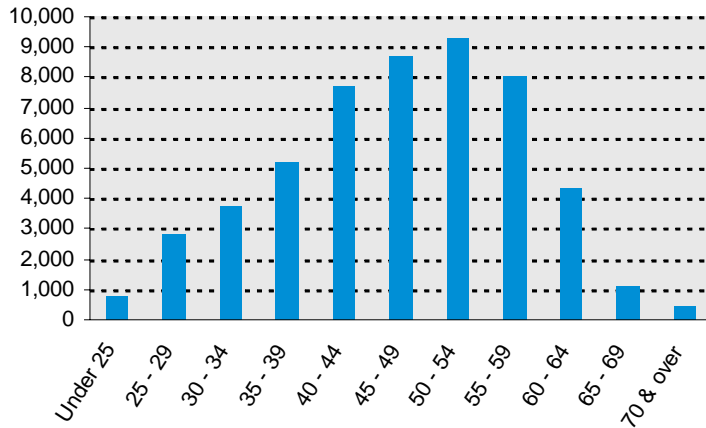


CHART E - 3

Distribution of Employees' Pension State Regular Active Members by Service as of June 30, 2006

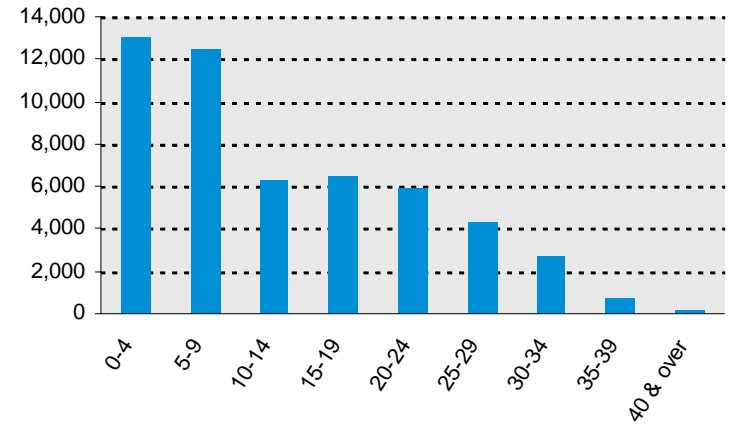


CHART E - 4

Employees' Pension State Regular Retired Members by Monthly Amount as of June 30, 2006

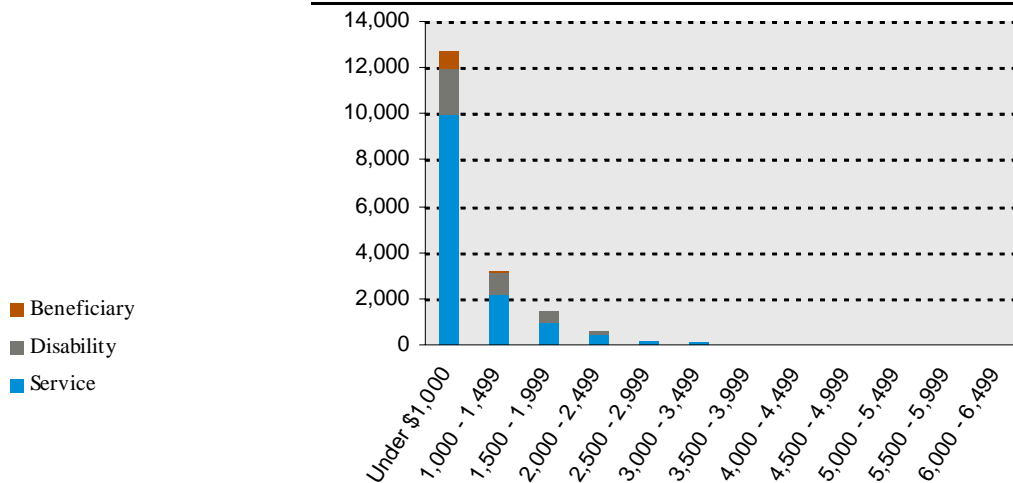
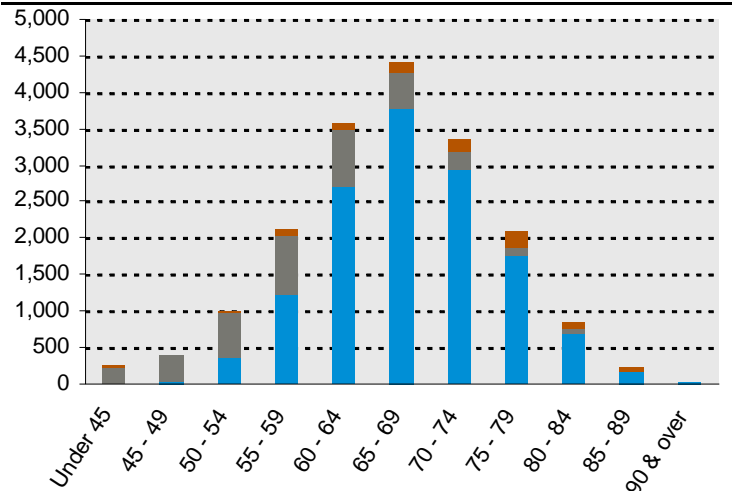


CHART E - 5

Employees' Pension State Regular Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART E - 6

Distribution of Employees' Pension Municipal Active Members by Age as of June 30, 2006

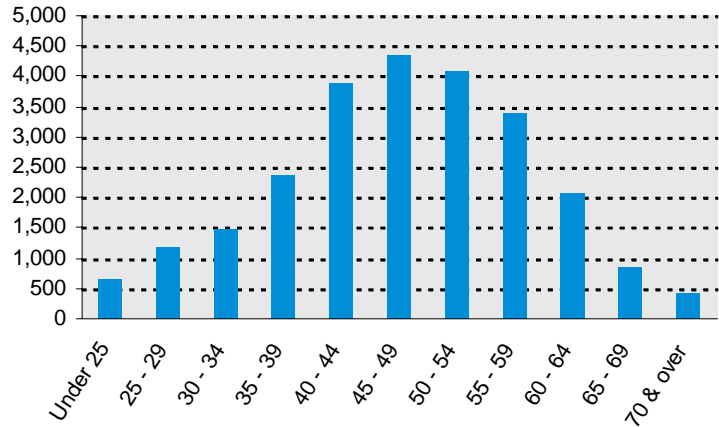


CHART E - 7

Distribution of Employees' Pension Municipal Active Members by Service as of June 30, 2006

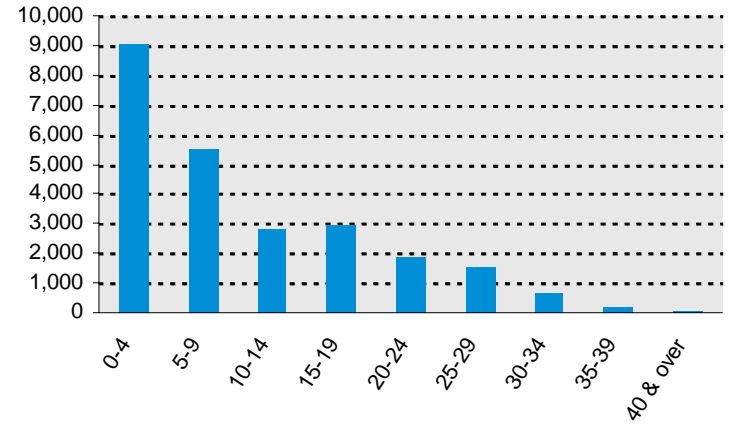


CHART E - 8

Employees' Pension Municipal Retired Members by Monthly Amount as of June 30, 2006

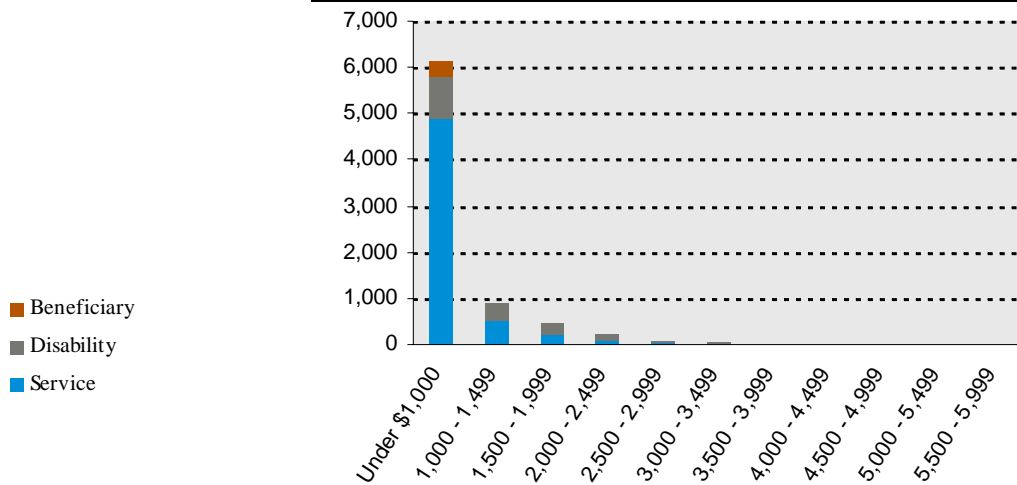
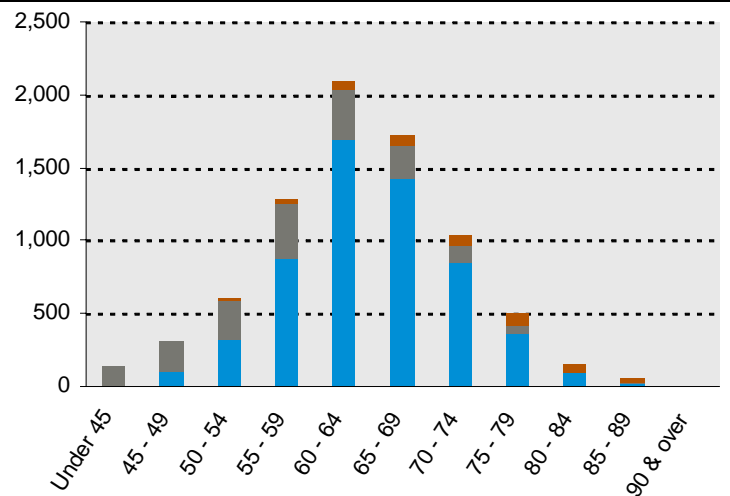


CHART E - 9

Employees' Pension Municipal Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart E - 10

Table of Plan Coverage – Employees’ Pension

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	76,979	76,787	0.3%
Average age	47.2	46.8	N/A
Average service	12.3	11.8	N/A
Total salary	\$3,325,316,541	\$3,187,380,273	4.3%
Average salary	43,198	41,509	4.1%
Account balances	440,079,458	N/A	N/A
Total active vested members	56,828	52,663	7.9%
Vested terminated members			
	26,805	N/A	N/A
Retired members:			
Number in pay status	19,397	N/A	N/A
Average age	68.5	N/A	N/A
Average monthly benefit	\$672	N/A	N/A
Disabled members:			
Number in pay status	5,483	N/A	N/A
Average age	58.4	N/A	N/A
Average monthly benefit	\$1,039	N/A	N/A
Beneficiaries in pay status			
	1,336	N/A	N/A
Inactive non-vested members			
	8,864	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

F. STATE POLICE

CHART F - 1

State Police Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	1,588	22	1,175	0.75
1998	1,635	24	1,234	0.77
1999	1,647	29	1,286	0.80
2000	1,636	22	1,388	0.86
2001	1,578	24	1,518	0.98
2002	1,589	27	1,598	1.02
2003	1,542	41	1,695	1.13
2004	1,445	44	1,790	1.27
2005	1,439	47	1,909	1.36
2006	1,441	58	1,937	1.38

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART F - 2

Distribution of State Police Active Members by Age as of June 30, 2006

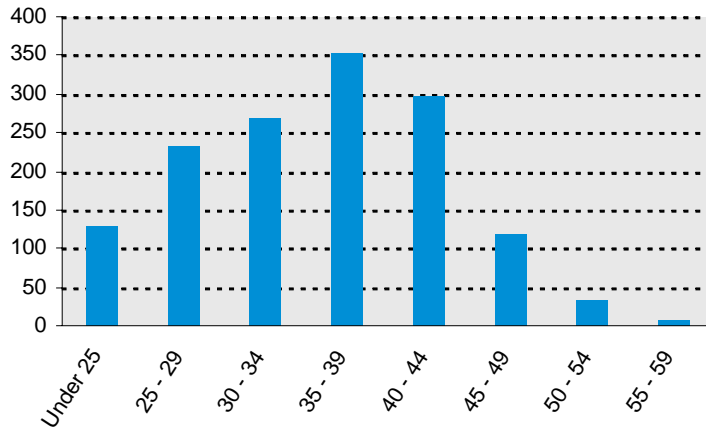


CHART F - 3

Distribution of State Police Active Members by Service as of June 30, 2006

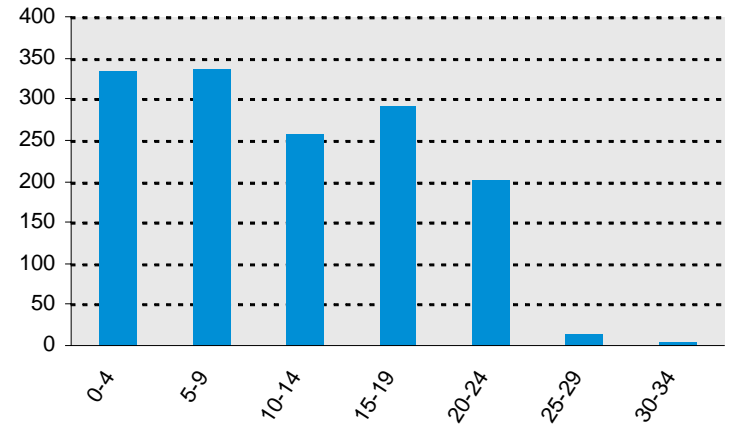


CHART F - 4

State Police Retired Members by Monthly Amount as of June 30, 2006

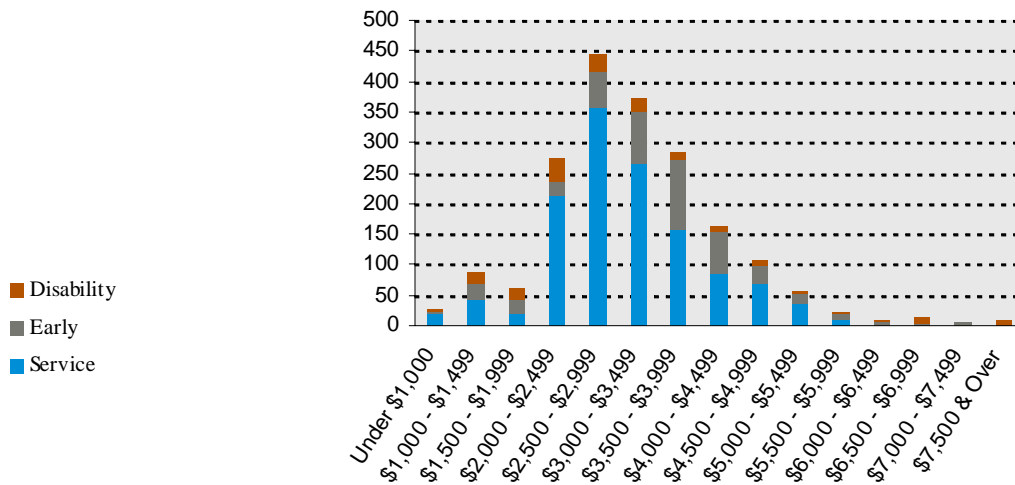
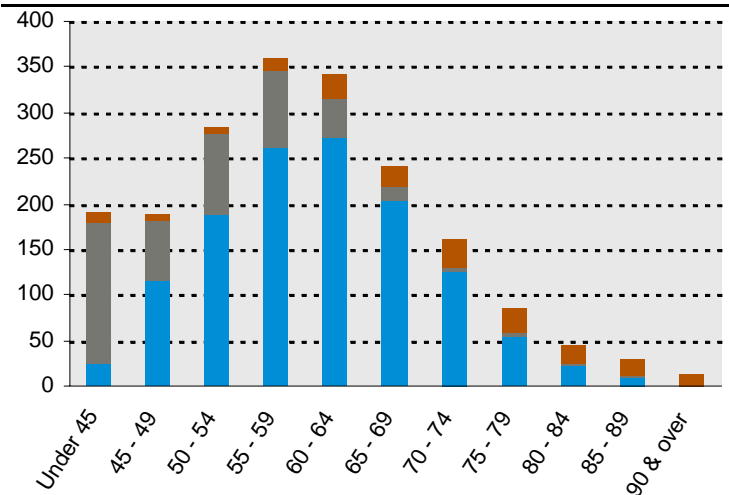


CHART F - 5

State Police Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart F - 6

Table of Plan Coverage – State Police

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	1,441	1,439	0.1%
Average age	35.3	35.3	N/A
Average service	11.4	10.9	N/A
Total salary	\$80,648,855	\$77,610,367	3.9%
Average salary	55,967	53,934	3.8%
Account balances	\$70,801,923	N/A	N/A
Total active vested members	1,109	1,095	1.3%
Vested terminated members	58	29	100%
Retired members:			
Number in pay status	1,279	N/A	N/A
Average age	60.7	N/A	N/A
Average monthly benefit	\$3,059	N/A	N/A
Disabled members:			
Number in pay status	465	N/A	N/A
Average age	49.9	N/A	N/A
Average monthly benefit	\$3,545	N/A	N/A
Beneficiaries in pay status	193	N/A	N/A
Inactive non-vested members	118	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

G. JUDGES

CHART G - 1

Judges Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	268	14	273	1.07
1998	273	16	275	1.07
1999	283	13	284	1.05
2000	283	13	285	1.05
2001	281	13	297	1.10
2002	281	10	311	1.14
2003	287	13	306	1.11
2004	283	14	309	1.14
2005	282	15	316	1.17
2006	296	14	330	1.16

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART G - 2

Distribution of Judges Active Members by Age as of June 30, 2006

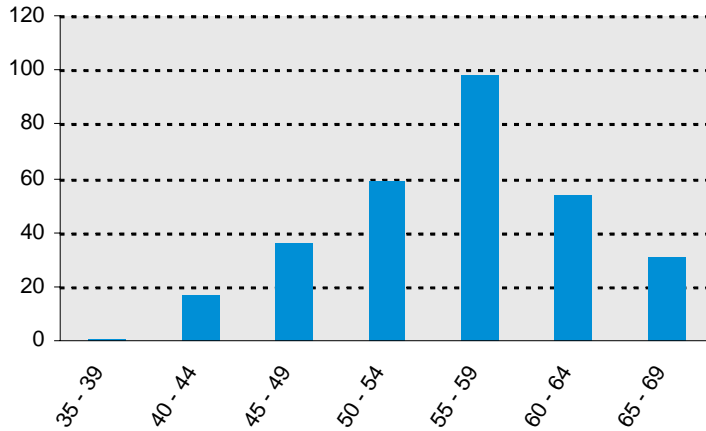


CHART G - 3

Distribution of Judges Active Members by Service as of June 30, 2006

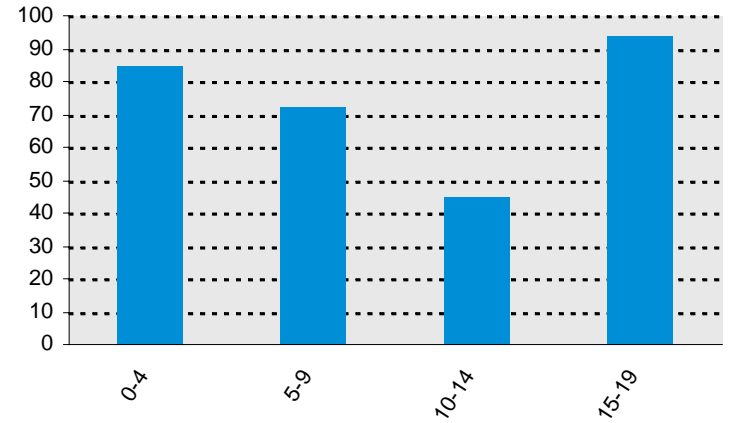


CHART G - 4

Judges Retired Members by Monthly Amount as of June 30, 2006

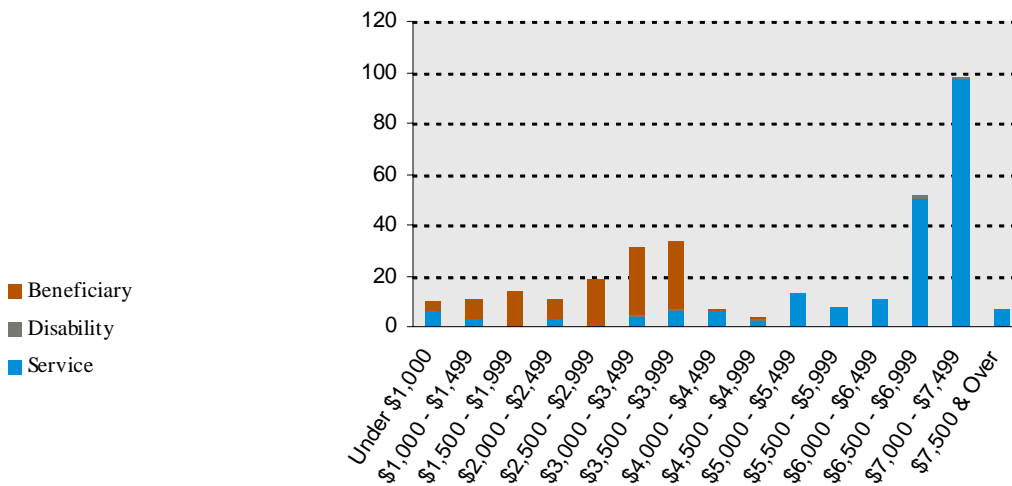
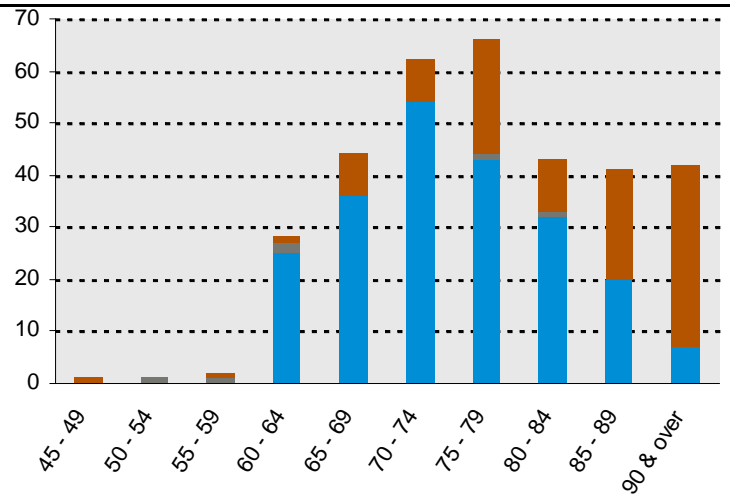


CHART G - 5

Judges Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart G - 6

Table of Plan Coverage – Judges

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	296	282	5.0%
Average age	56.4	56.6	N/A
Average service	9.4	9.9	N/A
Total salary	\$35,939,104	\$33,897,984	6.0%
Average salary	121,416	120,206	1.0%
Account balances	23,118,815	N/A	N/A
Total active vested members	296	282	5.0%
Vested terminated members	14	9	55.6%
Retired members:			
Number in pay status	217	N/A	N/A
Average age	75.1	N/A	N/A
Average monthly benefit	\$6,226	N/A	N/A
Disabled members:			
Number in pay status	6	N/A	N/A
Average age	66.1	N/A	N/A
Average monthly benefit	\$5,408	N/A	N/A
Beneficiaries in pay status	107	N/A	N/A
Inactive non-vested members	0	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

H. LEOPS

CHART H - 1

LEOPs Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	317	11	117	0.40
1998	755	21	139	0.21
1999	862	30	170	0.23
2000	1,130	36	206	0.21
2001	1,318	49	309	0.27
2002	1,410	66	403	0.33
2003	1,481	62	503	0.38
2004	1,675	81	581	0.40
2005	1,826	104	708	0.44
2006	2,063	115	782	0.43

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART H - 2

Distribution of LEOPs Active Members by Age as of June 30, 2006

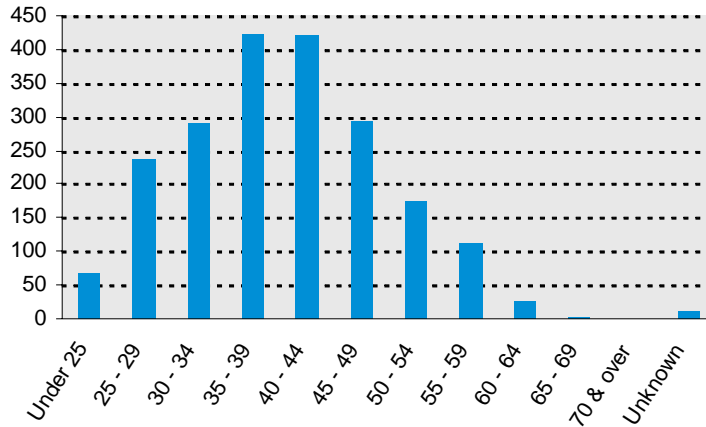


CHART H - 3

Distribution of LEOPs Active Members by Service as of June 30, 2006

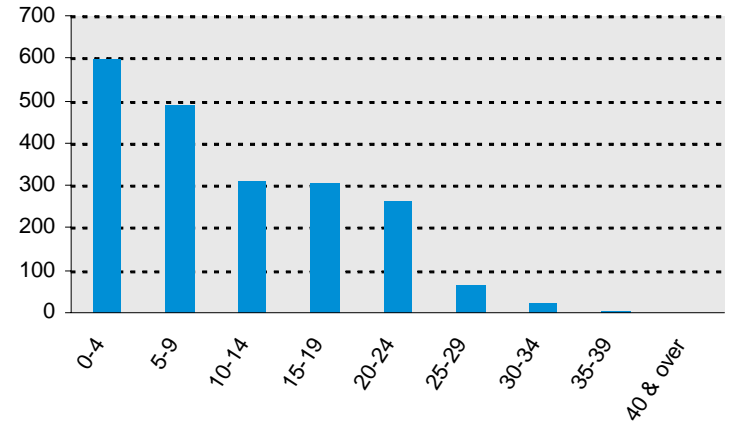


CHART H - 4

LEOPs Retired Members by Monthly Amount as of June 30, 2006

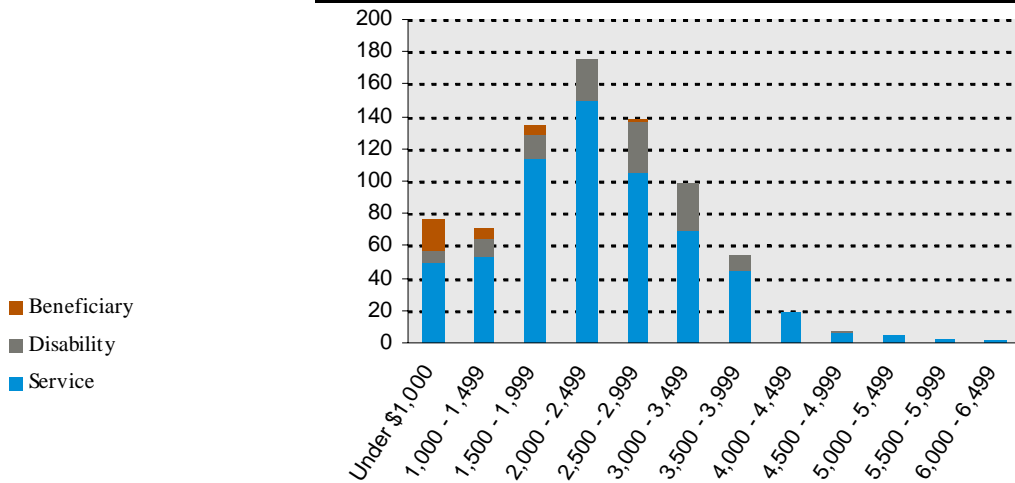
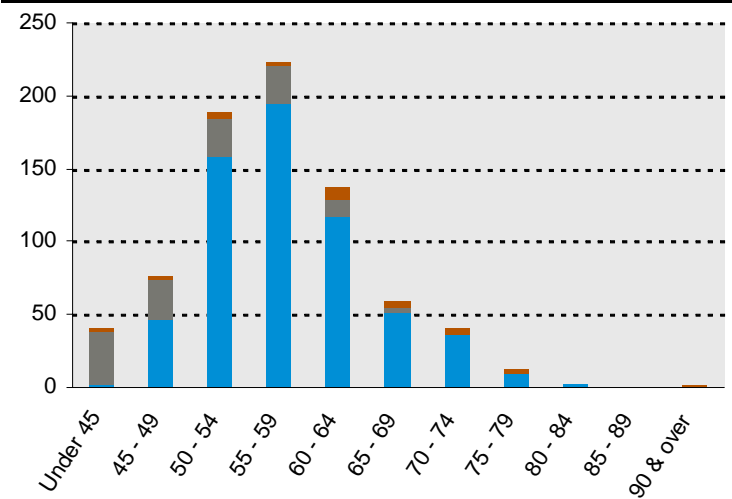


CHART H - 5

LEOPs Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart H - 6

Table of Plan Coverage – LEOPs

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	2,063	1,826	13.0%
Average age	39.8	39.5	N/A
Average service	11.2	10.7	N/A
Total salary	\$106,668,684	\$88,925,957	20.0%
Average salary	51,706	48,700	6.2%
Account balances	21,196,598	N/A	N/A
Total active vested members	1,546	1,282	20.6%
Vested terminated members	115	32	259.4%
Retired members:			
Number in pay status	617	N/A	N/A
Average age	58.1	N/A	N/A
Average monthly benefit	\$2,370	N/A	N/A
Disabled members:			
Number in pay status	133	N/A	N/A
Average age	49.6	N/A	N/A
Average monthly benefit	\$2,544	N/A	N/A
Beneficiaries in pay status	32	N/A	N/A
Inactive non-vested members	205	N/A	N/A

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

I. LOCAL FIRE AND POLICE

CHART I - 1

Local Fire and Police Member Population: 1997 – 2006

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1997	168	10	9	0.11
1998	177	14	11	0.14
1999	178	18	14	0.18
2000	184	20	19	0.21
2001	140	30	21	0.36
2002	181	36	26	0.34
2003	127	35	33	0.54
2004	52	30	37	1.29
2005	57	6	14	0.35
2006	55	7	16	0.42

SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

CHART I - 2

Distribution of Local Fire and Police Active Members by Age as of June 30, 2006

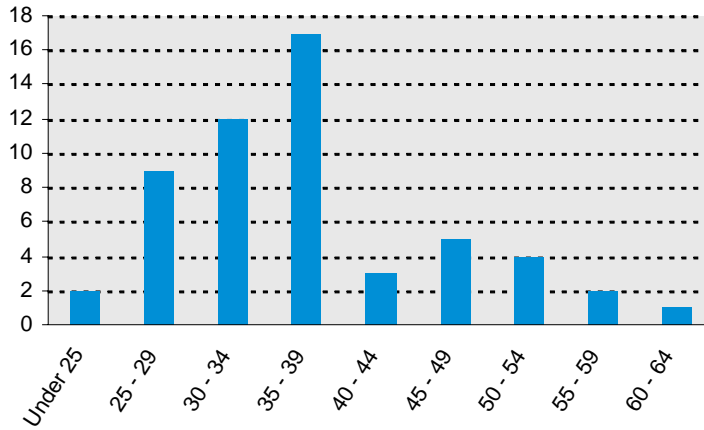


CHART I - 3

Distribution of Local Fire and Police Active Members by Service as of June 30, 2006

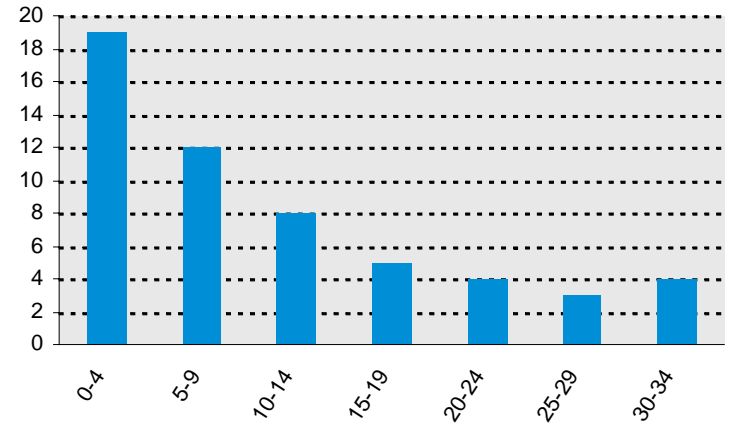


CHART I - 4

Local Fire and Police Retired Members by Monthly Amount as of June 30, 2006

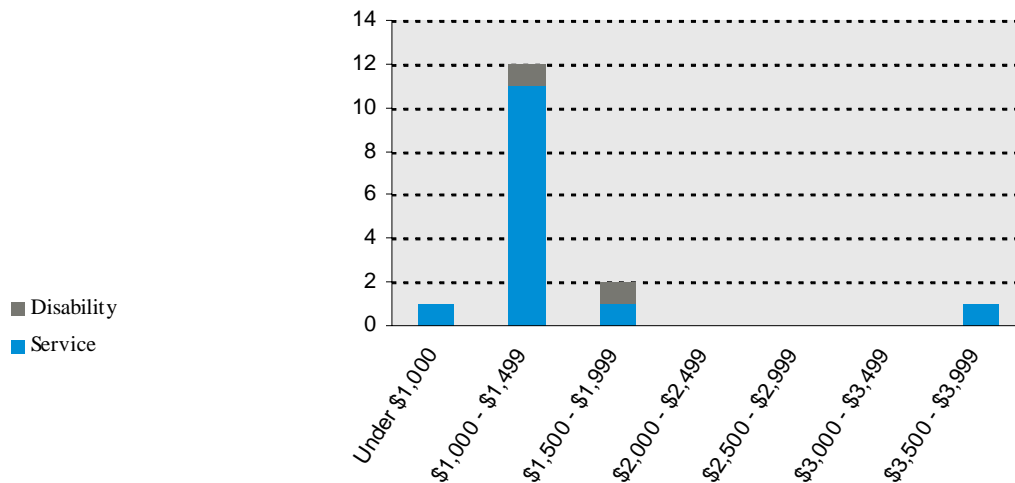
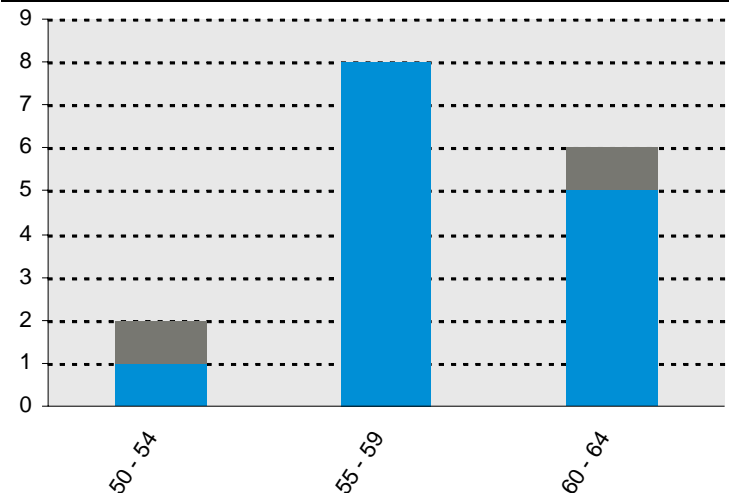


CHART I - 5

Local Fire and Police Retired Members by Age as of June 30, 2006



SECTION 3: System by System Demographic Information for the State Retirement and Pension System of Maryland

Chart I - 6

Table of Plan Coverage – Local Fire and Police

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	55	57	-3.5%
Average age	37.2	37.0	N/A
Average service	11.0	10.4	N/A
Total salary	\$2,008,605	\$2,085,416	-3.7%
Average salary	36,520	36,586	-0.2%
Account balances	1,308	N/A	N/A
Total active vested members	36	32	12.5
Vested terminated members			
	7	4	75.0%
Retired members:			
Number in pay status	14	N/A	N/A
Average age	58.6	N/A	N/A
Average monthly benefit	\$1,421	N/A	N/A
Disabled members:			
Number in pay status	2	N/A	N/A
Average age	57.5	N/A	N/A
Average monthly benefit	\$1,659	N/A	N/A
Beneficiaries in pay status			
	0	N/A	N/A
Inactive non-vested members			
	0	N/A	N/A

SECTION 4: Financial Information for the State Retirement and Pension System of Maryland

EXHIBIT A

Development of Actuarial Value of Assets for the Year Ended June 30, 2006

	<u>Teachers</u>	<u>Employees*</u>	<u>State Police</u>	<u>Judges</u>	<u>LEOPS*</u>	<u>LFP*</u>	<u>Total</u>
1. Actuarial value of assets as of 6/30/2005	\$20,801,529,328	\$11,845,012,115	\$1,289,345,033	\$260,124,866	\$310,288,327	\$3,082,586	\$34,509,382,255
2. Actuarial value of assets with interest to 6/30/2006	\$22,413,647,851	\$12,763,000,554	\$1,389,269,273	\$280,284,543	\$334,335,672	\$3,321,486	\$37,183,859,379
3. a. Employer Contributions	\$442,061,765	\$221,932,561	\$6,680,567	\$14,441,715	\$35,216,388	\$542,373	\$720,875,369
b. Member Contributions	\$118,530,934	\$83,599,946	\$6,437,666	\$1,501,999	\$5,006,849	\$0	\$215,077,394
c. Total Contributions	\$560,592,699	\$305,532,507	\$13,118,233	\$15,943,714	\$40,223,237	\$542,373	\$935,952,763
4. Interest on contributions as of 6/30/2006	\$21,317,644	\$11,618,477	\$498,847	\$606,291	\$1,529,568	\$20,625	\$35,591,452
5. Disbursements from Trust	(\$1,167,236,939)	(\$650,817,404)	(\$75,199,113)	(\$19,268,741)	(\$18,135,447)	(\$242,887)	(\$1,930,900,531)
6. Interest on disbursements	<u>(\$44,386,489)</u>	<u>(\$24,748,617)</u>	<u>(\$2,859,595)</u>	<u>(\$732,732)</u>	<u>(\$689,636)</u>	<u>(\$9,236)</u>	<u>(\$73,426,305)</u>
7. Expected market value of assets: (2) + (3c) + (4) + (5) + (6)	\$21,783,934,766	\$12,404,585,517	\$1,324,827,645	\$276,833,075	\$357,263,394	\$3,632,361	\$36,151,076,758
8. Actual market value of assets	\$20,741,517,825	\$11,821,365,766	\$1,210,073,370	\$261,060,907	\$333,024,309	\$3,776,461	\$34,370,818,638
9. Actual market value of assets less expected market value of assets: (8) - (7)	(\$1,042,416,941)	(\$583,219,751)	(\$114,754,275)	(\$15,772,168)	(\$24,239,085)	\$144,100	(\$1,780,258,120)
10. Actuarial value of assets as of 6/30/2006 ÷ (7) + 20% * (9)	<u>\$21,575,451,378</u>	<u>\$12,287,941,567</u>	<u>\$1,301,876,790</u>	<u>\$273,678,641</u>	<u>\$352,415,577</u>	<u>\$3,661,181</u>	<u>\$35,795,025,134</u>

* *Employees, LEOPS, and LFP were changed for PGU cash flow information. The original \$5,221,833 disbursements from LFP have been lowered to \$242,887 to reflect the \$4,978,946 asset transfer from LFP to the State Employees' Plan. Likewise, the Employees' Plan has an increase from \$645,838,458 to \$650,817,404. Note that for Employees, LFP and LEOPS, last year's AVA is the sum of the State AVA from the September 2006 report and the Municipal AVA from the April 2006 report.*

SECTION 4: Financial Information for the State Retirement and Pension System of Maryland

EXHIBIT B

Table of Financial Information for the Year Ended June 30, 2006

	<u>Teachers</u>	<u>Employees*</u>	<u>State Police</u>	<u>Judges</u>	<u>LEOPS*</u>	<u>LFP*</u>	<u>Total</u>
Equities	13,521,242,003	\$7,676,188,515	\$786,967,401	\$165,877,875	\$212,648,263	\$2,106,763	\$22,365,030,820
Fixed Income	6,121,931,861	3,433,562,112	347,227,041	75,085,390	98,282,136	737,730	10,076,826,270
Real Estate	1,105,357,231	627,535,663	64,326,374	13,558,877	17,378,022	170,665	1,828,326,832
Other assets	<u>-7,013,270</u>	<u>84,079,476</u>	<u>11,552,554</u>	<u>6,538,765</u>	<u>4,715,888</u>	<u>761,303</u>	<u>100,634,716</u>
Market value of assets	\$20,741,517,825	\$11,821,365,766	\$1,210,073,370	\$261,060,907	\$333,024,309	\$3,776,461	\$34,370,818,638
Actuarial value of assets	<u>\$21,575,451,378</u>	<u>\$12,287,941,567</u>	<u>\$1,301,876,790</u>	<u>\$273,678,641</u>	<u>\$352,415,577</u>	<u>\$3,661,181</u>	<u>\$35,795,025,134</u>

* Includes Municipal System.

SECTION 4: Financial Information for the State Retirement and Pension System of Maryland

EXHIBIT C

Development of the Fund Through June 30, 2006

Year Ended June 30	Employer Contributions	Employee Contributions	Other Cash Flows	Net Investment Return	Disbursements	Actuarial Value of Assets at End of Year*
2005	\$670,553,309	\$208,997,052	\$1,529,321	\$1,948,720,895	-\$1,796,116,626	\$34,519,500,395
2006	720,875,369	215,077,394	3,005,529	2,270,472,507	-1,930,900,531	35,795,025,134

* Does not include municipal system adjustments made after September 30. In future valuations, additional years will be added.

SECTION 5: System by System Contribution Information for the State Retirement and Pension System of Maryland

Chart A-2

Total System (State Portion)

Item	Year Ended June 30		Change From Prior Year
	2006	2005	
1. Present value of projected benefits attributable to:			
a. Retired and disabled members, and beneficiaries	\$19,527,968,316	\$18,847,136,773	3.6%
b. Terminated vested members	915,136,291	896,591,824	2.1%
c. Active members	29,144,025,303	24,057,184,565	21.1%
d. Total present value of projected benefits	49,587,129,910	43,800,913,162	13.2%
2. Present value of future earnings for present active members	74,297,503,021	69,062,551,035	7.6%
3. Employer normal cost rate	7.74%	8.01%	-3.4%
4. Present value of employer future normal costs	5,748,865,708	5,532,328,632	3.9%
5. Present value of member's future contributions (including extra 2%)	3,796,290,777	1,577,984,660	140.6%
6. Present value of future special UAL contributions	57,489,725	59,929,500	-4.1%
7. Total actuarial accrued liability: (1)d – (4) – (5) – (6)	39,984,483,700	36,630,670,370	9.2%
8. Actuarial value of assets	33,293,131,693	32,177,199,299	3.5%
9. Unfunded actuarial accrued liability on valuation date: (7) – (8)	6,691,352,007	4,453,471,071	50.3%
10. Less Special Liability Payments	0	0	N/A
11. Unfunded actuarial accrued liability for amortization: (9) – (10)	6,691,352,007	4,453,471,071	50.3%
12. Present value of future payroll for amortization purposes	123,940,984,836	120,659,173,673	2.7%
13. Unfunded liability rate	5.27%	3.57%	47.6%
14. Total Employer Contribution Rate (GASB): (3) + (13)	13.01%	11.58%	12.3%
15. Total Employer Contribution Rate (Corridor)	11.10%	9.18%	22.3%

SECTION 5: System by System Contribution Information for the State Retirement and Pension System of Maryland

Chart B

Teachers' Combined System

Item	Year Ended June 30		Change From Prior Year
	2006	2005	
1. Present value of projected benefits attributable to:			
a. Retired and disabled members, and beneficiaries	\$12,685,895,645	12,111,100,700	4.7%
b. Terminated vested members	498,834,309	470,786,983	6.0%
c. Active members	18,695,248,814	15,205,682,204	22.9%
d. Total present value of projected benefits	31,879,978,768	27,787,569,887	14.7%
2. Present value of future earnings for present active members	49,826,771,158	45,541,139,481	9.4%
3. Employer normal cost rate	7.47%	7.70%	-3.0%
4. Present value of employer future normal costs	\$3,722,059,806	\$3,506,667,740	6.1%
5. Present value of member's future contributions	2,540,435,031	975,703,747	160.4%
6. Present value of future special UAL contributions	0	0	N/A
7. Total actuarial accrued liability: (1)d – (4) – (5) – (6)	25,617,483,931	23,305,198,400	9.9%
8. Actuarial value of assets	21,575,451,378	20,801,529,328	3.7%
9. Unfunded actuarial accrued liability on valuation date: (7) – (8)	4,042,032,553	2,503,669,072	61.4%
10. Less Special Liability Payments	0	0	N/A
11. Unfunded actuarial accrued liability for amortization: (9) – (10)	4,042,032,553	2,503,669,072	61.4%
12. Present value of future payroll for amortization purposes	76,121,140,367	72,151,846,455	5.5%
13. Unfunded liability rate	5.31%	3.47%	53.0%
14. Total Employer Contribution Rate (GASB): (3) + (13)	12.78%	11.17%	14.4%
15. Total Employer Contribution Rate (Corridor)	11.60%	9.71%	19.5%

SECTION 5: System by System Contribution Information for the State Retirement and Pension System of Maryland

Chart C-2

Employees' Combined System (State Portion)

Item	Year Ended June 30		Change From Prior Year
	2006	2005	
1. Present value of projected benefits attributable to:			
a. Retired and disabled members, and beneficiaries	\$5,324,769,613	\$5,295,568,160	0.6%
b. Terminated vested members	397,543,032	407,959,245	-2.6%
c. Active members	9,312,335,370	7,754,377,495	20.1%
d. Total present value of projected benefits	15,034,648,015	13,457,904,900	11.7%
2. Present value of future earnings for present active members	22,844,594,421	21,932,560,800	4.2%
3. Employer normal cost rate	7.16%	7.50%	-4.5%
4. Present value of employer future normal costs	1,635,672,961	1,644,942,060	-0.6%
5. Present value of member's future contributions	1,157,270,244	511,220,425	126.4%
6. Present value of future special UAL contributions	57,489,725	59,929,500	-4.1%
7. Total actuarial accrued liability: (1)d – (4) – (5) – (6)	12,184,215,085	11,241,812,915	8.4%
8. Actuarial value of assets	9,825,415,906	9,544,540,847	2.9%
9. Unfunded actuarial accrued liability on valuation date: (7) – (8)	2,358,799,179	1,697,272,068	39.0%
10. Less Special Liability Payments	0	0	N/A
11. Unfunded actuarial accrued liability for amortization: (9) – (10)	2,358,799,179	1,697,272,068	39.0%
12. Present value of future payroll for amortization purposes	46,160,453,601	47,015,846,759	-1.8%
13. Unfunded liability rate	5.11%	3.61%	41.6%
14. Total Employer Contribution Rate (GASB): (3) + (13)	12.27%	11.11%	10.4%
15. Total Employer Contribution Rate (Corridor)	8.86%	6.83%	29.7%

SECTION 5: System by System Contribution Information for the State Retirement and Pension System of Maryland

**Chart D
State Police**

Item	Year Ended June 30		Change From Prior Year
	2006	2005	
1. Present value of projected benefits attributable to:			
a. Retired and disabled members, and beneficiaries	\$1,025,051,660	\$975,597,998	5.1%
b. Terminated vested members	6,908,099	4,134,995	67.1%
c. Active members	545,883,452	541,780,879	0.8%
d. Total present value of projected benefits	1,577,843,211	1,521,513,872	3.7%
2. Present value of future earnings for present active members	754,060,885	715,776,563	5.3%
3. Employer normal cost rate	25.05%	25.05%	0.0%
4. Present value of employer future normal costs	\$188,892,252	\$179,302,029	5.3%
5. Present value of member's future contributions	63,076,043	57,262,139	10.2%
6. Present value of future special UAL contributions	0	0	N/A
7. Total actuarial accrued liability: (1)d – (4) – (5) – (6)	1,325,874,916	1,284,949,704	3.2%
8. Actuarial value of assets	1,301,876,790	1,289,345,033	1.0%
9. Unfunded actuarial accrued liability on valuation date: (7) – (8)	23,998,126	-4,395,329	-646.0%
10. Less Special Liability Payments	0	0	N/A
11. Unfunded actuarial accrued liability for amortization: (9) – (10)	23,998,126	-4,395,329	-646.0%
12. Present value of future payroll for amortization purposes	249,720,357	39,174,055	537.5%
13. Unfunded liability rate	-9.61%	-11.22%	-14.3%
14. Total Employer Contribution Rate (GASB): (3) + (13)	15.44%	13.83%	11.6%
15. Total Employer Contribution Rate (Corridor)	N/A	N/A	N/A

SECTION 5: System by System Contribution Information for the State Retirement and Pension System of Maryland

**Chart E
Judges**

Item	Year Ended June 30		Change From Prior Year
	2006	2005	
1. Present value of projected benefits attributable to:			
a. Retired and disabled members, and beneficiaries	\$205,498,100	192,219,672	6.9%
b. Terminated vested members	4,882,037	6,844,303	-28.7%
c. Active members	220,536,709	201,813,815	9.3%
d. Total present value of projected benefits	430,916,846	400,877,790	7.5%
2. Present value of future earnings for present active members	245,281,459	230,268,657	6.5%
3. Employer normal cost rate	28.15%	28.15%	0.0%
4. Present value of employer future normal costs	\$69,046,731	\$64,820,627	6.5%
5. Present value of member's future contributions	9,333,104	8,024,422	16.3%
6. Present value of future special UAL contributions	0	0	N/A
7. Total actuarial accrued liability: (1)d – (4) – (5) – (6)	352,537,011	328,032,741	7.5%
8. Actuarial value of assets	273,678,641	260,124,866	5.2%
9. Unfunded actuarial accrued liability on valuation date: (7) – (8)	78,858,370	67,907,875	16.1%
10. Less Special Liability Payments	0	0	N/A
11. Unfunded actuarial accrued liability for amortization: (9) – (10)	78,858,370	67,907,875	16.1%
12. Present value of future payroll for amortization purposes	493,790,672	475,472,373	3.9%
13. Unfunded liability rate	15.97%	14.28%	11.8%
14. Total Employer Contribution Rate (GASB): (3) + (13)	44.12%	42.43%	4.0%
15. Total Employer Contribution Rate (Corridor)	N/A	N/A	N/A

SECTION 5: System by System Contribution Information for the State Retirement and Pension System of Maryland

Chart F-2

LEOPS (State Portion)

Item	Year Ended June 30		Change From Prior Year
	2006	2005	
1. Present value of projected benefits attributable to:			
a. Retired and disabled members, and beneficiaries	\$286,753,298	272,650,243	5.2%
b. Terminated vested members	6,968,814	6,866,298	1.5%
c. Active members	370,020,958	353,530,172	4.7%
d. Total present value of projected benefits	663,743,070	633,046,713	4.8%
2. Present value of future earnings for present active members	626,795,098	642,805,534	-2.5%
3. Employer normal cost rate	21.25%	21.25%	0.0%
4. Present value of employer future normal costs	\$133,193,958	\$136,596,176	-2.5%
5. Present value of member's future contributions	26,176,355	25,773,927	1.6%
6. Present value of future special UAL contributions	0	0	N/A
7. Total actuarial accrued liability: (1)d – (4) – (5) – (6)	504,372,757	470,676,610	7.2%
8. Actuarial value of assets	316,708,978	281,659,225	12.4%
9. Unfunded actuarial accrued liability on valuation date: (7) – (8)	187,663,779	189,017,385	-0.7%
10. Less Special Liability Payments	0	0	N/A
11. Unfunded actuarial accrued liability for amortization: (9) – (10)	187,663,779	189,017,385	-0.7%
12. Present value of future payroll for amortization purposes	915,879,839	976,834,031	-100.0%
13. Unfunded liability rate	20.49%	19.35%	5.9%
14. Total Employer Contribution Rate (GASB): (3) + (13)	41.74%	40.60%	2.8%
15. Total Employer Contribution Rate (Corridor)	N/A	N/A	N/A

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT I

Accounting Statement Information for the State of Maryland (State and Municipal)

	Year Ended June 30	
	2006	2005
FASB #35 Basis		
1. Present value of benefits accrued to date:		
a. Members currently receiving payments	\$21,050,092,563	\$19,997,772,896
b. Former vested members	1,036,360,357	977,556,545
c. Active members	14,540,067,073	11,971,373,761
d. Total	36,626,519,993	32,946,703,202
2. Assets at market value	34,370,818,638	32,075,918,515
3. Unfunded present value of benefits accrued to date: (1)d – (2)	2,255,701,355	870,784,687
4. Ratio of assets to present value of benefits accrued to date: (2)/(1)d	93.84%	97.36%
GASB #25 Basis		
1. Actuarial accrued liabilities attributable to:		
a. Active member contributions	\$2,217,897,868	\$2,148,065,879
b. Retirees, terminated vesteds, and inactives	22,086,452,920	20,975,329,441
c. Active members	18,939,141,669	16,010,054,447
d. Total	43,243,492,457	39,133,449,767
2. Net actuarial assets available for benefits	35,795,025,134	34,519,500,395
3. Unfunded actuarial accrued liabilities: (1)d – (2)	7,448,467,323	4,613,949,372

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT II

System by System Accounting Statement Information – FASB #35

	Total State	Teachers' Retirement and Pension	Employees' Retirement and Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Present value of benefits accrued to date:							
a. Members currently receiving payments	\$21,050,092,563	\$12,685,895,645	\$6,798,690,998	\$1,025,051,660	\$205,498,100	\$331,154,404	\$3,801,756
b. Former vested members	1,036,360,357	498,834,309	514,867,080	6,908,099	4,882,037	10,832,936	35,896
c. Active members	14,540,067,073	8,375,200,530	5,495,395,048	255,017,044	130,082,980	281,814,079	2,457,392
d. Total	36,626,519,993	21,559,930,484	12,808,953,126	1,286,976,803	340,463,117	623,901,419	6,295,044
2. Assets at market value	34,370,818,638	20,741,517,825	11,821,365,766	1,210,073,370	261,060,907	333,024,309	3,776,461
3. Unfunded present value of benefit accrued to date: (1)d – (2)	2,255,701,355	818,412,659	987,587,360	76,903,433	79,402,210	290,877,110	2,518,583
4. Ratio of assets to present value of benefits accrued to date: (2)/(1)d	93.84%	96.20%	92.29%	94.02%	76.68%	53.38%	59.99%

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT III

System by System Accounting Statement Information – GASB #25

	Total	Teachers' Retirement and Pension	Employees' Retirement and Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Actuarial accrued liabilities attributable to:							
a. Active member contributions	\$2,217,897,868	\$1,270,523,829	\$832,255,395	\$70,801,923	\$23,118,815	\$21,196,598	\$1,308
b. Retirees, terminated vesteds, and inactive	22,086,452,920	13,184,729,954	7,313,558,078	1,031,959,759	210,380,137	341,987,340	3,837,652
c. Active members	18,939,141,669	11,162,230,148	7,145,277,374	223,113,234	119,038,059	286,641,786	2,841,068
d. Total	43,243,492,457	25,617,483,931	15,291,090,847	1,325,874,916	352,537,011	649,825,724	6,680,028
2. Actuarial value of assets	35,795,025,134	21,575,451,378	12,287,941,567	1,301,876,790	273,678,641	352,415,577	3,661,181
3. Unfunded actuarial accrued liabilities: (1)d – (2)	7,448,467,323	4,042,032,553	3,003,149,280	23,998,126	78,858,370	297,410,147	3,018,847
4. Funded Ratio: (2)/(1)d	82.78%	84.22%	80.36%	98.19%	77.63%	54.23%	54.81%
5. Annual covered payroll	9,287,575,596	\$5,269,185,016	\$3,793,125,332	\$80,648,855	\$35,939,104	\$106,668,684	\$2,008,605
6. UAAL as % of covered payroll	80.20%	76.71%	79.17%	29.76%	219.42%	278.82%	150.30%

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT IV

Statement of Changes in Total Present Value of All Accrued Benefits

Present value of accrued benefits as of June 30, 2005	\$32,946,703,202
Increases (decreases) during the year attributable to:	
Passage of time	2,479,943,193
Benefits paid	(1,930,900,531)
Benefits accrued and other (gain) losses	2,022,118,529
Plan amendment	1,108,655,600
Actuarial assumption change	0
Net increase (decrease)	<u>3,679,816,791</u>
Present value of accrued benefits as of June 30, 2006	36,626,519,993

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT V

**Supplementary Information Required by the GASB
Schedule of Employer Contributions**

Plan Year Ended June 30	Annual Required Contributions	Percentage Contributed
1996	\$721,695	100%
1997	740,258	100%
1998	735,788	100%
1999	693,353	100%
2000	682,422	100%
2001	634,309	100%
2002	574,019	100%
2003	654,578	92%
2004	710,632	89%
2005	805,564	83%
2006	874,079	82%

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT VI

**Supplementary Information Required by the GASB
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
1997	\$21,920,696	\$25,838,206	\$3,462,510	86.36%	\$5,657,385	61%
1998	24,850,355	27,416,935	2,566,580	90.64%	5,900,456	43%
1999	27,646,579	28,475,380	828,801	97.09%	6,312,417	13%
2000	30,649,380	30,279,866	-369,514	101.22%	6,725,870	-5%
2001	31,914,778	32,469,942	555,164	98.29%	7,255,036	8%
2002	32,323,263	34,131,284	1,808,021	94.70%	7,867,794	23%
2003	32,631,465	34,974,601	2,343,136	93.30%	8,134,419	29%
2004	33,484,657	36,325,704	2,841,047	92.18%	8,069,481	35%
2005	34,519,500	39,133,450	4,613,950	88.21%	8,603,761	54%
2006	35,795,025	43,243,492	7,448,467	82.78%	9,287,576	80%

SECTION 6: Accounting Statement Information for the State Retirement and Pension System of Maryland

EXHIBIT VII

Supplementary Information Required by the GASB

Valuation date	June 30, 2006
Actuarial cost method	Aggregate Entry Age Normal Cost Method
Amortization method	Level percent of salary
Remaining amortization period	25 years remaining as of June 30, 2006
Asset valuation method	One-fifth the market value of assets plus four-fifths of the sum of last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.00%
Cost of living adjustments	3.00% (Judges System 4%)
Plan membership:	
Retired members and beneficiaries receiving benefits	103,831
Terminated members entitled to, but not yet receiving benefits	49,310
Active members	<u>191,273</u>
Total	344,414

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Retirement System

EXHIBIT A
Actuarial Assumptions and Actuarial Cost Method
Teachers’ Retirement System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Male	Female	Male	Female	Male	Female
25	0.09	0.03	0.03	0.02	4.00	1.50
30	0.09	0.05	0.04	0.02	4.00	1.50
35	0.10	0.07	0.07	0.04	4.00	1.50
40	0.13	0.10	0.09	0.06	4.16	1.56
45	0.21	0.15	0.13	0.10	4.32	1.62
50	0.34	0.24	0.18	0.14	4.96	1.86
55	0.55	0.38	0.31	0.23	7.84	2.94
60	0.89	0.59	0.57	0.43	9.92	3.72
65	1.48	0.92	1.08	0.83	11.68	4.38

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Retirement System

Disability Rates* (%):

Age	Male	Female
25	0.01	0.02
30	0.01	0.02
35	0.01	0.04
40	0.04	0.08
45	0.09	0.14
50	0.13	0.21
55	0.18	0.36

* Note: 1% of disabilities assumed to be job related.

Withdrawal Rates:

Rate (%) For First Ten Years		
Years	Male	Female
0	14.90	12.80
1	14.90	12.80
2	11.60	10.60
3	9.90	9.30
4	8.10	7.40
5	7.80	7.00
6	5.60	6.30
7	5.40	5.10
8	4.50	4.90
9	3.90	4.90

Withdrawal Rates:

Rate (%) for Subsequent Years		
Age	Male	Female
30	3.90	4.90
35	2.70	3.60
40	1.60	1.60
45	1.10	1.30
50	1.40	1.50
55	2.40	2.60

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Retirement System

Retirement Rates (%):

Age	Early Retirement				Normal Retirement			
	First Eligible		Subsequent Years		First Eligible		Subsequent Years	
	Male	Female	Male	Female	Male	Female	Male	Female
45	3.00	1.00	1.00	1.00	30.00	35.00	17.00	15.00
50	3.50	3.00	2.00	2.00	30.00	35.00	17.00	15.00
55	7.00	10.00	3.00	5.00	30.00	35.00	17.00	20.00
60	--	--	--	--	30.00	35.00	20.00	22.00
65	--	--	--	--	30.00	35.00	30.00	35.00

Retirement Age for Inactive Vested Participants:

60

Unknown Data for Participants:

Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married:

90%

Age of Spouse:

Females 4 years younger than males.

Net Investment Return:

7.75%

Probability of Leaving Contributions in the Plan Upon Withdrawal (%):

Age	Male	Female
20	75.00	66.70
25	91.50	91.30
30	90.30	93.00
35	88.40	93.50
40	100.00	100.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Retirement System

Salary Increase Rates:

For First Ten Years	
Years	Rate (%)
0	10.76
1	8.37
2	8.37
3	8.37
4	8.37
5	8.37
6	8.16
7	7.90
8	7.43
9	7.22

Salary Increase Rates:

Subsequent Years	
Age	Rate (%)
30	7.22
35	6.60
40	5.35
45	4.78
50	4.52
55	4.31
60	4.31
65	4.31

Aggregate Payroll Growth: 4.00%

Assumed Salary Increase Granted On July 1, 2006:

Salary less than \$45,000:	\$900
Salary between \$45,000 and \$70,000:	2.00%
Salary greater than \$70,000:	\$1,400

Cost of Living Increase: 3.00%

Unused Sick Leave: Five months is added to the service of active members at retirement.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Retirement System

Actuarial Value of Assets: One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.

Actuarial Cost Method: Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.

Changes in Assumptions: Since the prior valuation, the assumed salary increase granted on July 1 was changed from 4% to amounts that vary by initial salary.

Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Pension System

EXHIBIT B

Actuarial Assumptions and Actuarial Cost Method

Teachers’ Pension System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Male	Female	Male	Female	Male	Female
25	0.09	0.03	0.03	0.02	4.00	1.50
30	0.09	0.05	0.04	0.02	4.00	1.50
35	0.10	0.07	0.07	0.04	4.00	1.50
40	0.13	0.10	0.09	0.06	4.16	1.56
45	0.21	0.15	0.13	0.10	4.32	1.62
50	0.34	0.24	0.18	0.14	4.96	1.86
55	0.55	0.38	0.31	0.23	7.84	2.94
60	0.89	0.59	0.57	0.43	9.92	3.72
65	1.48	0.92	1.08	0.83	11.68	4.38

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Pension System

Disability Rates* (%):

Age	Male	Female
25	0.03	0.03
30	0.03	0.03
35	0.03	0.06
40	0.10	0.13
45	0.20	0.22
50	0.31	0.32
55	0.41	0.56

* Note: 1% of disabilities are assumed to be job related.

Withdrawal Rates:

Rate (%) For First Ten Years		
Years	Male	Female
0	14.90	12.80
1	14.90	12.80
2	11.60	10.60
3	9.90	9.30
4	8.10	7.40
5	7.80	7.00
6	5.60	6.30
7	5.40	5.10
8	4.50	4.90
9	3.90	4.90

Withdrawal Rates:

Rate (%) for Subsequent Years		
Age	Male	Female
30	3.90	4.90
35	2.70	3.60
40	1.60	1.60
45	1.10	1.30
50	1.40	1.50
55	2.40	2.60

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Pension System

Retirement Rates (%):

Age	Early Retirement				Normal Retirement			
	First Eligible		Subsequent Years		First Eligible		Subsequent Years	
	Male	Female	Male	Female	Male	Female	Male	Female
45	--	--	--	--	15.00	15.00	12.00	10.00
50	--	--	--	--	15.00	15.00	12.00	10.00
55	3.00	5.00	--	--	25.00	25.00	12.00	15.00
60	10.00	15.00	4.00	8.00	30.00	40.00	20.00	20.00
65	--	--	--	--	30.00	20.00	22.00	25.00
70	--	--	--	--	30.00	20.00	22.00	22.00

Retirement Age for Inactive Vested Participants: 62

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of Leaving Contributions in the Plan Upon Withdrawal (%):

Age	Male	Female
20	75.00	66.70
25	91.50	91.30
30	90.30	93.00
35	88.40	93.50
40	100.00	100.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Pension System

Rates of Salary Increase:		Rates of Salary Increase:	
For First Ten Years		Subsequent Years	
Years	Rate (%)	Age	Rate (%)
0	10.76	30	7.22
1	8.37	35	6.60
2	8.37	40	5.35
3	8.37	45	4.78
4	8.37	50	4.52
5	8.37	55	4.31
6	8.16	60	4.31
7	7.90	65	4.31
8	7.43		
9	7.22		

Aggregate Payroll Growth:	4.00%
Assumed Salary Increase Granted On July 1, 2006:	
Salary less than \$45,000:	\$900
Salary between \$45,000 and \$70,000:	2.00%
Salary greater than \$70,000:	\$1,400

Cost of Living Increase: 3.00%

Unused Sick Leave: Five months is added to the service of active members at retirement.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Teachers’ Pension System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation the assumed salary increased granted on July 1 was changed from 4.00% to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

**EXHIBIT C
Actuarial Assumptions and Actuarial Cost Method
Employees’ Retirement System**

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active				Inactive		Disabled	
	Male	Female	Correctional	Legislative	Male	Female	Male	Female
25	0.09	0.09	0.09	0.07	0.08	0.02	2.26	2.37
30	0.10	0.09	0.12	0.10	0.10	0.03	2.26	2.13
35	0.12	0.10	0.17	0.16	0.10	0.05	2.26	1.93
40	0.17	0.13	0.26	0.24	0.13	0.07	2.26	1.88
45	0.28	0.19	0.38	0.39	0.19	0.11	2.26	2.02
50	0.46	0.31	0.55	0.61	0.31	0.17	2.90	2.31
55	0.73	0.50	0.80	0.97	0.53	0.27	3.54	2.66
60	1.20	0.81	--	1.40	0.96	0.51	4.20	2.98
65	2.06	1.33	--	--	1.74	0.97	5.02	3.33

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

Ordinary Disability Rates (%):					Accidental Disability Rates (%):				
Regular			Correctional		Regular			Correctional	
Age	Male	Female	Male	Female	Age	Male	Female	Male	Female
25	0.08	0.05	0.30	0.46	25	0.02	0.01	0.05	0.08
30	0.08	0.05	0.36	0.46	30	0.02	0.01	0.06	0.08
35	0.14	0.09	0.45	0.46	35	0.03	0.02	0.08	0.08
40	0.27	0.16	0.57	0.51	40	0.04	0.02	0.10	0.09
45	0.34	0.24	0.71	0.59	45	0.03	0.02	0.13	0.10
50	0.41	0.34	1.01	0.77	50	0.03	0.02	0.18	0.14
55	0.54	0.47	1.31	1.17	55	0.03	0.02	0.23	0.21

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

Withdrawal Rates:

Rate (%) For First Ten Years				
Years	Regular		Correctional	
	Male	Female	Male	Female
0	16.10	15.00	13.40	15.10
1	16.10	15.00	13.40	15.10
2	11.10	10.60	9.60	8.20
3	9.90	10.00	9.30	8.20
4	9.20	7.80	6.30	7.00
5	7.60	7.80	6.30	7.00
6	7.60	6.40	5.20	5.30
7	6.00	6.00	3.90	5.30
8	6.00	5.10	3.50	4.50
9	5.30	4.50	3.00	4.50

Withdrawal Rates:

Rate (%) for Subsequent Years					
Age	Regular		Correctional		
	Male	Female	Male	Female	
30	5.20	4.40	2.90	4.50	
35	4.60	3.40	2.70	3.30	
40	3.40	2.50	2.40	3.20	
45	2.70	2.20	1.20	2.70	
50	2.80	2.10	1.20	27.0	
55	3.30	2.80	1.20	2.70	

Retirement Rates (%):

Age	Early Retirement				Normal Retirement				First Eligible	Subsequent Years
	First Eligible		Subsequent Years		First Eligible		Subsequent Years			
	Male	Female	Male	Female	Male	Female	Male	Female		
45	5.50	8.00	3.00	4.00	27.00	30.00	5.00	10.00	40.00	12.00
50	8.00	10.00	3.00	5.00	27.00	30.00	5.00	10.00	40.00	15.00
55	8.00	10.00	4.00	5.00	27.00	30.00	10.00	12.00	40.00	15.00
60	--	--	--	--	27.00	30.00	15.00	25.00	50.00	20.00
65	--	--	--	--	27.00	30.00	30.00	45.00	100.00	100.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

Retirement Age for Inactive Vested Participants: 60 (age 55 for Correctional Officers)

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of Leaving Contributions in the Plan Upon Withdrawal* (%):

Age	Male	Female
20	75.00	66.70
25	91.50	91.30
30	90.30	93.00
35	88.40	93.50
40	100.00	100.00

* Note: It is assumed that 100% of correctional and legislative members will leave employee contributions in the plan.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

**Rates of Salary Increase:
For First Ten Years**

**Rates of Salary Increase:
Subsequent Years**

Years	Rate (%)			Age	Rate (%)		
	Regular	Correctional	Legislative		Regular	Correctional	Legislative
0	9.56	9.46	4.00	30	5.82	4.36	4.00
1	9.56	8.94	4.00	35	5.82	4.36	4.00
2	8.94	7.12	4.00	40	5.46	4.31	4.00
3	8.16	6.86	4.00	45	5.25	4.26	4.00
4	7.64	5.25	4.00	50	5.14	4.21	4.00
5	7.12	4.78	4.00	55	4.94	4.00	4.00
6	6.86	4.36	4.00	60	4.94	4.00	4.00
7	6.39	4.36	4.00	65	4.94	4.00	4.00
8	5.98	4.36	4.00				
9	5.82	4.36	4.00				

Aggregate Payroll Growth: 4.00%

**Assumed Salary Increase Granted
On July 1, 2006:**

Salary less than \$45,000: \$900
 Salary between \$45,000 and \$70,000: 2.00%
 Salary greater than \$70,000: \$1,400

Cost of Living Increase:

3.00% for Regular and Correctional
 4.00% for Legislative (Note: some pre-71 members receive a 5.00% compound rate)

Unused Sick Leave:

Five months is added to the service of active members at retirement.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation, the assumed salary increase granted on July 1 was changed from 1.5% (Regular and Correctional), 0% (Legislative) and 4.00% (Municipal) to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

**EXHIBIT D
Actuarial Assumptions and Actuarial Cost Method
Employees’ Pension System**

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Male	Female	Male	Female	Male	Female
25	0.09	0.09	0.08	0.02	2.26	2.37
30	0.10	0.09	0.10	0.03	2.26	2.13
35	0.12	0.10	0.10	0.05	2.26	1.93
40	0.17	0.13	0.13	0.07	2.26	1.88
45	0.28	0.19	0.19	0.11	2.26	2.02
50	0.46	0.31	0.31	0.17	2.90	2.31
55	0.73	0.50	0.53	0.27	3.54	2.66
60	1.20	0.81	0.96	0.51	4.20	2.98
65	2.06	1.33	1.74	0.97	5.02	3.33

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

Ordinary Disability Rates (%):

Age	Male	Female
25	0.12	0.09
30	0.12	0.09
35	0.21	0.15
40	0.40	0.27
45	0.51	0.41
50	0.61	0.58
55	0.82	0.81

Accidental Disability Rates (%):

Age	Male	Female
25	0.03	0.02
30	0.03	0.02
35	0.04	0.03
40	0.06	0.04
45	0.05	0.04
50	0.04	0.04
55	0.04	0.04

Withdrawal Rates:

Rate (%) For First Ten Years		
Years	Male	Female
0	16.10	15.00
1	16.10	15.00
2	11.10	10.60
3	9.90	10.00
4	9.20	7.80
5	7.60	7.80
6	7.60	6.40
7	6.00	6.00
8	6.00	5.10
9	5.30	4.50

Withdrawal Rates:

Rate (%) for Subsequent Years		
Age	Male	Female
30	5.20	4.40
35	4.60	3.40
40	3.40	2.50
45	2.70	2.20
50	2.80	2.10
55	3.30	2.80

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

Retirement Rates (%):

Age	Early Retirement				Normal Retirement			
	First Eligible		Subsequent Years		First Eligible		Subsequent Years	
	Male	Female	Male	Female	Male	Female	Male	Female
45	--	--	--	--	15.00	15.00	5.00	5.00
50	--	--	--	--	15.00	15.00	5.00	5.00
55	6.00	4.00	--	--	25.00	25.00	7.00	7.00
60	6.00	10.00	4.00	6.00	25.00	30.00	12.00	10.00
65	--	--	--	--	25.00	30.00	25.00	25.00
70	--	--	--	--	25.00	30.00	20.00	22.00

Retirement Age for Inactive Vested Participants: 62

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of Leaving Contributions in the Plan Upon Withdrawal (%)*:

Age	Male	Female
20	87.50	94.40
25	76.80	86.90
30	70.60	87.20
35	68.20	84.60
40	100.00	100.00

* Note: It is assumed that 100% of correctional and legislative members will leave employee contributions in the plan.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

Rates of Salary Increase:		Rates of Salary Increase:	
For First Ten Years		Subsequent Years	
Years	Rate (%)	Age	Rate (%)
0	9.56	30	5.82
1	9.56	35	5.82
2	8.94	40	5.46
3	8.16	45	5.25
4	7.64	50	5.14
5	7.12	55	4.94
6	6.86	60	4.94
7	6.39	65	4.94
8	5.98		
9	5.82		

Aggregate Payroll Growth:	4.00%	
Assumed Salary Increase Granted On July 1, 2006:	Salary less than \$45,000:	\$900
	Salary between \$45,000 and \$70,000:	2.00%
	Salary greater than \$70,000:	\$1,400

Cost of Living Increase:	3.00%
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Unused Sick Leave:	Five months is added to the service of active members at retirement.
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SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation, the assumed salary increase granted on July 1, was changed from 1.5% (4.0% Municipal) to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – State Police Retirement System

EXHIBIT E

Actuarial Assumptions and Actuarial Cost Method

State Police Retirement System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Ordinary Death	Accidental Death	Male	Female	Male	Female
25	0.06	0.02	0.04	0.02	0.75	0.88
30	0.09	0.03	0.05	0.03	0.75	0.88
35	0.13	0.03	0.09	0.05	0.75	0.88
40	0.20	0.03	0.12	0.08	0.78	0.91
45	0.30	0.04	0.17	0.13	0.81	0.95
50	0.46	0.06	0.24	0.19	0.93	1.09
55	0.71	0.02	0.40	0.31	1.47	1.71
60	1.03	0.01	0.74	0.58	1.86	2.17
65	--	--	1.40	1.12	2.19	2.55

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – State Police Retirement System

Ordinary Disability Rates (%):

Age	Male	Female
25	0.35	1.08
30	0.44	1.16
35	0.56	1.17
40	0.74	1.36
45	0.99	1.65
50	1.42	2.17
55	1.82	3.32

Accidental Disability Rates (%):

Age	Male	Female
25	0.23	0.72
30	0.25	0.64
35	0.30	0.63
40	0.35	0.64
45	0.39	0.65
50	0.54	0.83
55	0.71	1.28

Withdrawal Rates:

For First Ten Years	
Years	Rate (%)
0	8.60
1	8.60
2	5.70
3	2.90
4	1.40
5	1.40
6	0.80
7	0.80
8	0.70
9	0.70

Withdrawal Rates:

For Subsequent Years	
Age	Rate (%)
30	7.00
35	7.00
40	7.00
45	7.00
50	7.00
55	7.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – State Police Retirement System

Retirement Rates* (%):

	First Eligible	Subsequent Years
Age	Rate	Rate
45	20.00	20.00
50	20.00	20.00
55	20.00	40.00
60	100.00	100.00
65	100.00	100.00

* Rates include retirement into DROP status. 50% of members are expected to elect DROP.

Retirement Age for Inactive Vested Participants: 50

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of leaving Contributions in the Plan Upon Withdrawal: 100%

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – State Police Retirement System

Rates of Salary Increase:

For First Ten Years

Years	Rate (%)
0	15.96
1	15.96
2	13.36
3	11.28
4	9.72
5	8.16
6	7.12
7	6.08
8	5.56
9	5.30

Rates of Salary Increase:

Subsequent Years

Age	Rate (%)
30	5.27
35	4.98
40	4.74
45	4.25
50	4.25
55	4.25
60	4.25
65	4.25

Aggregate Payroll Growth: 4.00%

Assumed Salary Increase Granted On July 1, 2006:

Salary less than \$45,000:	\$900
Salary between \$45,000 and \$70,000:	2.00%
Salary greater than \$70,000:	\$1,400

Cost of Living Increase: 3.00%

Unused Sick Leave: Five months is added to the service of active members at retirement.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – State Police Retirement System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation, the assumed salary increase granted on July 1, was changed from 1.50% to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Judges Retirement System

**EXHIBIT F
Actuarial Assumptions and Actuarial Cost Method
Judges Retirement System**

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Male	Female	Male	Female	Male	Female
25	0.06	0.04	0.03	0.02	4.00	1.50
30	0.08	0.05	0.04	0.02	4.00	1.50
35	0.13	0.08	0.07	0.04	4.00	1.50
40	0.20	0.12	0.09	0.06	4.16	1.56
45	0.33	0.19	0.13	0.10	4.32	1.62
50	0.54	0.31	0.18	0.14	4.96	1.86
55	0.85	0.50	0.31	0.23	7.84	2.94
60	1.33	0.79	0.57	0.43	9.92	3.72
65	2.13	1.24	1.08	0.83	11.65	4.38

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Judges Retirement System

Disability Rates(%):

Age	Male	Female
25	0.03	0.03
30	0.03	0.03
35	0.03	0.06
40	0.10	0.13
45	0.21	0.22
50	0.31	0.32
55	0.41	0.55

Retirement Rates (%)

Age	First Eligible		Subsequent Years	
	Male	Female	Male	Female
45	10.00	30.00	10.00	20.00
50	10.00	30.00	10.00	20.00
55	10.00	30.00	10.00	20.00
60	10.00	30.00	10.00	20.00
65	10.00	30.00	10.00	20.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Judges Retirement System

Retirement Age for Inactive Vested Participants:	60						
Unknown Data for Participants:	Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.						
Percent Married:	90%						
Age of Spouse:	Females 4 years younger than males.						
Net Investment Return:	7.75%						
Probability of leaving Contributions in the Plan Upon Withdrawal:	50%						
Salary Increase:	4.00% annual increase						
Aggregate Payroll Growth:	4.00%						
Assumed Salary Increase Granted On July 1, 2006:	<table border="0"> <tr> <td>Salary less than \$45,000:</td> <td>\$900</td> </tr> <tr> <td>Salary between \$45,000 and \$70,000:</td> <td>2.00%</td> </tr> <tr> <td>Salary greater than \$70,000:</td> <td>\$1,400</td> </tr> </table>	Salary less than \$45,000:	\$900	Salary between \$45,000 and \$70,000:	2.00%	Salary greater than \$70,000:	\$1,400
Salary less than \$45,000:	\$900						
Salary between \$45,000 and \$70,000:	2.00%						
Salary greater than \$70,000:	\$1,400						
Cost of Living Increase:	4.00%						
Unused Sick Leave:	Five months is added to the service of active members at retirement.						
Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest.						

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Judges Retirement System

Actuarial Cost Method: Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.

Changes in Assumptions: Since the prior valuation, the assumed salary increase granted on July 1, was changed from 2.49% to amounts that vary by initial salary.

Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Retirement System

EXHIBIT G
Actuarial Assumptions and Actuarial Cost Method
Law Enforcement Officers’ Retirement System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Ordinary Death	Accidental Death	Male	Female	Male	Female
25	0.06	0.02	0.04	0.02	0.75	0.88
30	0.09	0.03	0.05	0.03	0.75	0.88
35	0.13	0.03	0.09	0.05	0.75	0.88
40	0.20	0.03	0.12	0.08	0.78	0.91
45	0.30	0.04	0.17	0.13	0.81	0.95
50	0.46	0.06	0.24	0.19	0.93	1.09
55	0.71	0.02	0.40	0.31	1.47	1.71
60	1.03	0.01	0.74	0.58	1.86	2.17
65	--	--	1.40	1.12	2.19	2.55

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Retirement System

Ordinary Disability Rates (%):

Age	Male	Female
25	0.34	0.55
30	0.43	0.59
35	0.54	0.60
40	0.71	0.70
45	0.96	0.85
50	1.37	1.11
55	1.76	1.70

Accidental Disability Rates (%):

Age	Male	Female
25	0.22	0.37
30	0.24	0.33
35	0.29	0.32
40	0.34	0.33
45	0.37	0.33
50	0.52	0.43
55	0.68	0.66

Withdrawal Rates:

For First Ten Years	
Years	Rate (%)
0	8.60
1	8.60
2	5.70
3	2.90
4	1.40
5	1.40
6	0.80
7	0.80
8	0.70
9	0.70

Withdrawal Rates:

For Subsequent Years	
Age	Rate (%)
30	7.00
35	7.00
40	7.00
45	7.00
50	7.00
55	7.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Retirement System

Retirement Rates* (%):

	First Eligible	Subsequent Years
Age	Rate	Rate
45	35.00	15.00
50	15.00	15.00
55	15.00	20.00
60	100.00	100.00
65	100.00	100.00

* Rates include retirement into DROP status. 50% of members are expected to elect DROP.

Retirement Age for Inactive Vested Participants: 50

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of leaving Contributions in the Plan Upon Withdrawal: 100%

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Retirement System

Rates of Salary Increase:		Rates of Salary Increase:	
For First Ten Years		Subsequent Years	
Years	Rate (%)	Age	Rate (%)
0	15.96	30	5.27
1	15.96	35	4.98
2	13.36	40	4.74
3	11.28	45	4.25
4	9.72	50	4.25
5	8.16	55	4.25
6	7.12	60	4.25
7	6.08	65	4.25
8	5.56		
9	5.30		

Aggregate Payroll Growth:	4.00%
Assumed Salary Increase Granted On July 1, 2006:	
Salary less than \$45,000:	\$900
Salary between \$45,000 and \$70,000:	2.00%
Salary greater than \$70,000:	\$1,400

Cost of Living Increase:	3.00%
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Unused Sick Leave:	Five months is added to the service of active members at retirement.
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SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Retirement System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation, the assumed salary increase granted on July 1, was changed from 1.5% (4.0% Municipal) to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Pension System

EXHIBIT H
Actuarial Assumptions and Actuarial Cost Method
Law Enforcement Officers’ Pension System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Ordinary Death	Accidental Death	Male	Female	Male	Female
25	0.06	0.02	0.04	0.02	0.75	0.88
30	0.09	0.03	0.05	0.03	0.75	0.88
35	0.13	0.03	0.09	0.05	0.75	0.88
40	0.20	0.03	0.12	0.08	0.78	0.91
45	0.30	0.04	0.17	0.13	0.81	0.95
50	0.46	0.06	0.24	0.19	0.93	1.09
55	0.71	0.02	0.40	0.31	1.47	1.71
60	1.03	0.01	0.74	0.58	1.86	2.17
65	--	--	1.40	1.12	2.19	2.55

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Pension System

Ordinary Disability Rates (%):

Age	Male	Female
25	0.34	0.55
30	0.43	0.59
35	0.54	0.60
40	0.71	0.70
45	0.96	0.85
50	1.37	1.11
55	1.76	1.70

Accidental Disability Rates (%):

Age	Male	Female
25	0.22	0.37
30	0.24	0.33
35	0.29	0.32
40	0.34	0.33
45	0.37	0.33
50	0.52	0.43
55	0.68	0.66

Withdrawal Rates:

For First Ten Years	
Years	Rate (%)
0	8.60
1	8.60
2	5.70
3	2.90
4	1.40
5	1.40
6	0.80
7	0.80
8	0.70
9	0.70

Withdrawal Rates:

For Subsequent Years	
Age	Rate (%)
30	7.00
35	7.00
40	7.00
45	7.00
50	7.00
55	7.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Pension System

Retirement Rates* (%):

	First Eligible	Subsequent Years
Age	Rate	Rate
45	35.00	15.00
50	15.00	15.00
55	15.00	20.00
60	100.00	100.00
65	100.00	100.00

* Rates include retirement into DROP status. 50% of members are expected to elect DROP.

Retirement Age for Inactive Vested Participants: 50

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of leaving Contributions in the Plan Upon Withdrawal: 100%

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Pension System

Rates of Salary Increase:		Rates of Salary Increase:	
For First Ten Years		Subsequent Years	
Years	Rate (%)	Age	Rate (%)
0	15.96	30	5.27
1	15.96	35	4.98
2	13.36	40	4.74
3	11.28	45	4.25
4	9.72	50	4.25
5	8.16	55	4.25
6	7.12	60	4.25
7	6.08	65	4.25
8	5.56		
9	5.30		

Aggregate Payroll Growth:	4.00%
Assumed Salary Increase Granted On July 1, 2006:	
Salary less than \$45,000:	\$900
Salary between \$45,000 and \$70,000:	2.00%
Salary greater than \$70,000:	\$1,400

Cost of Living Increase:	3.00%
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Unused Sick Leave:	Five months is added to the service of active members at retirement.
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SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Pension System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation, the assumed salary increase granted on July 1, was changed from 1.5% (4.0% Municipal) to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Retirement System

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method

Local Firefighters’ and Police Officers’ Retirement System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Ordinary Death	Accidental Death	Male	Female	Male	Female
25	0.06	0.02	0.04	0.02	0.75	0.88
30	0.09	0.03	0.05	0.03	0.75	0.88
35	0.13	0.03	0.09	0.05	0.75	0.88
40	0.20	0.03	0.12	0.08	0.78	0.91
45	0.30	0.04	0.17	0.13	0.81	0.95
50	0.46	0.06	0.24	0.19	0.93	1.09
55	0.71	0.02	0.40	0.31	1.47	1.71
60	1.03	0.01	0.74	0.58	1.86	2.17
65	--	--	1.40	1.12	2.19	2.55

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Retirement System

Ordinary Disability Rates (%):

Age	Male	Female
25	0.29	0.22
30	0.37	0.23
35	0.47	0.23
40	0.62	0.27
45	0.83	0.33
50	1.19	0.43
55	1.54	0.66

Accidental Disability Rates (%):

Age	Male	Female
25	0.20	0.14
30	0.21	0.13
35	0.26	0.13
40	0.30	0.13
45	0.33	0.13
50	0.46	0.17
55	0.59	0.26

Withdrawal Rates:

For First Ten Years	
Years	Rate (%)
0	8.60
1	8.60
2	5.70
3	2.90
4	1.40
5	1.40
6	0.80
7	0.80
8	0.70
9	0.70

Withdrawal Rates:

For Subsequent Years	
Age	Rate (%)
30	7.00
35	7.00
40	7.00
45	7.00
50	7.00
55	7.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Retirement System

Retirement Rates:

	First Eligible	Subsequent Years
Age	Rate (%)	Rate (%)
45	35.00	15.00
50	15.00	15.00
55	15.00	20.00
60	15.00	20.00
65	100.00	100.00

Retirement Age for Inactive Vested Participants: 60

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of leaving Contributions in the Plan Upon Withdrawal: 100%

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Retirement System

Rates of Salary Increase:		Rates of Salary Increase:	
For First Ten Years		Subsequent Years	
Years	Rate (%)	Age	Rate (%)
0	4.00	30	4.42
1	7.12	35	4.31
2	7.12	40	4.21
3	6.08	45	4.10
4	5.82	50	4.00
5	5.56	55	4.00
6	5.46	60	4.00
7	5.40	65	4.00
8	5.35		
9	4.52		

Aggregate Payroll Growth:	4.00%	
Assumed Salary Increase Granted On July 1, 2006:	Salary less than \$45,000:	\$900
	Salary between \$45,000 and \$70,000:	2.00%
	Salary greater than \$70,000:	\$1,400

Cost of Living Increase: 3.00%

Unused Sick Leave: Five months is added to the service of active members at retirement.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Retirement System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	<p>Since the prior valuation, the assumed salary increase granted on July 1, was changed from 4.00% to amounts that vary by initial salary.</p> <p>Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.</p>

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

EXHIBIT J
Actuarial Assumptions and Actuarial Cost Method
Local Firefighters’ and Police Officers’ Pension System

Mortality Rates:

Healthy: Mortality Table based on experience as adopted by the Board of Trustees
Inactive: Mortality Table based on experience as adopted by the Board of Trustees
Disabled: Mortality Table based on experience as adopted by the Board of Trustees

Mortality Rates (%):

Age	Active		Inactive		Disabled	
	Ordinary Death	Accidental Death	Male	Female	Male	Female
25	0.06	0.02	0.04	0.02	0.75	0.88
30	0.09	0.03	0.05	0.03	0.75	0.88
35	0.13	0.03	0.09	0.05	0.75	0.88
40	0.20	0.03	0.12	0.08	0.78	0.91
45	0.30	0.04	0.17	0.13	0.81	0.95
50	0.46	0.06	0.24	0.19	0.93	1.09
55	0.71	0.02	0.40	0.31	1.47	1.71
60	1.03	0.01	0.74	0.58	1.86	2.17
65	--	--	1.40	1.12	2.19	2.55

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

Ordinary Disability Rates (%):

Age	Male	Female
25	0.29	0.22
30	0.37	0.23
35	0.47	0.23
40	0.62	0.27
45	0.83	0.33
50	1.19	0.43
55	1.54	0.66

Accidental Disability Rates (%):

Age	Male	Female
25	0.20	0.14
30	0.21	0.13
35	0.26	0.13
40	0.30	0.13
45	0.33	0.13
50	0.46	0.17
55	0.59	0.26

Withdrawal Rates:

For First Ten Years	
Years	Rate (%)
0	8.60
1	8.60
2	5.70
3	2.90
4	1.40
5	1.40
6	0.80
7	0.80
8	0.70
9	0.70

Withdrawal Rates:

For Subsequent Years	
Age	Rate (%)
30	7.00
35	7.00
40	7.00
45	7.00
50	7.00
55	7.00

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

Retirement Rates:

	First Eligible	Subsequent Years
Age	Rate (%)	Rate (%)
45	35.00	15.00
50	15.00	15.00
55	15.00	20.00
60	15.00	20.00
65	100.00	100.00

Retirement Age for Inactive Vested Participants: 62

Unknown Data for Participants: Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married: 90%

Age of Spouse: Females 4 years younger than males.

Net Investment Return: 7.75%

Probability of leaving Contributions in the Plan Upon Withdrawal: 100%

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

Rates of Salary Increase:		Rates of Salary Increase:	
For First Ten Years		Subsequent Years	
Years	Rate (%)	Age	Rate (%)
0	4.00	30	4.42
1	7.12	35	4.31
2	7.12	40	4.21
3	6.08	45	4.10
4	5.82	50	4.00
5	5.56	55	4.00
6	5.46	60	4.00
7	5.40	65	4.00
8	5.35		
9	4.52		

Aggregate Payroll Growth: 4.00%

**Assumed Salary Increase Granted
On July 1, 2006:**

Salary less than \$45,000:	\$900
Salary between \$45,000 and \$70,000:	2.00%
Salary greater than \$70,000:	\$1,400

Cost of Living Increase: 3.00%

Unused Sick Leave: Five months is added to the service of active members at retirement.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

Actuarial Value of Assets:	One-fifth the market value of assets plus fourth-fifths of the sum of last year’s actuarial value and subsequent cash flows into and out of the fund accumulated with interest.
Actuarial Cost Method:	Aggregate Entry Age Normal Cost Method. Under this method, a contribution rate is determined which consists of the normal cost rate and the unfunded actuarial liability rate.
Changes in Assumptions:	Since the prior valuation, the assumed salary increase granted on July 1, was changed from 4.00% to amounts that vary by initial salary. Assumptions are periodically reviewed by the Board and as appropriate changes to these assumptions are adopted. The most recent experience study was based on data as of June 30, 2002.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 7: Actuarial Assumptions and Methods by System for the State Retirement and Pension System of Maryland – Local Firefighters’ and Police Officers’ Pension System

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan’s unfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Teachers' Retirement System**

EXHIBIT A

Teachers' Retirement System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

Eligibility Requirement

Age 60 regardless of service, or 30 years of creditable service regardless of age.

Allowance

1/55th of the highest three-year average compensation for each year of creditable service.

Basic Form of Payment

Life annuity.

Early Retirement:

Eligibility Requirement

25 years of creditable service.

Allowance

Service retirement allowance reduced by 6% for each year (1/2% for each month) the payments begin prior to age 60 or 30 years of service.

Ordinary Disability:

Eligibility Requirement

5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.

Allowance

1/55th of the highest three-year average compensation for each year of creditable service with a minimum benefit of 25% of average final compensation.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Teachers' Retirement System

Accidental Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.
<i>Allowance</i>	Annuity based on 66 2/3% of the highest three-year average compensation plus member accumulated contributions.

Vesting:

<i>Eligibility Requirement</i>	Five years of creditable service.
<i>Allowance</i>	Service Retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions in lieu of receiving the vested retirement allowance in the Retirement System. If a member does not withdraw contributions and dies before age 60, accumulated contributions are returned.

Death Benefit:

<i>Eligibility Requirement</i>	One year of creditable service or death in the performance of duty.
<i>Allowance</i>	Lump sum payment equal to member's annual salary at date of death plus accumulated contributions.

Death Benefit (spouse option):

<i>Eligibility Requirement</i>	Deceased member was eligible to retire or was age 55 with 15 years of creditable service.
<i>Allowance</i>	100% of the Service Retirement allowance reduced for the 100% survivorship option and further reduced for early retirement if applicable.

Member Plan Elections:

Retirement System members participate under one of three options:

Plan A: Member elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including unlimited cost-of-living adjustments.

Plan B: Member continued pre-1984 contribution rate (generally 5% of pay) to maintain all benefits except unlimited cost-of-living. COLA adjustments are capped at 5%.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Teachers' Retirement System**

Plan C: Member chose a combination, or two part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

Contributions under both options earn 4% a year. The rate of contribution for members with bifurcated benefits is determined under the Teachers' Pension Plan (graded percentage of compensation with contributions earning 5% a year).

Cost-Of-Living Adjustments:	Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. This increase is unlimited for Plan A members. The increase is limited to 5% annually for Plan B members and 3% annually for the Pension System portion of the Plan C benefit. Members must be retired at least one year to be eligible for this increase.
Bifurcated Allowance:	A member who elected Plan C will receive the Service Retirement allowance for service before date of election. For service after the date of election, the member will receive the Service Retirement allowance of the Teacher's Pension System. Eligibility for Early Retirement is based on the Retirement System provision of 25 years of service. Early Retirement benefits are reduced by Pension System early retirement factors. Effective on the election date, the rate of member contributions is determined under the terms of the Teachers' Pension System.
Changes in Plan Provisions:	For Plan C (bifurcated plan), effective July 1, 2006 the benefit multiplier for service after July 1, 1998 has been increased from 1.4% to 1.8%, and the member contribution rates have been increased to 3% of compensation for the period July 1, 2006 to June 30, 2007, 4% of compensation for the period July 1, 2007 to June 30, 2008, and 5% of compensation for periods beginning on and after July 1, 2008.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Teachers' Pension System**

EXHIBIT B
Teachers' Pension System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

Eligibility Requirement 30 years of creditable service regardless of age or:

Age	Minimum Creditable Service
62	5 years
63	4 Years
64	3 Years
65 or older	2 years

Allowance The larger of (i) or (ii) plus (iii):

Period of Service	Allowance
(i) Service on or before June 30, 1998	1.2% of average compensation for the three highest consecutive years at retirement for each year of creditable service.
(ii) Service on or before June 30, 1998	0.8% of average compensation for the three highest consecutive years at retirement up to the Social Security covered earnings plus 1.5% of average compensation over the Social Security covered earnings for each year of creditable service.
(iii) Service after June 30, 1998	1.8% of average compensation for the three highest consecutive years at retirement for each year of creditable service.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Teachers' Pension System**

Formula (ii) is still applicable for those current and former Retirement System members who on or after April 1, 1998 elected to transfer to the Pension System.

Basic Form of Payment Life annuity.

Early Retirement:

Eligibility Requirement Age 55 with 15 years of creditable service.

Allowance Service Retirement allowance reduced by 6% for each year (1/2% for each month) the member is younger than age 62.

Ordinary Disability:

Eligibility Requirement 5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.

Allowance Service Retirement allowance computed as if service continued until age 62 based on annual compensation at disability and with no reduction for early commencement. If disability occurs after age 62, the benefit is based on creditable service at disability.

Accidental Disability:

Eligibility Requirement Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.

Allowance Annuity based on 66 2/3% of the highest three consecutive years of average final compensation plus member accumulated contributions.

Vesting:

Eligibility Requirement Five years of creditable service.

Allowance Service Retirement allowance payable at age 62 or reduced benefit payable at early retirement age if member has at least 15 years of creditable service at termination. If a member does not withdraw contributions and dies before age 62, accumulated contributions are returned.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Teachers’ Pension System

Death Benefit:

<i>Eligibility Requirement</i>	One year of creditable service or death in the performance of duty.
<i>Allowance</i>	Lump sum payment equal to member’s annual salary at date of death plus accumulated contributions.

Death Benefit (spouse option):

<i>Eligibility Requirement</i>	Member was eligible for Service Retirement, eligible for Early Retirement or had completed at least 25 years of creditable service.
<i>Allowance</i>	100% of the Service Retirement allowance reduced for the 100% survivorship option and further reduced for early retirement if applicable.

Member Contributions:

<u>Percentage of Earnable Compensation</u>	<u>Effective Date</u>
2.00%	July 1, 1998
3.00%	July 1, 2006 – June 30, 2007
4.00%	July 1, 2007 – June 30, 2008
5.00%	July 1, 2008

Contributions earn 5% a year.

Cost-Of-Living Adjustments:

Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. This adjustment is limited annually to 3%. Members must be retired at least one year as of July 1 to be eligible for this increase.

Changes in Plan Provisions:

Effective July 1, 2006, the benefit multiplier for service after July 1, 1998 has been increased from 1.4% to 1.8%, and the member contribution rates have been increased to 3% of compensation for the period July 1, 2006 to June 30, 2007, 4% of compensation for the period July 1, 2007 to June 30, 2008, and 5% of compensation for periods beginning on and after July 1, 2008.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

EXHIBIT C
Employees’ Retirement System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

<i>Eligibility Requirement</i>	Age 60 regardless of service, or 30 years of creditable service regardless of age.
<i>Allowance</i>	1/55 th of the highest three-year average compensation for each year of creditable service.
<i>Basic Form of Payment</i>	Life annuity.

Early Retirement:

<i>Eligibility Requirement</i>	25 years of creditable service.
<i>Allowance</i>	Service retirement allowance reduced by 6% for each year (1/2% for each month) the member is younger than age 60 or has less than 30 years of service.

Ordinary Disability:

<i>Eligibility Requirement</i>	5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.
<i>Allowance</i>	1/55 th of the highest three-year average compensation for each year of creditable service with a minimum benefit of 25% of average final compensation.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

Accidental Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.
<i>Allowance</i>	Annuity based on 66 2/3% of the highest three consecutive years of average final compensation plus member accumulated contributions.

Vesting:

<i>Eligibility Requirement</i>	Five years of creditable service.
<i>Allowance</i>	Service Retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions in lieu of receiving the vested retirement allowance in the Retirement System. If a member does not withdraw contributions and dies before age 60, accumulated contributions are returned.

Death Benefit:

<i>Eligibility Requirement</i>	One year of creditable service or death in the performance of duty.
<i>Allowance</i>	Lump sum equal to member’s annual salary at date of death plus any member accumulated contributions.

Death Benefit (spouse option):

<i>Creditable Requirement</i>	Member was eligible to retire or was age 55 with 15 years of service.
<i>Allowance</i>	100% of the Service Retirement allowance reduced for the 100% survivorship option and further reduced for early retirement if applicable.

Member Plan Elections:

Retirement System members participate under one of three options:

Plan A: Member elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including unlimited cost-of-living adjustments.

Plan B: Member continued pre-1984 contribution rate (generally 5% of pay) to maintain all benefits except unlimited cost-of-living. COLA adjustments are capped at 5%.

Plan C: Member chose a combination, or two part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

Contributions under both options earn 4% a year. The rate of contribution for members with bifurcated benefits is determined under the Teachers’ Pension Plan (graded percentage of compensation with contributions earning 5% a year).

Cost-Of-Living Adjustments:

Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. This increase is unlimited for Plan A members. The increase is limited to 5% annually for Plan B members and 3% annually for the Pension System portion of the Plan C benefit. Members must be retired at least one year to be eligible for this increase.

Provisions for Members of the General Assembly:

The retirement allowance is equal to 3% of active legislator’s compensation for each year of creditable service (with a maximum of 22 years, 3 months) upon attainment of age 60 and a minimum 8 years of service. Early Retirement benefits are payable upon attainment of age 50 and 8 years of creditable service, with benefits reduced 0.5% for each month the early retirement date precedes age 60. Vested Retirement benefits are payable at age 60 to members with 8 years of creditable service that do not withdraw contributions; reduced benefits are available after age 50. If termination occurs before 8 years of creditable service has been completed, the member may contribute an amount equal to that which the member and State would have paid to the system as if he/she had remained in service for 8 years and receive 24% of last earnable compensation at age 60 or a reduced benefit after age 50. Members contribute 5% of the earnable compensation during the first 22 years, 3 months of service, with contributions earning 4% per year. Members who are certified as disabled after completing at least 8 years of creditable service may resign and receive an immediate retirement allowance equal to 3% of highest earnable compensation for each year of creditable service (maximum of 22 years, 3 months). Death Benefits equal to 50% of the retirement allowance are payable to the surviving spouses of retirees, and vested terminated members and actives with 8 or more years of creditable service. Surviving spouses of non-vested members who die in office receive a lump sum death benefit equal to the deceased’s annual earnable compensation at the time of death plus

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Retirement System

member accumulated contributions. Death Benefits for terminated vested members with less than 8 years of service equal member accumulated contributions.

Provisions for Correctional Officers:

A correctional officer is eligible for an immediate Service Retirement allowance under the provisions of this System provided the officer has: (1) completed 20 years of creditable service on or before retirement and has served at least the last 5 years as a security attendant at Clifton T. Perkins Hospital Center or as a correctional officer in one of the first six job classifications, or a combination thereof immediately preceding retirement, (2) is age 55 with at least 5 years of creditable service as a correctional officer in the first six job classifications, or (3) is age 60 with at least 5 years of creditable service as a maximum security attendant at Clifton T. Perkins Hospital Center. Correctional Officers receive 1/55th of the three highest years of average compensation for each year of creditable service. Vested retirement benefits are payable commencing at age 55 for correctional officers and at age 60 for security attendants. Death and disability benefits are the same as those offered for the Employees’ Retirement System. Members contribute 5% of earnable compensation with contributions earning 4% per year.

Bifurcated Allowance:

A member who elected Plan C will receive the Service Retirement allowance for service before date of election. For service after the date of election, the member will receive the Service Retirement allowance of the Employee’s Pension System. Eligibility for Early Retirement is based on the Retirement System provision of 25 years of service. Early Retirement benefits are reduced by Pension System Early Retirement factors. Effective on the election date, the rate of member contributions is determined under the terms of the Employee’s Pension System.

Changes in Plan Provisions:

For Plan C (bifurcated plan), effective July 1, 2006 the benefit multiplier for service after July 1, 1998 has been increased from 1.4% to 1.8%, and the member contributions have been increased to 3% of compensation for the period July 1, 2006 to June 30, 2007, 4% of compensation for the period July 1, 2007 to June 30, 2008, and 5% of compensation for periods beginning on or after July 1, 2008.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

EXHIBIT D
Employees’ Pension System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

Eligibility Requirement 30 years of creditable service regardless of age or:

Age	Minimum Creditable Service
62	5 years
63	4 Years
64	3 Years
65 or older	2 years

Allowance The larger of (i) or (ii) plus (iii):

Period of Service	Allowance
(i) Service on or before June 30, 1998	1.2% of average compensation for the three highest consecutive years at retirement for each year of creditable service.
(ii) Service on or before June 30, 1998	0.8% of average compensation for the three highest consecutive years at retirement up to the Social Security covered earnings plus 1.5% of average compensation over the Social Security covered earnings for each year of creditable service.
(iii) Service after June 30, 1998	1.8% of average compensation for the three highest consecutive years at retirement for each year of creditable service.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

Formula (ii) is still applicable for those current and former Retirement System members who on or after April 1, 1998 elected to transfer to the Pension System.

Basic Form of Payment Life annuity.

Early Retirement:

Eligibility Requirement Age 55 with 15 years of creditable service.

Allowance Service retirement allowance reduced by 6% for each year (1/2% for each month) the member is younger than age 62.

Ordinary Disability:

Eligibility Requirement Five years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.

Allowance Service retirement allowance computed as if service continued until age 62 based on annual compensation at disability and with no reduction for early commencement. If disability occurs after age 62, the benefit is based on creditable service at disability.

Accidental Disability:

Eligibility Requirement Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.

Allowance Annuity based on 66 2/3% of the highest three consecutive years of average final compensation plus member accumulated contributions.

Vesting:

Eligibility Requirement Five years of creditable service.

Allowance Service Retirement allowance payable at age 62 or reduced benefit payable at early retirement age if member has at least 15 years of creditable service at termination. If a member does not withdraw contributions and dies before age 62, accumulated contributions are returned.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Employees’ Pension System

Death Benefit:

<i>Eligibility Requirement</i>	One year of creditable service or death in the performance of duty.
<i>Allowance</i>	Lump sum payment equal to member’s annual salary at date of death plus accumulated contributions.

Death Benefit (spouse option):

<i>Eligibility Requirement</i>	Member was eligible for Service Retirement, eligible for Early Retirement or had completed at least 25 years of creditable service.
<i>Allowance</i>	100% of the Service Retirement allowance reduced for the 100% survivorship option and further reduced for early retirement if applicable.

Member Contributions:

<u>Percentage of Earnable Compensation</u>	<u>Effective Date</u>
2.00%	July 1, 1998
3.00%	July 1, 2006 – June 30, 2007
4.00%	July 1, 2007 – June 30, 2008
5.00%	July 1, 2008

Contributions earn 5% a year.

Cost-Of-Living Adjustments:

Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. This adjustment is limited annually to 3%. Member must be retired at least one year as of July 1 to be eligible for this increase.

Changes in Plan Provisions:

Effective July 1, 2006, the benefit multiplier for service after July 1, 1998 has been increased from 1.4% to 1.8%, and the member contribution rates have been increased to 3% of compensation for the period July 1, 2006 to June 30, 2007, 4% of compensation for the period July 1, 2007 to June 30, 2008, and 5% of compensation for periods beginning on and after July 1, 2008.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
State Police Retirement System**

EXHIBIT E

State Police Retirement System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

<i>Eligibility Requirement</i>	22 years of creditable service regardless of age or attainment of age 50 (but no later than age 60).
<i>Allowance</i>	2.55% of average compensation for the three highest years at retirement for each of the first 28 years of creditable service up to a maximum allowance of 71.4% of average compensation.
<i>Basic Form of Payment</i>	50% joint and survivor.

Early Retirement:

<i>Eligibility Requirement</i>	Not applicable.
<i>Allowance</i>	Not applicable.

Ordinary Disability:

<i>Eligibility Requirement</i>	5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.
<i>Allowance</i>	Service retirement allowance with a minimum benefit of 35% of average final compensation.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
State Police Retirement System**

Special Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident or arising out of work responsibilities.
<i>Allowance</i>	Annuity based on 66 2/3% of the highest three consecutive years of average final compensation plus member accumulated contributions.

Vesting:

<i>Eligibility Requirement</i>	Five years of creditable service.
<i>Allowance</i>	Service Retirement allowance payable at age 50. Member may elect to withdraw accumulated contributions in lieu of receiving the vested retirement allowance. If a member does not withdraw contributions and dies before age 50, accumulated contributions are returned.

Pre-Retirement Ordinary Death Benefit:

<i>Eligibility Requirement</i>	Between one and two years of creditable service and not killed in the line of duty.
<i>Allowance</i>	Lump sum equal to member's annual salary at date of death plus accumulated member contributions.

Pre-Retirement Special Death Benefit:

<i>Eligibility Requirement</i>	Two or more years of creditable service or killed in the line of duty.
<i>Allowance</i>	Surviving spouse receives an allowance equal to 66 2/3% of average compensation and if designated beneficiary, accumulated member contributions. If no surviving spouse exists or spouse dies before youngest child reaches age 18, the children receive this benefit on a pro-rata basis until each child reaches age 18. Allowance continues to dependent parents in the event there are no surviving minor children. If no spouse, minor children, or dependent parents exist, the ordinary death benefit is payable to the designated beneficiary.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – State Police Retirement System

Post-Retirement Death Benefit:

Eligibility Requirement

Beneficiary of member retiring on service, ordinary disability or special disability retirement eligibility.

Allowance

Lump sum and survivor benefits according to Title II of the Social Security Act, excluding any cost-of-living increases. Average monthly wage is the lesser of 1/12th of the member's average compensation and the maximum average monthly wage in effect as of the date of death under the Social Security Act for purposes of calculating this allowance.

Member Contributions:

8% of earnable compensation. Contributions earn 4% a year.

Cost-Of-Living Adjustments:

Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. Member must be retired at least one year as of July 1 to be eligible for this increase.

Deferred Retirement Option Program (DROP):

Eligibility Requirement

22 but less than 28 years of creditable service and under age 60

Allowance

During DROP period (maximum of four years depending on service), member ceases to make contributions or accrue additional benefits. The Service Retirement allowance with annual COLA adjustments accrues 6% interest per year compounded monthly. Upon exiting the DROP, member receives their Service Retirement allowance along with DROP account balance. During the DROP period member remains eligible for Special Disability benefits.

Changes in Plan Provisions:

None.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Judges Retirement System**

EXHIBIT F
Judges Retirement System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

Eligibility Requirement

Age 60, or issued retirement by Court of Appeals

Allowance

Based on the following table:

Length of Service	Allowance
16 or more years	Two thirds of salary
Less than 16 years	Two thirds of salary multiplied by the number of years of creditable service divided by 16

Early Retirement:

Eligibility Requirement

Not Applicable.

Allowance

Not Applicable.

Disability:

Eligibility Requirement

Approval by the Medical Board and Board of Trustees that a member is permanently incapacitated.

Allowance

Service Retirement allowance. Not less than one third of salary if eligible service is at least three years.

Basic Form of Payment

50% joint and survivor.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Judges Retirement System**

Vesting:

Eligibility Requirement
Allowance

Termination of service prior to eligibility for Service Retirement.
Service Retirement allowance based on creditable service, payable at age 60. Within six months of termination, Judge may elect to withdraw contributions accumulated with 4% interest in lieu of receiving the vested retirement allowance.

Death Benefit:

Eligibility Requirement
Allowance

Member dies while employed as a judge, with no surviving spouse or dependents.
Lump sum equal to annual salary at date of death plus member contributions accumulated with 4% interest.

Death Benefit (spouse option):

Eligibility Requirement
Allowance

Surviving spouse or dependent children of deceased judge or deceased former judge.
50% of Service Retirement allowance, payable immediately. If no surviving spouse, benefit is payable to children under age 18.

Member Contributions:

6% of salary until completion of 16 years. Contributions earn 4% a year.

Cost-of-Living Adjustments:

Retirement benefits are recalculated each time the salary for an active judge increases.

Changes in Plan Provisions:

None.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Law Enforcement Officers' Retirement System**

EXHIBIT G

Law Enforcement Officers' Retirement System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

<i>Eligibility Requirement</i>	Age 50 or 25 years of creditable service.
<i>Allowance</i>	2.3% of the highest three-year average compensation at retirement for each of the first 30 years of creditable service, plus 1.0% of average compensation for each additional year.
<i>Basic Form of Payment</i>	50% joint and survivor.

Early Retirement:

<i>Eligibility Requirement</i>	Not applicable.
<i>Allowance</i>	Not applicable.

Ordinary Disability:

<i>Eligibility Requirement</i>	5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.
<i>Allowance</i>	Service Retirement allowance with a minimum benefit of 25% of average final compensation.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Law Enforcement Officers’ Retirement System**

Accidental Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident or arising out of work related responsibilities.
<i>Allowance</i>	Annuity based on 66 2/3% of the three highest years of average compensation plus member accumulated contributions.

Vesting:

<i>Eligibility Requirement</i>	Five years of creditable service.
<i>Allowance</i>	Service Retirement allowance payable at age 50. Member in the Retirement System may elect to withdraw accumulated contributions and will receive the employer-provided vested benefit. If a member does not withdraw contributions and dies before age 50, accumulated contributions are returned.

Ordinary Death Benefit:

<i>Eligibility Requirement</i>	One year but less than two years of creditable service.
<i>Allowance</i>	Lump sum equal to member’s annual salary at date of death plus member accumulated contributions.

Special Death Benefits:

<i>Eligibility Requirement</i>	Two or more years of creditable service.
<i>Allowance</i>	Surviving spouse receives 50% of the ordinary disability benefit plus accumulated member contributions. If no surviving spouse, children of the deceased under age 18 divide payment until attainment of age 18.
<i>Eligibility Requirement</i>	Killed in the line of duty.
<i>Allowance</i>	Surviving spouse receives an allowance equal to 66 2/3% of average compensation plus accumulated member contributions. If no surviving spouse, children of the deceased under age 18 divide payment until attainment of age 18. If no spouse or children, equals ordinary death benefit.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Retirement System

Member Contributions: 7% of earnable compensation. Members who previously elected the 5% contribution/5% COLA option contribute 5% of earnable compensation. Contributions earn 4% a year.

Cost-of-Living Adjustments: Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. For members contributing 5% of earnable compensation, the adjustment is limited to 5% annually. Member must be retired at least one year as of July 1 to be eligible for this increase.

Deferred Retirement Option Program (DROP):

Eligibility Requirement 25 years but less than 30 years of creditable service.

Allowance During DROP period (maximum of five years depending on service), member ceases to make contributions or accrue additional benefits. The Service Retirement allowance with annual COLA adjustments accrues 6% interest per year compounded monthly. Upon exiting the DROP, member receives their Service Retirement allowance along with DROP account balance. During the DROP period member remains eligible for Accidental Disability benefits.

Changes in Plan Provisions: None.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Law Enforcement Officers’ Pension System**

EXHIBIT H

Law Enforcement Officers’ Pension System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

<i>Eligibility Requirement</i>	Age 50 or 25 years of creditable service.
<i>Allowance</i>	2.0% of the three highest years of average compensation for each of the first 30 years of creditable service.
<i>Basic Form of Payment</i>	50% joint and survivor

Early Retirement:

<i>Eligibility Requirement</i>	Not applicable.
<i>Allowance</i>	Not applicable.

Ordinary Disability:

<i>Eligibility Requirement</i>	5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.
<i>Allowance</i>	Service Retirement allowance computed as if service continued until age 50 with no change in salary.

Accidental Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.
<i>Allowance</i>	Annuity based on 66 2/3% of the three highest years of average compensation, with a maximum of average compensation plus member accumulated contributions.

SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland – Law Enforcement Officers’ Pension System

Vesting:

Eligibility Requirement

Five years of creditable service.

Allowance

Service Retirement allowance payable at age 50. Member may elect to withdraw accumulated contributions in lieu of receiving the vested retirement allowance in the System. If a member does not withdraw contributions and dies before age 50, accumulated contributions are returned.

Ordinary Death Benefit:

Eligibility Requirement

One year but less than two years of creditable service.

Allowance

Lump sum equal to member’s annual salary at date of death plus member accumulated contributions.

Special Death Benefits:

Eligibility Requirement

Two or more years of creditable service.

Allowance

Surviving spouse receives 50% of the ordinary disability benefit plus accumulated member contributions. If no surviving spouse, children of the deceased under age 18 divide payment until attainment of age 18.

Eligibility Requirement

Killed in the line of duty.

Allowance

Surviving spouse receives an allowance equal to 66 2/3% of average compensation plus accumulated member contributions. If no surviving spouse, children of the deceased under age 18 divide payment until attainment of age 18.

If no spouse or children, equals ordinary death benefit.

Member Contributions:

4% of earnable compensation. Contributions earn 5% a year.

Cost-of-Living Adjustments:

Retirees receive an annual cost-of-living adjustment (COLA) effective each July 1 based on the Consumer Price Index. This adjustment is limited to 3%. Member must be retired at least one year as of July 1 to be eligible for this increase.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Law Enforcement Officers’ Pension System**

Deferred Retirement Option Program (DROP):

Eligibility Requirement

25 years but less than 30 years of creditable service.

Allowance

During DROP period (maximum of five years depending on service), member ceases to make contributions or accrue additional benefits. The Service Retirement allowance with annual COLA adjustments accrues 6% interest per year compounded monthly. Upon exiting the DROP, member receives their Service Retirement allowance along with DROP account balance. During the DROP period member remains eligible for Accidental Disability benefits.

Changes in Plan Provisions:

None.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Local Firefighters’ and Police Officers’ Retirement System**

EXHIBIT I

Local Firefighters’ and Police Officers’ Retirement System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Service Retirement:

<i>Eligibility Requirement</i>	Age 60 or 25 years of creditable service.
<i>Allowance</i>	2.0% of the highest three-year average compensation for each of the first 30 years of creditable service, plus 1.0% of average compensation for each additional year.
<i>Basic Form of Payment</i>	Life annuity.

Early Retirement:

<i>Eligibility Requirement</i>	Not applicable.
<i>Allowance</i>	Not applicable.

Ordinary Disability:

<i>Eligibility Requirement</i>	5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.
<i>Allowance</i>	Service Retirement allowance with a minimum benefit of 25% of average final compensation.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Local Firefighters’ and Police Officers’ Retirement System**

Accidental Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.
<i>Allowance</i>	Annuity based on 66 2/3% of the highest three-year average compensation plus member accumulated contributions. The total benefit may not exceed 100% of average compensation.

Vesting:

<i>Eligibility Requirement</i>	Five years of creditable service.
<i>Allowance</i>	Service Retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions in lieu of receiving the vested retirement allowance. If a member does not withdraw contributions and dies before age 60, accumulated contributions are returned.

Death Benefit:

<i>Eligibility Requirement</i>	One year of creditable service or death in the performance of duty.
<i>Allowance</i>	Lump sum equal to member’s annual salary at date of death plus member accumulated contributions.

Death Benefit (spouse option):

<i>Eligibility Requirement</i>	Member is eligible to retire or at least age 55 with 15 years of service upon death.
<i>Allowance</i>	100% of the Service Retirement allowance reduced for the 100% survivorship option.

Member Contributions:

7% of earnable compensation. Members who previously elected either the bifurcated benefit option or the 5% contribution/5% COLA option are not required to contribute the difference between the 7% of past compensation and actual contributions to receive full benefits from this plan. Contributions earn 4% a year.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Local Firefighters’ and Police Officers’ Retirement System**

Cost-of-Living Adjustments: Retirees receive an annual cost-of-living adjustment (COLA) on their current benefit amount effective each July 1 based on the Consumer Price Index. Member must be retired at least one year as of July 1 to be eligible for this increase.

Changes in Plan Provisions: None.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Local Firefighters’ and Police Officers’ Pension System**

EXHIBIT J

Local Firefighters’ and Police Officers’ Pension System

This exhibit summarizes the major provisions of the System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30.

Pension System Service Retirement:

<i>Eligibility Requirement</i>	Age 62 or 25 years of creditable service.
<i>Allowance</i>	1.0% of average compensation for the three highest consecutive years up to the Social Security covered earnings plus 1.5% of average compensation over the Social Security covered earnings. If member is employed by a Municipality that does not contribute to Social Security, the benefit is based on 1.5% of average compensation for each year of creditable service.
<i>Basic Form of Payment</i>	Life annuity.

Early Retirement:

<i>Eligibility Requirement</i>	Not applicable.
<i>Allowance</i>	Not applicable.

Ordinary Disability:

<i>Eligibility Requirement</i>	5 years of creditable service and approval by the Medical Board and Board of Trustees that the member is permanently incapacitated.
<i>Allowance</i>	Service Retirement allowance computed as if service continued until age 62 (or current age if older) with no change in salary.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Local Firefighters’ and Police Officers’ Pension System**

Accidental Disability:

<i>Eligibility Requirement</i>	Approval by the Medical Board and Board of Trustees that the member is totally and permanently incapacitated due to a work-related accident.
<i>Allowance</i>	Annuity based on 66 2/3% of the highest three-year compensation plus member accumulated contributions.

Vesting:

<i>Eligibility Requirement</i>	Five years of creditable service.
<i>Allowance</i>	Service Retirement allowance payable at age 62. Member may elect to withdraw accumulated contributions in lieu of receiving the vested retirement allowance. If a member does not withdraw contributions and dies before age 62, accumulated contributions are returned.

Death Benefit:

<i>Eligibility Requirement</i>	One year of creditable service or death in the performance of duty.
<i>Allowance</i>	Lump sum equal to member’s annual salary at date of death plus member accumulated contributions.

Death Benefit (spouse option):

<i>Eligibility Requirement</i>	Member was age 62, age 55 with 15 years of service or had at least 25 years of creditable service upon death.
<i>Allowance</i>	100% of the Service Retirement allowance reduced for the 100% survivorship option.

Member Contributions:

5% of earnable compensation in excess of Social Security covered earnings.
Contributions earn 5% a year.

**SECTION 8: Plan Provisions by System for the State Retirement and Pension System of Maryland –
Local Firefighters’ and Police Officers’ Pension System**

Cost-of-Living Adjustments: Retirees receive an annual cost-of-living adjustment (COLA) on their original benefit amount effective each July 1 based on the Consumer Price Index. This adjustment is limited to 3%. Member must be retired at least one year as of July 1 to be eligible for this increase.

Changes in Plan Provisions: None.

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