

State Employees' Retirement System of Illinois

GASB Statement Nos. 67 and 68 Accounting and
Financial Reporting for Pensions as of June 30, 2017



November 2, 2017

The Board of Trustees
State Employees' Retirement System of Illinois
Springfield, Illinois

Dear Board Members:

This report provides accounting and financial reporting information that is intended to comply with the Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 for the State Employees' Retirement System of Illinois ("SERS"). These calculations have been made on a basis that is consistent with our understanding of these Statements.

GASB Statement No. 67 is the accounting standard that applies to the stand-alone financial reports issued by retirement systems. GASB Statement No. 68 establishes accounting and financial reporting for state and local government employers who provide their employees (including former employees) pension benefits through a trust.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement Nos. 67 and 68. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than the State Employees' Retirement System of Illinois ("SERS") only in its entirety and only with the permission of SERS. GRS is not responsible for unauthorized use of this report.

Our valuation and projections assume the sponsor will make the contributions required by state statute. To the extent the sponsor does not make the statutory required contribution the results contained in this report could be significantly different.

This report is based upon information, furnished to us by SERS, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

This report complements the actuarial valuation report that was provided to SERS and should be considered in conjunction with that report. Please see the actuarial valuation report as of June 30, 2017, for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the State Employees' Retirement System of Illinois. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

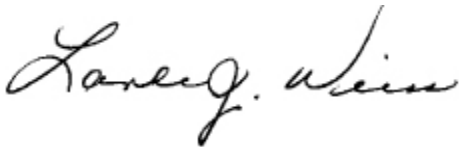
The signing actuaries are independent of the plan sponsor.

Alex Rivera and Lance J. Weiss and are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



By _____
Alex Rivera, FSA, EA, MAAA, FCA
Senior Consultant



By _____
Lance J. Weiss, EA, MAAA, FCA
Senior Consultant

AR/LW:rmn



Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Employees' Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.



Contents

	<u>Page</u>
Section A	Executive Summary
	Executive Summary 1
	Discussion 2-5
Section B	Financial Statements
	Statement of Fiduciary Net Position..... 1
	Statement of Changes in Fiduciary Net Position 2
Section C	Required Supplementary Information
	Schedule of Changes in Net Pension Liability and Related Ratios- Multiyear..... 1
	Schedule of Net Pension Liability - Multiyear 2
	Schedule of Contributions Multiyear 3
	Notes to Schedule of Contributions 4
Section D	Notes to Financial Statements
	Sensitivity of Net Pension Liability to the Single Discount Rate Assumption..... 1
	Summary of Population Statistics..... 2
Section E	GASB Statement No. 68 Pension Expense
	Schedule of Changes in Net Pension Liability and Related Ratios..... 1
	Statement of Pension Expense for Fiscal Year Ended June 30, 2017, Applicable to Fiscal Year Ending June 30, 2018 2
	Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For Plan Year Ended June 30, 2017 3
Section F	Summary of Retirement System Plan Provisions 1-10
Section G	Actuarial Cost Method and Actuarial Assumptions
	Valuation Methods, Entry Age Normal..... 1
	Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions, and Experience Studies 2-11
	Miscellaneous and Technical Assumptions 12-13
Section H	Calculation of the Single Discount Rate
	Calculation of the Single Discount Rate..... 1
	Projection of Funded Status and Assignment of Assets 2
	Current Member Projection of Assets and Assignment of Employer Contributions 3
	Development of Single Discount Rate 4
	Projection of Plan Net Position and Benefit Payments 5
Section I	Glossary of Terms 1-4

SECTION A



EXECUTIVE SUMMARY

Executive Summary as of June 30, 2017

	2017
Actuarial Valuation Date	June 30, 2017
Measurement Date of the Net Pension Liability	June 30, 2017
Plan's Fiscal Year Ending Date (Reporting Date) for GASB Statement No. 67	June 30, 2017
Employer's Fiscal Year Ending Date (Reporting Date) for GASB Statement No. 68	June 30, 2018

Membership

Number of	
- Retirees and Beneficiaries	71,805
- Inactive, Nonretired Members	24,958
- Active Members	60,612
- Total	157,375
Covered Payroll ^a	\$ 4,192,582,495

Net Pension Liability

Total Pension Liability	\$ 49,437,205,016
Plan Fiduciary Net Position	16,530,179,792
Net Pension Liability	\$ 32,907,025,224
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	33.44 %
Net Pension Liability as a Percentage of Covered Payroll	784.89 %

Development of the Single Discount Rate

Single Discount Rate Beginning of Year	6.64 %
Single Discount Rate End of Year	6.78 %
Long-Term Expected Rate of Investment Return	7.00 %
Long-Term Municipal Bond Rate Beginning of Year ^b	2.85 %
Long-Term Municipal Bond Rate End of Year ^b	3.56 %
Last year ending June 30 in the 2017 to 2116 projection period for which projected benefit payments are fully funded	2073

Total Pension Expense for Fiscal Year End June 30, 2018 \$ 4,036,843,866

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses as of June 30, 2018

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual non-investment experience	\$ 19,369,063	\$ (1,042,269,278)
Changes in assumptions	3,394,100,695	(686,082,428)
Net difference between projected and actual earnings on pension plan investments	887,255,112	(858,561,361)
Total	\$ 4,300,724,870	\$ (2,586,913,068)

^a Covered payroll is based on the requirements of GASB Statement No. 82.

^b Source: The rate at the beginning of the year is based on the rate as of June 30, 2016, from the "20-Bond GO Index" which is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.s' AA.

The rate at the end of the year is the rate for fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.

Discussion

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions." The information contained in this report does not incorporate any contributions made to SERS subsequent to the measurement date of June 30, 2017.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience. The pension expense for fiscal year ending June 30, 2018, is based on the results of the actuarial valuation as of June 30, 2017.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expenses, and net increase or decrease in the fiduciary net position.

Discussion

Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows and inflows of resources related to pensions.

GASB Statement Nos. 67 and 68 require the notes of the financial statements for the employers and pension plans to include certain additional information. The list of disclosure items should include:

- A description of benefits provided by the plan;
- The type of employees and number of members covered by the pension plan;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The pension plan's investment policies;
- The pension plan's fiduciary net position and the net pension liability;
- The net pension liability using a discount rate that is 1 percent higher and 1 percent lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- Significant assumptions and methods used to calculate the total pension liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- The composition of the pension plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- Sources of changes in the net pension liability;
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- A comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

Discussion

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The GASB Statement No. 68 pension expense provided in this report is based on a measurement date of June 30, 2017, but will be used for fiscal year ending June 30, 2018.

The GASB Statement No. 68 pension expense for fiscal year ended June 30, 2017, is based on the results of the actuarial valuation as of June 30, 2016, and is provided in the June 30, 2016, GASB Statement Nos. 67 and 68 actuarial valuation report.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2017, and a measurement date of June 30, 2017.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 3.56 percent (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 6.78 percent.

Effective Date and Transition

GASB Statements Nos. 67 and 68 are effective for fiscal years beginning after June 15, 2013, and June 15, 2014, respectively.

Recent Legislation

Public Act ("P.A.") 100-0023, effective July 6, 2017, modified the State's funding policy and created a new tier of benefits for certain current and future active members not covered by Social Security. The State's funding policy was amended to include smoothing State contribution rate increases or decreases due to changes in actuarial assumptions, including investment return assumptions, over a five-year period in equal annual amounts beginning in fiscal year 2018. In addition, changes in actuarial or investment assumptions that increased or decreased the State contribution rate in fiscal years 2014 through 2017 are to be smoothed over a five-year period in equal annual amounts, applying only to the portion of the five-

Discussion

year phase-in that is applicable to fiscal years on and after 2018. The fiscal year 2018 State contribution was recertified, pursuant to P.A. 100-0023.

P.A. 100-0023 created a Hybrid (“Tier 3”) plan comprised of a defined benefit plan and a defined contribution plan to serve as an optional plan in lieu of the traditional Tier 2 defined benefit plan for current and future Tier 2 active members not covered by Social Security. The Tier 3 plan is expected to be available to applicable members beginning in fiscal year 2020. The election process for current Tier 2 members will be developed by the System. The provisions of the Tier 3 plan are provided in Section F of this report.

This report does not include the impact of Tier 3 benefits as defined in P.A. 100-0023, which became effective after the measurement date of June 30, 2017. Tier 3 benefits as defined in P.A. 100-0023 are not expected to significantly impact the actuarial accrued liability and the statutory contributions.

SECTION B

FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Employees' Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Statement of Fiduciary Net Position Years Ended June 30, 2017, and 2016

	2017	2016
Assets		
Cash	\$ 227,542,784	\$ 300,328,830
Receivables		
Contributions:		
Participants	\$ 12,374,224	\$ 11,893,976
Employing state agencies	71,478,289	70,171,117
Other Accounts	5,256,241	4,477,002
Total Receivables	\$ 89,108,754	\$ 86,542,095
Investments		
Held in the Illinois State Board of Investment		
Commingled Fund at fair value	\$ 16,322,605,337	\$ 14,741,054,633
Securities lending collateral with State Treasurer	63,393,000	64,256,000
Total Investments	\$ 16,385,998,337	\$ 14,805,310,633
Property and equipment, net of accumulated depreciation	\$ 7,701,569	\$ 6,938,949
Total Assets	\$ 16,710,351,444	\$ 15,199,120,507
Liabilities		
Payables		
Benefits payable	\$ 7,036,045	\$ 6,441,515
Refunds payable	1,465,371	1,141,622
Administrative expenses payable	1,389,540	1,768,589
Participants' deferred service credit accounts	418,106	316,145
Due to State of Illinois	106,469,590	86,668,485
Securities lending collateral with State Treasurer	63,393,000	64,256,000
Total Liabilities	\$ 180,171,652	\$ 160,592,356
Net Position Restricted for Pensions	\$ 16,530,179,792	\$ 15,038,528,151

Statement of Changes in Fiduciary Net Position Years Ended June 30, 2017, and 2016

	2017	2016
Additions		
Contributions		
Participants	\$ 251,610,974	\$ 256,198,172
Employing state agencies and appropriations	1,798,348,440	1,882,243,268
Total Contributions	\$ 2,049,959,414	\$ 2,138,441,440
Investment Income		
Net investments income	\$ 369,047,950	\$ 410,795,035
Interest earned on cash balances	1,327,756	756,489
Net appreciation in fair value of investments	1,442,502,754	(536,994,455)
Net Investment Income	\$ 1,812,878,460	\$ (125,442,931)
Total Additions	\$ 3,862,837,874	\$ 2,012,998,509
 Deductions		
Benefits		
Retirement annuities	\$ 2,111,021,041	\$ 1,977,598,561
Survivors' annuities	136,359,106	128,689,627
Disability benefits	64,167,865	64,057,780
Lump-sum benefits	17,072,771	20,155,235
Total Benefits	\$ 2,328,620,783	\$ 2,190,501,203
Refunds	26,608,011	26,708,730
Administrative	15,957,439	16,126,997
Total Deductions	\$ 2,371,186,233	\$ 2,233,336,930
 Net Increase in Net Position	 \$ 1,491,651,641	 \$ (220,338,421)
 Net Position Restricted for Pensions		
Beginning of Year	\$ 15,038,528,151	\$ 15,258,866,572
End of Year	\$ 16,530,179,792	\$ 15,038,528,151

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Employees' Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Schedules of Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios – Multiyear

Fiscal year ending June 30,	2017	2016	2015	2014	2013
Total Pension Liability					
Service Cost Including Pension Plan Administrative Expense	\$ 893,147,418	\$ 843,376,643	\$ 847,997,030	\$ 776,487,959	
Interest on the Total Pension Liability	3,217,531,841	2,989,387,125	2,912,736,360	2,754,121,665	
Changes of Benefit Terms	-	-	-	-	
Difference between Expected and Actual Experience	(601,530,567)	(730,622,389)	(464,942,210)	150,997,067	
Changes of Assumptions	(884,705,099)	5,048,087,579	360,713,498	3,142,466,514	
Benefit Payments, Including Refunds of Employee Contributions	(2,355,228,794)	(2,217,209,933)	(2,057,987,410)	(1,940,145,453)	
Pension Plan Administrative Expense	(15,957,439)	(16,126,997)	(16,547,823)	(16,615,105)	
Net Change in Total Pension Liability	253,257,361	5,916,892,028	1,581,969,445	4,867,312,648	
Total Pension Liability - Beginning	49,183,947,656	43,267,055,628	41,685,086,183	36,817,773,535	
Total Pension Liability - Ending (a)	\$ 49,437,205,016	\$ 49,183,947,656	\$ 43,267,055,628	\$ 41,685,086,183	
Plan Fiduciary Net Position					
Employer Contributions	\$ 1,798,348,440	\$ 1,882,243,268	\$ 1,804,319,356	\$ 1,699,447,826	
Employee Contributions	251,610,974	256,198,172	266,139,156	269,232,241	
Pension Plan Net Investment Income	1,812,878,460	(125,442,931)	681,377,052	2,169,346,258	
Benefit Payments, Including Refunds of Employee Contributions	(2,355,228,794)	(2,217,209,933)	(2,057,987,410)	(1,940,145,453)	
Pension Plan Administrative Expense	(15,957,439)	(16,126,997)	(16,547,823)	(16,615,105)	
Other	-	-	-	-	
Net Change in Plan Fiduciary Net Position	1,491,651,641	(220,338,421)	677,300,331	2,181,265,767	
Plan Fiduciary Net Position - Beginning	15,038,528,151	15,258,866,572	14,581,566,241	12,400,300,474	
Plan Fiduciary Net Position - Ending (b)	16,530,179,792	15,038,528,151	15,258,866,572	14,581,566,241	
Net Pension Liability - Ending (a) - (b)	\$ 32,907,025,224	\$ 34,145,419,505	\$ 28,008,189,056	\$ 27,103,519,942	
Plan Fiduciary Net Position as a Percentage					
of Total Pension Liability	33.44 %	30.58 %	35.27 %	34.98 %	
Covered-Employee Payroll^a	\$ 4,192,582,495	\$ 4,282,020,350	\$ 4,452,369,221	\$ 4,414,784,230	
Net Pension Liability as a Percentage					
of Covered-Employee Payroll	784.89 %	797.41 %	629.06 %	613.93 %	
Single Discount Rate, Beginning of Year	6.64 %	7.02 %	7.09 %	7.60 %	
Single Discount Rate, End of Year	6.78 %	6.64 %	7.02 %	7.09 %	7.60 %
Long-Term Municipal Bond Rate, End of Year	3.56 %	2.85 %	3.80 %	4.29 %	4.63 %
Long-Term Municipal Bond Rate Date	June 30, 2017	June 30, 2016	June 25, 2015	June 26, 2014	June 27, 2013

^aCovered payroll is based on the requirements of GASB Statement No. 82.
10 fiscal years will be built prospectively.

Schedules of Required Supplementary Information

Schedule of the Net Liability Multiyear

Last 10 Fiscal Years (which may be built prospectively)

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll ^a	Net Pension Liability as a % of Covered Payroll
2014	\$ 41,685,086,183	\$ 14,581,566,241	\$ 27,103,519,942	34.98 %	\$ 4,414,784,230	613.93 %
2015	43,267,055,628	15,258,866,572	28,008,189,056	35.27 %	4,452,369,221	629.06 %
2016	49,183,947,656	15,038,528,151	34,145,419,505	30.58 %	4,282,020,350	797.41 %
2017	49,437,205,016	16,530,179,792	32,907,025,224	33.44 %	4,192,582,495	784.89 %

^aCovered payroll is based on the requirements of GASB Statement No. 82.

Schedules of Required Supplementary Information

Schedule of Contributions Multiyear

Last 10 Fiscal Years

Fiscal Year	Actuarially Determined Contribution ^a	Actual Contribution ^b	Contribution Deficiency (Excess)	Covered Payroll ^c	Actual Contribution as a % of Covered Payroll	Statutory Contribution	Statutory Contribution Deficiency/(Excess)
7/1/07 - 6/30/08	\$ 986,410,891	\$ 587,732,407	\$ 398,678,484	\$ 3,967,704,000	14.81%	\$ 576,626,422	\$ (11,105,985)
7/1/08 - 6/30/09	1,003,432,849	774,910,344	228,522,505	4,027,263,000	19.24%	769,851,595	(5,058,749)
7/1/09 - 6/30/10	1,177,313,343	1,095,545,856	81,767,487	4,119,360,892	26.60%	1,168,951,040	73,405,184
7/1/10 - 6/30/11	1,289,002,005	1,127,886,796	161,115,209	4,211,186,269	26.78%	1,102,783,348	(25,103,448)
7/1/11 - 6/30/12	1,614,834,808	1,391,416,375	223,418,433	4,328,767,884	32.14%	1,396,216,080	4,799,705
7/1/12 - 6/30/13	1,741,286,416	1,531,932,137	209,354,279	4,235,366,263	36.17%	1,529,942,834	(1,989,303)
7/1/13 - 6/30/14	1,956,841,419	1,699,447,826	257,393,593	4,414,784,230	38.49%	1,697,348,287	(2,099,539)
7/1/14 - 6/30/15	2,045,354,223	1,804,319,356	241,034,867	4,452,369,221	40.52%	1,802,494,852	(1,824,504)
7/1/15 - 6/30/16	2,019,691,233	1,882,243,268	137,447,965	4,282,020,350	43.96%	1,879,978,178	(2,265,090)
7/1/16 - 6/30/17	2,129,482,987	1,798,348,440	331,134,547	4,192,582,495	42.89%	1,796,002,586	(2,345,854)

^aThe SERS statutory funding may not conform with the Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded actuarial accrued liability as a level percentage of capped payroll. The amortization period for fiscal years 2008 through 2016 is an open 30-year period, and a closed 25-year period for fiscal years on and after 2017. The actuarially determined contribution (as a percent of payroll) for each fiscal year was determined as of the valuation two years prior and then applied to payroll in force as of the valuation date.

^bThe actual contributions for fiscal year ended June 30, 2008, through June 30, 2016, were obtained from the System's comprehensive annual financial reports. The actual contribution for fiscal year ended June 30, 2017, was provided by the System.

^cCovered payroll for fiscal years on and after June 30, 2012, were restated to comply with the requirements of GASB Statement No. 82. For fiscal years prior to June 30, 2012, covered payroll was not restated to comply with the requirements of GASB Statement No. 82 due to system limitations.

Schedules of Required Supplementary Information

Notes to Schedule of Contributions

Valuation Date:	June 30, 2017
Notes	Actuarially determined contribution rates and Statutory contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions will be made.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Statutory Contributions — The Statutory Contribution is equal to the level percentage of pay contributions determined so that the Plan attains a 90 percent funded ratio by the end of 2045. An amortization payment is not directly calculated. The amortization payment is the difference between the total statutory contribution and the employer normal cost contribution.
	 Actuarially Determined Contributions — The Actuarially Determined Contribution is equal to the employer's normal cost plus a level percent of capped payroll amortization of the unfunded accrued liability. The amortization period for fiscal years prior to 2007 is an open-period 40 years and the amortization period for fiscal years 2006 through 2016 is an open-period 30 years. The Board has adopted a policy to calculate the ADC for financial reporting purposes, effective for the valuation as of June 30, 2015. Under this policy, the ADC for fiscal years ending on and after June 30, 2017, is calculated as the employer's normal cost plus a 25-year level percent of capped payroll closed-period amortization of the unfunded accrued liability. As of June 30, 2017, the remaining amortization period is 23 years. The ADC is expressed as a percentage and applied to capped payroll for the fiscal year.
Asset Valuation Method	5-year smoothed market
Inflation	2.75 percent
Salary Increases	Salary increase rates based on age-related productivity and merit rates plus inflation.
Postretirement Benefit Increases	Postretirement benefit increases of 3.00 percent, compounded, for Tier 1 and 3.00 percent or one-half of the annual increase in the Consumer Price Index, whichever is less, simple, for Tier 2.
Investment Rate of Return	7.00 percent as of the June 30, 2017, actuarial valuation.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2014, actuarial valuation pursuant to an experience study of the period July 1, 2009, to June 30, 2013.
Mortality	105 percent of the RP-2014 Healthy Annuitant mortality table, sex distinct, with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales.
Other Information:	
Notes	The statutory contribution for fiscal year ending June 30, 2017, was determined based on the results of the June 30, 2015, actuarial valuation. Similarly, the statutory contributions for fiscal years ending June 30, 2018, and June 30, 2019, were determined based on the results of the actuarial valuations performed two years prior. All other contributions are projected using current assumptions.
Methods and Assumptions Used for Accounting Purposes as of the Valuation Date:	
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.64 percent as of the June 30, 2016, actuarial valuation. 6.78 percent as of the June 30, 2017, actuarial valuation.
Asset Valuation Method	Market value

SECTION D

NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the State Employees' Retirement System of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumptions

Single Discount Rate

A Single Discount Rate of 6.78 percent was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 3.56 percent. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.78 percent, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Current Single Discount		
1% Decrease	Rate Assumption	1% Increase
5.78%	6.78%	7.78%
\$ 39,818,202,223	\$ 32,907,025,224	\$ 27,250,883,297

Summary of Population Statistics

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	71,805
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	24,958
Active Plan Members	<u>60,612</u>
Total Plan Members	157,375

Additional information about the member data used is included in the June 30, 2017, actuarial valuation report.

SECTION E

GASB STATEMENT NO. 68 PENSION EXPENSE

Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal Year End 6/30	2017	2016
A. Total Pension Liability		
1. Service Cost Including Pension Plan Administrative Expense	\$ 893,147,418	\$ 843,376,643
2. Interest on the Total Pension Liability	3,217,531,841	2,989,387,125
3. Changes of Benefit Terms	-	-
4. Difference Between Expected and Actual Experience of the Total Pension Liability	(601,530,567)	(730,622,389)
5. Changes of Assumptions	(884,705,099)	5,048,087,579
6. Benefit Payments, Including Refunds of Employee Contributions	(2,355,228,794)	(2,217,209,933)
7. Pension Plan Administrative Expense	(15,957,439)	(16,126,997)
8. Net Change in Total Pension Liability	\$ 253,257,361	\$ 5,916,892,028
9. Total Pension Liability – Beginning	49,183,947,656	43,267,055,628
10. Total Pension Liability – Ending	\$ 49,437,205,016	\$ 49,183,947,656
B. Plan Fiduciary Net Position		
1. Contributions – Employer	\$ 1,798,348,440	\$ 1,882,243,268
2. Contributions – Employee	251,610,974	256,198,172
3. Net Investment Income	1,812,878,460	(125,442,931)
4. Benefit Payments, Including Refunds of Employee Contributions	(2,355,228,794)	(2,217,209,933)
5. Pension Plan Administrative Expense	(15,957,439)	(16,126,997)
6. Other	-	-
7. Net Change in Plan Fiduciary Net Position	\$ 1,491,651,641	\$ (220,338,421)
8. Plan Fiduciary Net Position – Beginning	15,038,528,151	15,258,866,572
9. Plan Fiduciary Net Position – Ending	\$ 16,530,179,792	\$ 15,038,528,151
C. Net Pension Liability	\$ 32,907,025,224	\$ 34,145,419,505
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.44%	30.58%
E. Covered-Employee Payroll^a	\$ 4,192,582,495	\$ 4,282,020,350
F. Net Pension Liability as a Percentage of Covered-Employee Payroll	784.89%	797.41%

^aCovered payroll is based on the requirements of GASB Statement No. 82.

Statement of Pension Expense under GASB Statement No. 68

Plan Year Ended June 30, 2017,

Applicable to Fiscal Year Ending June 30, 2018

A. Expense

1. Service Cost Including Pension Plan Administrative Expense	\$ 893,147,418
2. Interest on the Total Pension Liability	3,217,531,841
3. Current-Period Benefit Changes	-
4. Employee Contributions (made negative for addition here)	(251,610,974)
5. Projected Earnings on Plan Investments (made negative for addition here)	(1,041,644,184)
6. Other Changes in Plan Fiduciary Net Position	-
7. Recognition of Outflow (Inflow) of Resources due to Liabilities	(361,367,163)
8. Recognition of Outflow (Inflow) of Resources due to Assumption Changes	1,655,813,267
9. Recognition of Outflow (Inflow) of Resources due to Assets	(75,026,339)
10. Total Pension Expense	\$ 4,036,843,866

B. Reconciliation of Net Pension Liability

1. Net Pension Liability Beginning of Year	\$ 34,145,419,505
2. Total Pension Expense	4,036,843,866
3. Employer Contributions (made negative for addition here)	(1,798,348,440)
4. Change in Deferred Liability Experience (Inflows)/Outflows	(240,163,403)
5. Change in Deferred Assumption Changes Experience (Inflows)/Outflows	(2,540,518,366)
6. Change in Deferred Investment Experience (Inflows)/Outflows	(696,207,938)
7. Net Pension Liability End of Year	\$ 32,907,025,224

The pension expense is based on a measurement date of June 30, 2017, but will be used for fiscal year ending June 30, 2018. Our understanding is that SERS is a single employer defined benefit pension plan. If the sponsor has component units, a proportionate share allocation of the pension expense and net pension liability under paragraph 342 of GASB Statement No. 68 may be required.

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods for Plan Year Ended June 30, 2017*

A. Outflows and (Inflows) of Resources Recognized in Current and Future Pension Expenses as of Plan Year End June 30, 2017

Experience (Gain)/Loss	Original Balance	Date Established	Original	Amount Recognized in Past Pension Expenses	Amount Recognized in Current Pension Expense	Deferred (Inflows)	Deferred Outflows
			Recognition Period/ Amortization Factor			to be Recognized in Future Pension Expenses	to be Recognized in Future Pension Expenses
1. Differences Between Expected and Actual Non-Investment Experience	\$ (601,530,567)	June 30, 2017	4.4542	\$ -	\$ (135,047,947)	\$ (466,482,619)	\$ -
	(730,622,389)	June 30, 2016	4.6271	(157,900,713)	(157,900,713)	(414,820,963)	-
	(464,942,210)	June 30, 2015	4.5886	(202,651,010)	(101,325,505)	(160,965,695)	-
	150,997,067	June 30, 2014	4.5886	98,721,003	32,907,001	-	19,369,063
	<u>\$ (1,646,098,099)</u>			<u>4.5646</u>	<u>\$ (261,830,720)</u>	<u>\$ (361,367,163)</u>	<u>\$ (1,042,269,278)</u>
2. Assumption Changes	\$ (884,705,099)	June 30, 2017	4.4542	\$ -	\$ (198,622,670)	\$ (686,082,428)	\$ -
	5,048,087,579	June 30, 2016	4.6271	1,090,983,030	1,090,983,030	-	2,866,121,519
	360,713,498	June 30, 2015	4.5886	157,221,592	78,610,796	-	124,881,110
	3,142,466,514	June 30, 2014	4.5886	2,054,526,336	684,842,112	-	403,098,066
	<u>\$ 7,666,562,492</u>			<u>4.5646</u>	<u>\$ 3,302,730,958</u>	<u>\$ 1,655,813,267</u>	<u>\$ (686,082,428)</u>
3. Difference Between Expected and Actual Investment Earnings	\$ (771,234,276)	June 30, 2017	5.0000	\$ -	\$ (154,246,855)	\$ (616,987,421)	\$ -
	1,228,330,984	June 30, 2016	5.0000	245,666,197	245,666,197	-	736,998,590
	375,641,305	June 30, 2015	5.0000	150,256,522	75,128,261	-	150,256,522
	(1,207,869,708)	June 30, 2014	5.0000	(724,721,826)	(241,573,942)	(241,573,940)	-
	<u>\$ (375,131,695)</u>			<u>5.0000</u>	<u>\$ (328,799,107)</u>	<u>\$ (75,026,339)</u>	<u>\$ (858,561,361)</u>
4. Total	\$ 5,645,332,699			\$ 2,712,101,131	\$ 1,219,419,765	\$ (2,586,913,068)	\$ 4,300,724,870

B. Deferred Outflows and Deferred (Inflows) of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Differences Between Expected and Actual Non-Investment Experience	Assumption Changes	Differences Between Expected and Actual Investment Experience	Year Ending June 30	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ (374,905,102)	\$ 1,374,069,222	\$ (75,026,338)	2018	\$ 1,912,855,413	\$ (988,717,631)	\$ 924,137,782
2019	(352,588,851)	938,630,674	166,547,603	2019	1,458,047,803	(705,458,377)	752,589,426
2020	(234,067,484)	485,532,788	91,419,342	2020	929,821,655	(586,937,010)	342,884,645
2021	(61,338,778)	(90,214,417)	(154,246,855)	2021	-	(305,800,050)	(305,800,050)
2022	-	-	-	2022	-	-	-
Thereafter	-	-	-	Thereafter	-	-	-
Total	\$ (1,022,900,215)	\$ 2,708,018,267	\$ 28,693,751	Total	\$ 4,300,724,870	\$ (2,586,913,068)	\$ 1,713,811,803

*Based on a measurement date of June 30, 2017, but will be used for fiscal year ending June 30, 2018. Employer's proportionate share of calculations of the net pension liability, pension expense and deferred inflows and outflows are outside the scope of this report.

Numbers may not add due to rounding.

SECTION F

SUMMARY OF RETIREMENT SYSTEM PLAN PROVISIONS

Summary of Retirement System Plan Provisions (as of June 30, 2017)

Purpose

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

Administration

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

Membership

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

Membership Service

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

Member Contributions

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

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

Summary of Retirement System Plan Provisions (as of June 30, 2017)

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

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

Credit for regular interest each fiscal year on a member's individual contribution account is computed on the accumulated balance in the account at the beginning of each fiscal year.

Retirement Pension

Qualification of Member

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

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

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

Amount of Pension

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

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

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

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

Summary of Retirement System Plan Provisions (as of June 30, 2017)

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

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

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

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

Optional Forms of Payment

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

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

Annual Increases in Pension

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

Survivors Annuity

Qualification of Survivor

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

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

Amount of Payment

If the member's death occurs before retirement, the named beneficiary receives a lump sum refund of all of the member's pension contributions plus interest, excluding contributions for widows and survivors

Summary of Retirement System Plan Provisions (as of June 30, 2017)

benefits. A single lump sum payment of \$1,000 is also made immediately to the survivor beneficiary of the member.

An eligible spouse receives a monthly annuity equal to 30 percent of the member's final average compensation subject to a maximum of \$400. If children of the member are under the care of the spouse, the annuity is increased for each child, subject to a monthly maximum of \$600 or 80 percent of final average compensation. If only eligible children survive, the monthly annuity may not exceed the lesser of \$600 or 80 percent of final average compensation. The maximum combined monthly payment to parents may not exceed \$400. If the member's death occurs after retirement or after termination of State employment but before the member receives a pension, the monthly benefit is further limited to 80 percent of the pension received or earned by the member. Monthly benefits payable to survivors of a member who was covered by Social Security as a State employee are reduced by one-half of the Social Security benefits for which the survivors are eligible. For benefits granted on or after January 1, 1992, the reduction may not exceed 50 percent of the amount of survivors annuity otherwise payable. If death of the member occurs on or after January 1, 1984, the minimum total survivors annuity benefit payable (before any reduction for Social Security benefits) is equal to 50 percent of the member's earned pension without regard to the member's age at death. Any member who retires on or after July 1, 2009, will have the option at the time of retirement to remove the offset provision. In exchange for the removal, SERS will reduce the member's retirement annuity by 3.825 percent.

Duration of Payment

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

Annual Increases in Annuity

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

Widow's Annuity Option

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

Qualification of Widow

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

Summary of Retirement System Plan Provisions (as of June 30, 2017)

Amount of Payment

The Widow's Annuity consists of a lump sum payment of \$500, plus a monthly annuity equal to 50 percent of the pension earned or received by the member at the date of death. If the widow has in her care eligible children of the member, the monthly annuity is increased because of each child, subject to a maximum payment equal to 66-2/3 percent of the earned pension. Monthly benefits payable to a widow of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits she is entitled to as a widow from Social Security (reduced by one-half of the amount of benefits she is entitled to based on her own Primary Insurance Amount). For benefits granted on or after January 1, 1992, the reduction may not exceed 50 percent of the amount of widow's annuity otherwise payable. Any member who retires on or after July 1, 2009, will have the option at the time of retirement to remove the offset provision. In exchange for the removal, SERS will reduce the member's retirement annuity by 3.825 percent.

Duration of Payment

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

Annual Increases in Annuity

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

Occupational Death Benefit

Qualification of Survivors

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

Amount and Duration of Payment

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

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

Summary of Retirement System Plan Provisions (as of June 30, 2017)

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

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

Annual Increases in Annuity

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

Reductions

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

Other Death Benefits

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

Before Retirement

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

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

After Retirement

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

Non-Occupational Disability Benefits

Qualification and Amount of Payment

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

Summary of Retirement System Plan Provisions (as of June 30, 2017)

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

Duration of Payment

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

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

Annual Increases in Annuity

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

Occupational Disability Benefit

Qualification and Amount of Payment

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

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

Duration of Payment

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

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

Annual Increases in Annuity

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

Summary of Retirement System Plan Provisions (as of June 30, 2017)

Temporary Disability Benefit

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

Separation Benefits

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

Provisions Applicable to Members Hired after December 31, 2010, as a result of Public Act 96-0889

Final Average Compensation

Based on last eight years of service and may not exceed \$106,800, as automatically increased by the lesser of 3 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year.

Retirement Eligibility – All Members Except State policemen, fire fighters in the fire protection service of a department or security employees of the Department of Corrections or the Department of Juvenile Justice

Normal retirement – 67 years old with 10 years of service.

Early Retirement – 62 years old with 10 years of service with a 6.0 percent per year reduction in benefit for each year age is under 67.

Retirement Eligibility – State policemen, fire fighters in the fire protection service of a department or security employees of the Department of Corrections or the Department of Juvenile Justice

Normal retirement – 60 years old with 20 years of service.

Annual Increases in Annuity

Annual increases begin at the later of the first anniversary of retirement or age 67. The annual increases are equal to the lesser of 3.0 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year and are not compounded.

Survivor Benefits

Benefit equal to 66.67 percent of the earned retirement benefit at death. Survivor benefits are increased by the lesser of 3.0 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year and are not compounded.

Summary of Retirement System Plan Provisions (as of June 30, 2017)

Miscellaneous

State policeman, a fire fighter in the fire protection service of a department or a security employee of the Department of Corrections or the Department of Juvenile are still eligible for Alternate formula benefits as defined in section 14-110 of the Illinois Pension Code.

Salary and COLA Development for Members Hired on or After January 1, 2011

Year Ending	CPI-U	1/2 CPI-U	COLA	Maximum Annual Pensionable Earnings
2011			3.00%	\$106,800.00
2012	3.90%	1.95%	1.95%	\$108,882.60
2013	2.00%	1.00%	1.00%	\$109,971.43
2014	1.20%	0.60%	0.60%	\$110,631.26
2015	1.70%	0.85%	0.85%	\$111,571.63
2016	0.00%	0.00%	0.00%	\$111,571.63
2017	1.50%	0.75%	0.75%	\$112,408.42

Provisions Applicable to Certain Current and Future Members not covered by Social Security, as a result of Public Act 100-0023

Defined Benefit Provisions

Final Average Compensation

Based on last 10 years of service and may not exceed the federal Social Security Wage Base, currently \$127,200 for calendar year 2018.

Retirement Eligibility

The greater of Normal Retirement Age under Social Security or age 67 years old with 10 years of service.

Benefit Formula

The member's benefit is equal to 1.25 percent for each year of service.

Annual Increases in Annuity

Annual increases begin on the first anniversary of retirement. The annual increases are equal to the one-half of the annual increase in the consumer price index-w during the preceding 12-month calendar year and are not compounded.

Summary of Retirement System Plan Provisions (as of June 30, 2017)

Survivor Benefits

Benefit equal to 66.67 percent of the earned retirement benefit at death. Survivor benefits are increased by one-half of the annual increase in the consumer price index-w during the preceding 12-month calendar year and are not compounded.

Member Contributions

Members contribute the lesser of 6.2 percent of pensionable compensation and the total normal cost rate for the Tier 3 plan.

Defined Contribution Provisions

Plan consists of employee and employer contributions and investment income earned on such contributions.

Administrative fees will be deducted as a uniform percentage of each participating member's employee contributions.

Employer Contributions

Employer contributions are at a rate between 2.0 percent and 6.0 percent of salary.

Employer contributions vest immediately.

Member Contributions

Member contribution rate equals 4.0 percent of salary.

SECTION G

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Methods — Calculation of the Total Pension Liability

Actuarial Cost Method – Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Valuation Methods — Calculation of the Statutory Contributions, Actuarial Cost Method Adopted June 30, 1989, by Statute

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

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

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

Estimated annual administrative expenses are added to the normal cost.

For valuation purposes, as well as projection purposes, an actuarial value of assets is used.

Appropriation Requirements Under P.A. 88-0593

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

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

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Actuarial Assumptions Adopted June 30, 2016

Actuarial assumptions are set by the Board of Trustees. The actuarial assumptions used for the June 30, 2017, actuarial valuation are based on a full experience review for the four-year period ended June 30, 2013, and a modified experience review for the three-year period ended June 30, 2015. All actuarial assumptions are expectations of future experience, not market measures.

Mortality

Post-Retirement Mortality

105 percent of the RP-2014 Healthy Annuitant mortality tables, sex distinct, with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales recently released by the Society of Actuaries. This assumption provides a margin for future mortality improvements. No adjustment is made for post-disabled mortality.

Pre-Retirement Mortality, including terminated vested members prior to attaining age 50

Based on a percentage of 75 percent for males and 90 percent for females of the RP-2014 Total Employee mortality table with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales, to reflect that experience shows active members having lower mortality rates than retirees of the same age. Five percent of deaths among active employees are assumed to be in the performance of their duty.

Interest

7.00 percent per annum, compounded annually, net of investment expenses.

General Inflation

2.75 percent per annum, compounded annually.

This assumption serves as the basis for the determination of Tier Two annual increases that are equal to the lesser of 3.0 percent or one-half of the annual increase in the consumer price index-u during the preceding 12-month calendar year and are not compounded.

Marriage Assumption

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

Social Security Offset for Survivor Benefits

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

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

benefit. It is assumed the offset at age 62 is 10.0 percent of the original survivor benefit. Furthermore, it is assumed that 50 percent of retirees on or after July 1, 2009, will elect to remove the offset provision. In exchange for the removal, the member's retirement annuity is reduced by 3.825 percent monthly as mandated by Statutes.

Termination

Illustrative rates of withdrawal from the plan are as follows for Tier One members:

Service Based Withdrawal				
Service (Beginning of Year)	Regular Formula Employees		Alternate Formula Employees	
	Males	Females	Males	Females
0	0.2300	0.2300	0.0325	0.0600
1	0.1200	0.1200	0.0325	0.0450
2	0.0950	0.0850	0.0325	0.0450
3	0.0700	0.0650	0.0200	0.0400
4	0.0625	0.0500	0.0175	0.0300
5	0.0425	0.0475	0.0175	0.0300
6	0.0425	0.0350	0.0175	0.0300
7	0.0350	0.0350	0.0175	0.0200
8	0.0300	0.0300	0.0150	0.0200
9	0.0250	0.0250	0.0150	0.0200
10	0.0250	0.0250	0.0150	0.0200
11	0.0200	0.0200	0.0125	0.0175
12	0.0200	0.0200	0.0125	0.0175
13	0.0200	0.0200	0.0100	0.0150
14	0.0150	0.0150	0.0100	0.0150
15	0.0150	0.0150	0.0100	0.0150
16	0.0150	0.0150	0.0100	0.0150
17	0.0150	0.0150	0.0100	0.0150
18	0.0150	0.0150	0.0100	0.0150
19	0.0150	0.0150	0.0100	0.0150
20	0.0150	0.0100	0.0100	0.0150
21	0.0150	0.0100	0.0100	0.0150
22	0.0150	0.0100	0.0100	0.0150
23	0.0150	0.0100	0.0100	0.0150
24	0.0150	0.0100	0.0100	0.0150
25	0.0150	0.0100	0.0100	0.0150
26	0.0150	0.0100	0.0100	0.0150
27	0.0150	0.0100	0.0100	0.0150
28	0.0150	0.0100	0.0100	0.0150
29	0.0150	0.0100	0.0100	0.0150
30+	0.0150	0.0100	0.0100	0.0150

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

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Salary Increases

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

Age	Annual Increase
25	7.67%
30	6.20%
35	5.30%
40	4.97%
45	4.58%
50	4.26%
55	4.05%
60	3.85%
65	3.47%
70	3.25%

The underlying salary increase assumption is based on a wage inflation assumption of 3.25 percent per annum, comprised of 2.75 percent for general inflation plus 0.50 percent for general merit and productivity increases.

Disability

Because members who receive disability benefits typically spend less than one year on disability, they are considered active members. Therefore a load of 1.65 percent of pay on the normal cost is applied to reflect the near-term cash flow. This assumption is based on 110 percent of the most recent disability benefit payment information as a percent of payroll and will be updated at each actuarial valuation date as experience emerges.

415(b) and 401(a)(17) Limits

No explicit assumption is made with respect to these items.

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Population Projection

For purposes of determining annual appropriation as a percent of total covered payroll, the size of the active group is assumed to remain level at the number of actives as of the actuarial valuation date. New entrants are assumed to enter with an average age and an average pay as disclosed below. New entrants are assumed to have the same demographic profile as new entrants in the 15 years prior to the valuation date. The average increase in uncapped payroll for the projection period is 3.25 percent per annum. New entrants not covered by Social Security are assumed to participate in the Tier 2 defined benefit plan.

New Entrant Benefit Groups														
Age Group	New Entrants Eligible for Regular Formula Benefits who are Covered by Social Security		New Entrants Eligible for Regular Formula Benefits who are not Covered by Social Security		New Entrants in Positions Formerly Eligible for Alternate Formula Benefits who are Covered by Social Security and are now Eligible for Regular Formula Benefits		New Entrants Eligible for Alternate Formula Benefits who are Covered by Social Security		New Entrants in Positions Formerly Eligible for Alternate Formula Benefits who are not Covered by Social Security and are now Eligible for Regular Formula Benefits		New Entrants Eligible for Alternate Formula Benefits who are not Covered by Social Security		Total	
	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary
Under 20	127	3,689,235			45	1,935,776	21	922,019					193	6,547,030
20-24	2,245	84,748,730	11	447,475	1,270	57,075,976	515	23,574,332	283	18,099,737	8	251,731	4,332	184,197,981
25-29	3,838	167,243,099	25	1,316,902	1,484	69,064,094	618	30,454,069	401	27,027,961	4	129,633	6,370	295,235,758
30-34	3,426	163,599,516	15	829,969	823	41,202,801	463	24,726,638	162	11,337,316	1	31,700	4,890	241,727,940
35-39	2,889	147,564,363	5	243,430	534	28,137,736	371	21,060,414	76	5,308,156	1	57,781	3,876	202,371,880
40-44	2,871	150,399,683	7	386,900	455	25,430,203	287	16,766,146	29	2,017,509			3,649	195,000,441
45-49	2,440	129,147,007	7	402,600	366	20,503,602	219	13,573,027	10	579,126			3,042	164,205,362
50-54	2,006	108,580,572	3	189,630	199	11,752,451	118	7,248,390	10	774,541			2,336	128,545,584
55-59	1,237	64,223,979	5	352,761	131	7,822,880	59	3,362,341	11	840,939			1,443	76,602,900
60-64	456	23,870,203			37	2,331,415	13	1,051,592	3	259,022			509	27,512,232
65-69	28	1,634,927			4	227,177							32	1,862,104
70 & Over														
Total	21,563	\$ 1,044,701,314	78	\$ 4,169,667	5,348	\$ 265,484,111	2,684	\$ 142,738,968	985	\$ 66,244,307	14	\$ 470,845	30,672	\$ 1,523,809,212
Avg. Salary		\$ 48,449		\$ 53,457		\$ 49,642		\$ 53,181		\$ 67,253		\$ 33,632		\$ 49,681
Avg. Age		37.65		33.95		32.09		33.30		28.62		24.84		36.00
Percent Male		43%		91%		77%		71%		89%		100%		53%

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Retirement

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

Retirement Rates for Regular Formula Employees		
Age	Males	Females
50	15.00%	25.00%
51	15.00%	25.00%
52	25.00%	30.00%
53	25.00%	25.00%
54	20.00%	20.00%
55	17.50%	16.00%
56	17.50%	16.00%
57	15.00%	16.00%
58	15.00%	16.00%
59	15.00%	16.00%
60	10.00%	16.00%
61	10.00%	12.50%
62	20.00%	20.00%
63	17.50%	17.50%
64	15.00%	17.50%
65	20.00%	25.00%
66	25.00%	20.00%
67	20.00%	20.00%
68	20.00%	20.00%
69	17.50%	20.00%
70	17.50%	20.00%
71	17.50%	15.00%
72	15.00%	20.00%
73	17.50%	20.00%
74	20.00%	20.00%
75	100.00%	100.00%

Early Retirement Rates for Regular Formula Employees		
Age	Males	Females
55	4.50%	4.50%
56	6.00%	4.00%
57	5.00%	7.00%
58	7.50%	9.50%
59	9.50%	12.00%

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Retirement Rates for Alternate Formula Employees				
Age	Eligible for Alternate Formula Benefits Only		Eligible for Regular Formula Benefits Only	
	Males	Females	Males	Females
50	60.00%	40.00%	N/A	N/A
51	45.00%	40.00%	N/A	N/A
52	45.00%	35.00%	N/A	N/A
53	40.00%	30.00%	N/A	N/A
54	40.00%	25.00%	N/A	N/A
55	35.00%	30.00%	N/A	N/A
56	35.00%	25.00%	N/A	N/A
57	27.50%	20.00%	N/A	N/A
58	30.00%	20.00%	N/A	N/A
59	25.00%	25.00%	N/A	N/A
60	30.00%	30.00%	5.00%	8.00%
61	25.00%	20.00%	5.00%	8.00%
62	45.00%	45.00%	10.00%	8.00%
63	40.00%	35.00%	10.00%	12.50%
64	30.00%	40.00%	10.00%	12.50%
65	55.00%	40.00%	20.00%	17.50%
66	50.00%	60.00%	20.00%	15.00%
67	50.00%	50.00%	20.00%	40.00%
68	30.00%	15.00%	17.50%	30.00%
69	35.00%	35.00%	17.50%	20.00%
70	50.00%	60.00%	17.50%	25.00%
71	30.00%	50.00%	17.50%	30.00%
72	100.00%	100.00%	100.00%	100.00%

Assets

The Fiduciary Net Position is used for GASB reporting purposes. The asset method used to project contributions is prescribed by statute. A description of this method can be found in the June 30, 2017, actuarial valuation report.

Expenses

As estimated and advised by SERS staff, based on current expenses and are expected to increase in relation to the projected capped payroll.

Spouse's Age

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

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Children

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

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

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

Overtime and Shift Differentials

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

Load for Inactive Members Eligible for Deferred Vested Pension Benefits

Load of 15 percent to the liability attributable to inactive members eligible for deferred vested pension benefits for increase in final average salary due to participation in a reciprocal system after termination.

Unused Sick Leave and Optional Service Purchases

Current and future active member's service is increased 4.5 months to account for increases of service at retirement due to converting unused sick leave and vacation days and purchasing applicable optional service.

Missing Data

If year-to-date earnings were not available, then the monthly pay rate is used. If both year-to-date earnings and the monthly pay rate are not available, the annual rate of pay is assumed to be the rate of pay for the population as a whole on the actuarial valuation date. For members with less than a year of service, the annual rate of pay is based on the greater of year-to-date earnings or annualized pay rate. If a birth date was not available, the member was assumed to be age 35.

Decrement Timing

All decrements are assumed to occur mid-year.

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Decrement Relativity

Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

Decrement Operation

Disability and turnover decrements do not operate after a member reaches retirement eligibility.

Eligibility Testing

Eligibility for benefits is determined based upon the age nearest birthday and service on the date the decrement is assumed to occur.

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Assumptions as a Result of Public Act 96-0889 Adopted June 30, 2016

Members hired after December 31, 2010, are assumed to make contributions on salary up to the final average compensation cap in a given year until this plan provision or administrative procedure is clarified.

State contributions, expressed as a percentage of pay, are calculated based upon capped pay.

Members hired after December 31, 2010, eligible for the regular formula benefits will retire according to the following age-based retirement rates:

Retirement Rates for Regular Formula Employees			
Age	Employees Eligible For Normal Retirement	Age	Employees Eligible For Early Retirement
67	50.00%	62	30.00%
68	35.00%	63	15.00%
69	35.00%	64	15.00%
70	35.00%	65	15.00%
71	20.00%	66	15.00%
72	20.00%		
73	20.00%		
74	20.00%		
75	100.00%		

Members hired after December 31, 2010, eligible for the alternate formula benefits will retire according to the following age-based retirement rates:

Retirement Rates for Alternate Formula Employees		
Age	Males	Females
60	50.00%	50.00%
61	25.00%	20.00%
62	45.00%	45.00%
63	40.00%	35.00%
64	30.00%	40.00%
65	55.00%	40.00%
66	50.00%	60.00%
67	50.00%	50.00%
68	30.00%	15.00%
69	35.00%	35.00%
70	50.00%	60.00%
71	30.00%	50.00%
72	100.00%	100.00%

Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and Experience Studies

Illustrative rates of withdrawal from the plan are as follows for members hired after December 31, 2010:

Service Based Withdrawal				
Service (Beginning of Year)	Regular Formula Employees		Alternate Formula Employees	
	Males	Females	Males	Females
0	0.2700	0.2500	0.0500	0.0775
1	0.1400	0.1600	0.0350	0.0475
2	0.0800	0.1000	0.0350	0.0475
3	0.0800	0.0800	0.0225	0.0425
4	0.0625	0.0700	0.0200	0.0325
5	0.0500	0.0600	0.0200	0.0325
6	0.0450	0.0550	0.0200	0.0325
7	0.0400	0.0500	0.0200	0.0225
8	0.0350	0.0450	0.0175	0.0225
9	0.0300	0.0400	0.0175	0.0225
10	0.0250	0.0350	0.0175	0.0225
11	0.0200	0.0250	0.0150	0.0200
12	0.0200	0.0200	0.0150	0.0200
13	0.0200	0.0200	0.0125	0.0175
14	0.0150	0.0150	0.0125	0.0175
15	0.0150	0.0150	0.0100	0.0150
16	0.0150	0.0150	0.0100	0.0150
17	0.0150	0.0150	0.0100	0.0150
18	0.0150	0.0150	0.0100	0.0150
19	0.0150	0.0150	0.0100	0.0150
20	0.0150	0.0150	0.0100	0.0150
21	0.0150	0.0150	0.0100	0.0150
22	0.0150	0.0150	0.0100	0.0150
23	0.0150	0.0150	0.0100	0.0150
24	0.0150	0.0150	0.0100	0.0150
25	0.0150	0.0150	0.0100	0.0150
26	0.0150	0.0150	0.0100	0.0150
27	0.0150	0.0150	0.0100	0.0150
28	0.0150	0.0150	0.0100	0.0150
29	0.0150	0.0150	0.0100	0.0150
30+	0.0150	0.0150	0.0100	0.0150

Miscellaneous and Technical Assumptions

Projection Methodology Adopted June 30, 2005, and Amended June 30, 2009 and June 30, 2017

Appropriation Requirements Under P.A. 93-0002, P.A. 94-0004, P.A. 96-0043 and P.A. 100-0023

State Contributions under P.A. 93-0002

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

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

Miscellaneous and Technical Assumptions

State Contributions under P.A. 94-0004

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

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

(g) In addition to the contributions otherwise required under this Article, the State shall appropriate and pay to the System an amount equal to \$70,000,000 in State fiscal years 2004 and 2005.

State Contributions under P.A. 96-0043

The following is an excerpt from the Illinois Compiled statutes 40 ILCS 5/14-131:

(g) For purposes of determining the required State contribution to the System, the value of the System's assets shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:

As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the five-year period following that fiscal year.

(h) For purposes of determining the required State contribution to the System for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal to the System's actuarially assumed rate of return.

State Contributions under P.A. 100-0023

Public Act ("P.A.") 100-0023, effective July 6, 2017, modified the State's funding policy to include smoothing State contribution rate increases or decreases due to changes in actuarial assumptions, including investment return assumptions, over a five-year period in equal annual amounts beginning in fiscal year 2018. In addition, changes in actuarial or investment assumptions that increased or decreased the State contribution rate in fiscal years 2014 through 2017 are to be smoothed over a five-year period in equal annual amounts, applying only to the portion of the five-year phase-in that is applicable to fiscal years on and after 2018.

SECTION H

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement Nos. 67 and 68 include a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the Fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this actuarial valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 3.56 percent; and the resulting Single Discount Rate is 6.78 percent.

The sponsor finances benefit using a funding policy defined in state statute. Sponsor contributions are calculated as a level percentage of capped payroll contributions needed to attain a funded status of 90 percent in 2045 under the Projected Unit Credit cost method. After 2045, the sponsor makes a contribution such that the funded status remains at 90 percent. The statutory contribution does not explicitly separate projected employer contributions between current and future plan members.

For purposes of developing the Single Discount Rate, we have projected actuarial liabilities on an Entry Age Normal basis, and compared against projected market value of assets. We have assumed the actuarial liability for future members will be fully financed, to the extent that assets are available, and any remaining asset will be assigned to current plan members. Based on this assignment of assets and employer contributions, plan assets assigned to current plan members are projected to be depleted by 2073.

The tables in this section provide background for the development of the Single Discount Rate.

The following tables show the assignment of assets and employer contributions and the projection of assets for current members as of the valuation date. Our projections assume the sponsor will make the required statutory contributions. The projections are based on the statutory funding projections performed during the June 30, 2017, actuarial valuation.

Total administrative expenses are assumed to increase at the same rate of projected capped payroll increases. Total administrative expenses are allocated between current and future hires by total payroll.

The projections in this report are strictly for the purpose of determining the GASB Single Discount Rate and are different from a funding projection for the ongoing plan.

Projection of Funded Status and Assignment of Assets

PYE 6/30	Open Group EAN Actuarial Liability	Closed Group EAN Actuarial Liability	Future Member EAN Actuarial Liability	Open Group Assets	Future Member Assigned Assets	Closed Group Assigned Assets	Funded Ratio Current Members	Funded Ratio Future Members
	(a)	(b)	(c)=(a)-(b)	(d)	(e)=min[(c),(d)]	(f)=(d)-(e)	(g)=(f)/(b)	(h)=(e)/(c)
2017	\$ 48,096,015,369	\$ 48,096,015,369	\$ -	\$ 16,530,179,792	\$ -	\$ 16,530,179,792	34.37%	0.00%
2018	49,741,230,561	49,741,230,561	-	17,387,978,138	-	17,387,978,138	34.96%	0.00%
2019	51,366,044,201	51,343,698,482	22,345,719	18,405,494,640	22,345,719	18,383,148,921	35.80%	100.00%
2020	52,964,260,866	52,897,072,463	67,188,403	19,507,358,372	67,188,403	19,440,169,969	36.75%	100.00%
2021	54,528,423,400	54,392,038,367	136,385,033	20,670,338,042	136,385,033	20,533,953,009	37.75%	100.00%
2022	56,049,076,778	55,816,889,898	232,186,880	21,890,820,322	232,186,880	21,658,633,442	38.80%	100.00%
2023	57,516,938,286	57,159,853,702	357,084,585	23,085,035,511	357,084,585	22,727,950,926	39.76%	100.00%
2024	58,922,364,512	58,408,625,614	513,738,899	24,255,093,845	513,738,899	23,741,354,947	40.65%	100.00%
2025	60,257,749,311	59,552,405,025	705,344,286	25,398,109,364	705,344,286	24,692,765,078	41.46%	100.00%
2026	61,519,855,731	60,583,224,110	936,631,621	26,523,550,658	936,631,621	25,586,919,037	42.23%	100.00%
2027	62,704,467,954	61,493,346,551	1,211,121,402	27,634,520,105	1,211,121,402	26,423,398,702	42.97%	100.00%
2028	63,819,926,845	62,287,954,873	1,531,971,972	28,740,850,238	1,531,971,972	27,208,878,266	43.68%	100.00%
2029	64,862,827,660	62,961,697,840	1,901,129,820	29,849,753,758	1,901,129,820	27,948,623,937	44.39%	100.00%
2030	65,834,229,347	63,512,520,570	2,321,708,777	30,965,930,830	2,321,708,777	28,644,222,052	45.10%	100.00%
2031	66,733,995,419	63,937,393,469	2,796,601,950	32,099,922,081	2,796,601,950	29,303,320,131	45.83%	100.00%
2032	67,560,535,460	64,231,306,867	3,329,228,593	33,265,602,358	3,329,228,593	29,936,373,765	46.61%	100.00%
2033	68,316,367,415	64,393,345,806	3,923,021,609	34,480,414,830	3,923,021,609	30,557,393,221	47.45%	100.00%
2034	69,005,348,154	64,424,100,982	4,581,247,173	36,005,282,944	4,581,247,173	31,424,035,772	48.78%	100.00%
2035	69,627,734,607	64,319,992,723	5,307,741,884	37,626,243,242	5,307,741,884	32,318,501,358	50.25%	100.00%
2036	70,184,178,780	64,077,462,472	6,106,716,308	39,357,329,729	6,106,716,308	33,250,613,422	51.89%	100.00%
2037	70,681,896,216	63,699,747,693	6,982,148,523	41,220,043,901	6,982,148,523	34,237,895,378	53.75%	100.00%
2038	71,128,269,943	63,192,446,068	7,935,823,875	43,239,827,092	7,935,823,875	35,304,003,217	55.87%	100.00%
2039	71,530,485,473	62,561,355,181	8,969,130,292	45,440,262,090	8,969,130,292	36,471,131,798	58.30%	100.00%
2040	71,897,239,975	61,813,650,351	10,083,589,624	47,847,842,094	10,083,589,624	37,764,252,470	61.09%	100.00%
2041	72,237,250,700	60,956,695,583	11,280,555,117	50,488,891,262	11,280,555,117	39,208,336,146	64.32%	100.00%
2042	72,559,606,274	59,998,481,442	12,561,124,831	53,390,213,872	12,561,124,831	40,829,089,041	68.05%	100.00%
2043	72,873,706,426	58,947,401,769	13,926,304,658	56,580,959,513	13,926,304,658	42,654,654,855	72.36%	100.00%
2044	73,187,528,083	57,810,795,674	15,376,732,409	60,090,499,045	15,376,732,409	44,713,766,635	77.35%	100.00%
2045	73,507,934,039	56,594,882,317	16,913,051,722	63,947,660,428	16,913,051,722	47,034,608,706	83.11%	100.00%
2046	73,840,794,498	55,305,112,910	18,535,681,588	64,172,293,388	18,535,681,588	45,636,611,800	82.52%	100.00%
2047	74,191,122,727	53,946,369,883	20,244,752,844	64,416,069,244	20,244,752,844	44,171,316,400	81.88%	100.00%
2048	74,563,499,377	52,523,286,648	22,040,212,728	64,683,240,956	22,040,212,728	42,643,028,228	81.19%	100.00%
2049	74,961,483,747	51,039,931,466	23,921,552,281	64,977,207,259	23,921,552,281	41,055,654,979	80.44%	100.00%
2050	75,387,749,504	49,500,002,085	25,887,747,419	65,300,312,103	25,887,747,419	39,412,564,684	79.62%	100.00%
2051	75,844,375,912	47,907,400,012	27,936,975,900	65,654,266,071	27,936,975,900	37,717,290,171	78.73%	100.00%
2052	76,333,199,964	46,266,739,396	30,066,460,568	66,040,416,258	30,066,460,568	35,973,955,690	77.75%	100.00%
2053	76,855,656,598	44,583,029,846	32,272,626,752	66,459,585,033	32,272,626,752	34,186,958,281	76.68%	100.00%
2054	77,412,792,133	42,861,989,490	34,550,802,643	66,912,179,116	34,550,802,643	32,361,376,473	75.50%	100.00%
2055	78,004,722,615	41,109,807,266	36,894,915,349	67,397,695,739	36,894,915,349	30,502,780,390	74.20%	100.00%
2056	78,631,576,206	39,333,641,894	39,297,934,312	67,915,654,598	39,297,934,312	28,617,720,286	72.76%	100.00%
2057	79,293,540,985	37,540,997,850	41,752,543,135	68,465,683,772	41,752,543,135	26,713,140,637	71.16%	100.00%
2058	79,990,417,463	35,739,105,016	44,251,312,447	69,047,014,070	44,251,312,447	24,795,701,623	69.38%	100.00%
2059	80,722,429,745	33,935,621,343	46,786,808,402	69,659,348,469	46,786,808,402	22,872,540,067	67.40%	100.00%
2060	81,490,528,501	32,138,374,275	49,352,154,226	70,303,187,976	49,352,154,226	20,951,033,750	65.19%	100.00%
2061	82,296,219,584	30,355,148,674	51,941,070,910	70,979,664,613	51,941,070,910	19,038,593,703	62.72%	100.00%
2062	83,140,999,522	28,593,158,965	54,547,840,557	71,689,953,961	54,547,840,557	17,142,113,403	59.95%	100.00%
2063	84,026,271,371	26,858,856,385	57,167,414,986	72,435,176,471	57,167,414,986	15,267,761,485	56.84%	100.00%
2064	84,953,439,761	25,158,088,917	59,795,350,844	73,216,508,896	59,795,350,844	13,421,158,052	53.35%	100.00%
2065	85,923,798,087	23,495,948,654	62,427,849,433	74,035,063,221	62,427,849,433	11,607,213,787	49.40%	100.00%
2066	86,938,671,909	21,876,966,876	65,061,705,034	74,892,035,539	65,061,705,034	9,830,330,506	44.93%	100.00%
2067	87,999,407,012	20,305,280,971	67,694,126,042	75,788,702,397	67,694,126,042	8,094,576,355	39.86%	100.00%
2068	89,107,249,932	18,784,587,994	70,322,661,938	76,726,292,759	70,322,661,938	6,403,630,821	34.09%	100.00%
2069	90,263,217,315	17,318,170,770	72,945,046,545	77,705,851,149	72,945,046,545	4,760,804,604	27.49%	100.00%
2070	91,468,002,546	15,908,874,607	75,559,127,939	78,728,127,212	75,559,127,939	3,168,999,272	19.92%	100.00%
2071	92,722,022,397	14,579,159,438	78,162,862,959	79,793,616,949	78,162,862,959	1,630,753,990	11.20%	100.00%
2072	94,025,420,066	13,271,140,288	80,754,279,778	80,902,564,847	80,754,279,778	148,285,068	1.12%	100.00%
2073	95,378,100,162	12,046,581,402	83,331,518,760	82,054,996,903	82,054,996,903	-	0.00%	98.47%
2074	96,779,747,852	10,886,914,967	85,892,832,885	83,250,740,964	83,250,740,964	-	0.00%	96.92%

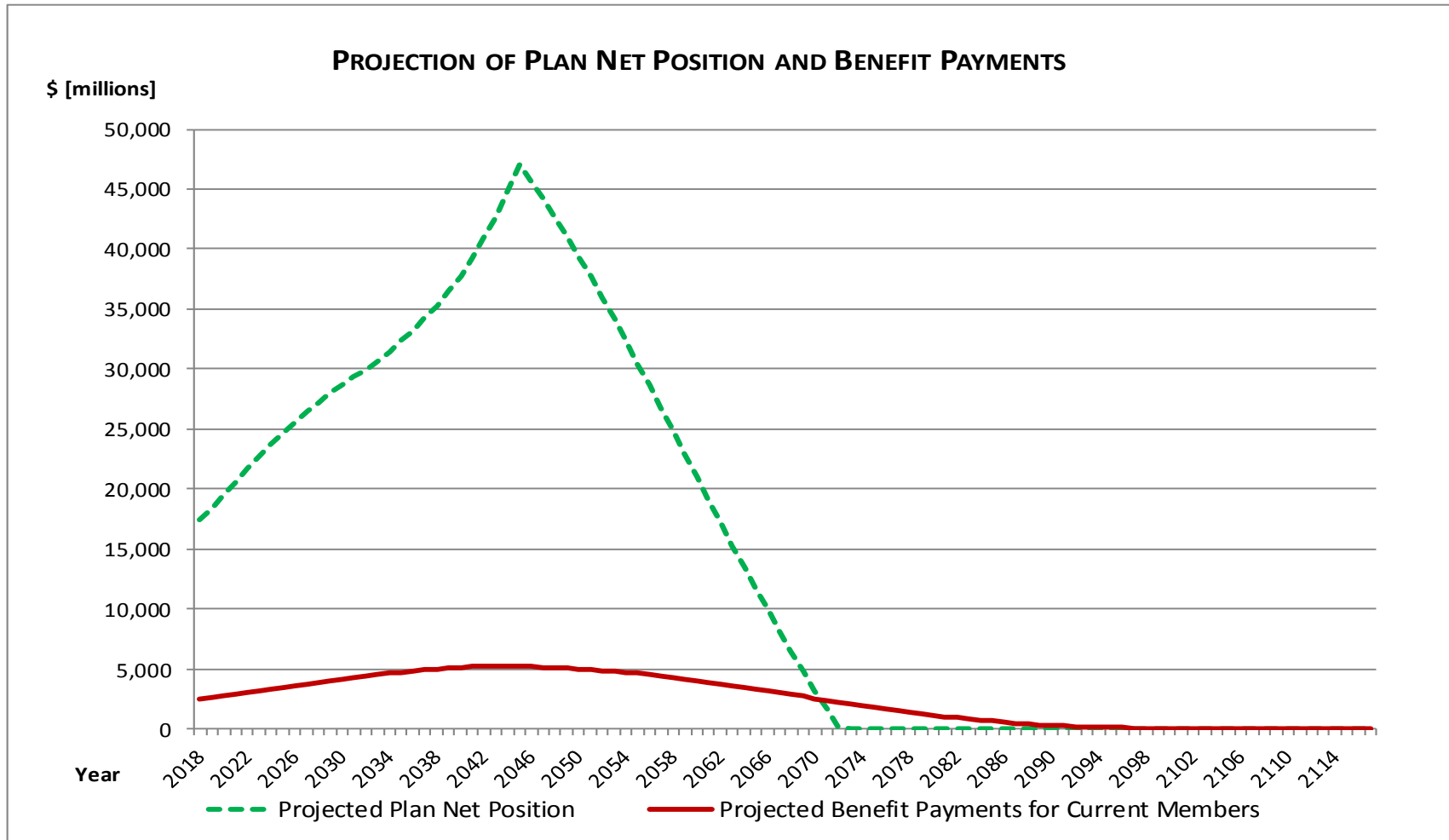
Current Member Projection of Assets and Assignment of Employer Contributions

PYE 6/30	Assets (boy)	Member Contributions	Administrative Expenses	Benefit Payments	Assigned Employer Contribution	Income on Cash Flow	Income on Assigned Contribution	Total Investment Income	Assets (eoy)
2018	\$ 16,530,179,792	\$ 228,110,121	\$ 18,159,507	\$ 2,440,878,195	\$ 1,941,569,584	\$ 1,080,350,733	\$ 66,805,610	\$ 1,147,156,343	\$ 17,387,978,138
2019	17,387,978,138	220,269,285	17,480,981	2,566,926,232	2,149,534,332	1,135,813,109	73,961,270	1,209,774,380	18,383,148,921
2020	18,383,148,921	213,174,526	16,911,884	2,697,446,305	2,279,028,221	1,200,759,589	78,416,902	1,279,176,490	19,440,169,969
2021	19,440,169,969	206,219,952	16,368,518	2,832,588,225	2,384,590,249	1,269,880,496	82,049,085	1,351,929,581	20,533,953,009
2022	20,533,953,009	198,631,003	15,800,422	2,972,766,221	2,487,640,739	1,341,380,484	85,594,850	1,426,975,335	21,658,633,442
2023	21,658,633,442	190,424,149	15,211,079	3,117,798,126	2,510,659,899	1,414,855,747	86,386,894	1,501,242,641	22,727,950,926
2024	22,727,950,926	181,893,086	14,609,035	3,267,233,848	2,541,608,679	1,484,293,358	87,451,781	1,571,745,139	23,741,354,947
2025	23,741,354,947	172,606,096	13,972,977	3,419,515,674	2,574,031,056	1,549,694,258	88,567,372	1,638,261,630	24,692,765,078
2026	24,692,765,078	163,464,767	13,347,877	3,572,315,420	2,615,611,998	1,610,742,400	89,998,091	1,700,740,491	25,586,919,037
2027	25,586,919,037	154,185,351	12,720,909	3,724,571,734	2,660,256,128	1,667,796,622	91,534,208	1,759,330,830	26,423,398,702
2028	26,423,398,702	144,888,391	12,091,371	3,865,411,579	2,703,853,857	1,721,205,946	93,034,321	1,814,240,266	27,208,878,266
2029	27,208,878,266	136,722,931	11,525,989	4,006,047,429	2,754,722,538	1,771,089,007	94,784,612	1,865,873,619	27,948,623,937
2030	27,948,623,937	128,774,807	10,971,862	4,141,769,120	2,805,099,433	1,817,946,873	96,517,983	1,914,464,856	28,644,222,052
2031	28,644,222,052	121,382,753	10,439,069	4,272,982,111	2,860,813,564	1,861,887,945	98,434,997	1,960,322,942	29,303,320,131
2032	29,303,320,131	113,860,111	9,903,899	4,400,231,631	2,925,270,248	1,903,405,979	100,652,825	2,004,058,804	29,936,373,765
2033	29,936,373,765	106,201,588	9,363,839	4,520,231,627	2,997,915,107	1,943,345,835	103,152,393	2,046,498,228	30,557,393,221
2034	30,557,393,221	99,040,920	8,843,358	4,631,904,380	3,311,655,502	1,982,746,281	113,947,586	2,096,693,867	31,424,035,772
2035	31,424,035,772	91,988,743	8,328,603	4,737,732,112	3,392,271,152	2,039,544,994	116,721,413	2,156,266,407	32,318,501,358
2036	32,318,501,358	84,547,199	7,795,994	4,837,359,576	3,474,671,898	2,098,491,876	119,556,661	2,218,048,537	33,250,613,422
2037	33,250,613,422	77,210,102	7,267,364	4,926,133,595	3,560,511,659	2,160,450,914	122,510,239	2,282,961,154	34,237,895,378
2038	34,237,895,378	70,733,638	6,775,369	5,002,705,007	3,652,460,493	2,226,720,065	125,674,019	2,352,394,084	35,304,003,217
2039	35,304,003,217	64,692,428	6,305,396	5,067,069,106	3,747,911,092	2,298,941,276	128,958,287	2,427,899,563	36,471,131,798
2040	36,471,131,798	59,392,548	5,871,593	5,118,995,299	3,847,023,739	2,378,703,348	132,368,559	2,511,071,907	37,764,252,470
2041	37,764,252,470	54,611,660	5,465,366	5,156,919,189	3,948,255,619	2,467,749,202	135,851,750	2,603,600,952	39,208,336,146
2042	39,208,336,146	50,330,670	5,084,267	5,182,323,040	4,050,628,554	2,567,826,775	139,374,203	2,707,200,978	40,829,089,041
2043	40,829,089,041	46,576,244	4,732,845	5,194,709,511	4,154,739,285	2,680,736,193	142,956,449	2,823,692,642	42,654,654,855
2044	42,654,654,855	43,242,326	4,411,455	5,195,173,783	4,260,454,615	2,808,406,170	146,593,907	2,955,000,077	44,713,766,635
2045	44,713,766,635	40,119,711	4,103,519	5,184,880,487	4,366,656,926	2,952,801,319	150,248,120	3,103,049,439	47,034,608,706
2046	47,034,608,706	37,203,549	3,812,719	5,164,807,145	4,470,016,620	3,115,860,615	154,217,174	3,257,277,613	49,566,611,800
2047	45,636,611,800	34,358,684	3,526,668	5,135,646,741	4,589,959,744	3,018,916,140	158,244,441	3,415,122,054	52,311,316,400
2048	44,171,316,400	31,595,376	3,246,548	5,097,881,274	4,720,938,871	2,917,559,456	162,304,947	3,577,427,001	55,208,828,228
2049	42,643,028,228	28,847,467	2,967,718	5,052,189,942	4,866,018,553	2,812,066,477	166,351,913	3,742,778,914	58,208,336,146
2050	41,055,654,979	26,055,492	2,683,770	4,999,091,951	5,018,984,904	2,702,691,051	170,393,979	3,913,072,893	61,829,089,041
2051	39,412,564,684	23,225,965	2,396,229	4,938,696,726	5,181,673,752	2,589,665,348	174,533,379	4,087,606,272	66,471,131,798
2052	37,717,290,171	20,432,667	2,112,102	4,870,613,003	5,364,559,735	2,473,252,424	179,145,798	4,276,752,070	72,034,608,706
2053	35,973,955,690	17,668,884	1,828,874	4,794,740,475	5,556,931,371	2,352,744,284	183,812,401	4,480,564,471	78,829,089,041
2054	34,186,958,281	14,964,204	1,552,085	4,710,840,044	5,758,086,776	2,231,457,776	188,510,565	4,702,076,242	86,829,089,041
2055	32,361,376,473	12,418,268	1,289,480	4,618,951,520	6,002,105,437	2,106,750,189	193,371,023	4,935,447,265	96,471,131,798
2056	30,502,780,390	10,069,701	1,048,601	4,518,692,277	6,253,144,234	1,980,025,666	198,441,174	5,183,888,439	107,936,373,765
2057	28,617,720,286	8,035,308	838,695	4,410,240,742	6,558,211,876	1,851,740,287	203,512,317	5,455,399,756	120,829,089,041
2058	26,713,140,637	6,242,234	653,300	4,294,280,275	6,913,313,335	1,722,354,367	208,584,624	5,756,924,380	135,304,003,217
2059	24,795,701,623	4,732,681	496,370	4,170,908,513	7,339,518,085	1,592,332,076	214,166,486	6,091,072,466	151,829,089,041
2060	22,872,540,067	3,502,540	367,695	4,040,448,412	7,843,902,962	1,462,161,745	220,544,544	6,471,617,010	170,337,895,378
2061	20,951,033,750	2,534,480	266,228	3,903,433,935	8,443,551,089	1,332,340,885	227,366,611	6,888,978,621	191,829,089,041
2062	19,038,593,703	1,810,372	190,313	3,760,865,571	9,103,477,580	1,203,353,277	234,356,356	7,343,334,977	215,304,003,217
2063	17,142,113,403	1,268,184	133,374	3,613,854,993	9,840,682,333	1,075,641,306	241,625,625	7,865,000,602	245,829,089,041
2064	15,267,761,485	873,989	92,083	3,463,348,358	10,664,194,384	949,603,168	249,468,468	8,424,469,070	288,829,089,041
2065	13,421,158,052	592,827	62,595	3,310,389,823	11,598,022,856	825,595,272	258,198,198	9,012,664,268	343,304,003,217
2066	11,607,213,787	386,113	40,854	3,155,811,528	12,652,210,166	703,931,545	267,276,821	9,659,921,089	415,829,089,041
2067	9,830,330,506	244,152	25,893	3,000,276,559	13,866,807,683	584,897,000	276,947,467	10,356,868,556	500,304,003,217
2068	8,094,576,355	149,655	15,869	2,844,456,923	15,266,851,825	468,752,751	286,026,277	11,142,890,833	600,304,003,217
2069	6,403,630,821	90,415	9,588	2,688,978,303	16,867,373,777	355,734,457	296,026,277	12,018,917,110	720,304,003,217
2070	4,760,804,604	54,413	5,774	2,534,460,521	18,613,384,538	246,052,169	306,844,277	13,015,161,387	860,304,003,217
2071	3,168,999,272	31,107	3,300	2,381,452,385	20,567,895,628	139,889,789	318,878,277	14,144,040,664	1,020,304,003,217
2072	1,630,753,990	17,034	1,809	2,230,446,292	22,766,918,609	37,408,011	333,525,277	15,477,565,941	1,200,304,003,217
2073	148,285,068	8,485	901	2,081,918,789	25,613,523,937	(61,254,536)	356,735,277	17,144,300,718	1,400,304,003,217
2074	-	3,198	340	1,936,307,949	29,549,830,091	(66,624,469)	469,277,277	19,613,628,228	1,600,304,003,217

Development of Single Discount Rate

PYE 6/30	Benefit Payments	Discount Rate	Discounted Benefit Payment	Single Discount Rate	Discounted Benefit Payment
2018	\$ 2,440,878,195	7.00%	\$ 2,359,686,016	6.78%	\$ 2,362,063,398
2019	2,566,926,232	7.00%	2,319,197,433	6.78%	2,326,214,267
2020	2,697,446,305	7.00%	2,277,683,440	6.78%	2,289,180,405
2021	2,832,588,225	7.00%	2,235,322,675	6.78%	2,251,135,005
2022	2,972,766,221	7.00%	2,192,470,497	6.78%	2,212,431,015
2023	3,117,798,126	7.00%	2,149,003,953	6.78%	2,172,940,610
2024	3,267,233,848	7.00%	2,104,678,016	6.78%	2,132,411,269
2025	3,419,515,674	7.00%	2,058,667,773	6.78%	2,089,999,743
2026	3,572,315,420	7.00%	2,009,961,265	6.78%	2,044,665,724
2027	3,724,571,734	7.00%	1,958,531,023	6.78%	1,996,364,075
2028	3,865,411,579	7.00%	1,899,617,132	6.78%	1,940,215,773
2029	4,006,047,429	7.00%	1,839,935,689	6.78%	1,883,047,428
2030	4,141,769,120	7.00%	1,777,823,591	6.78%	1,823,148,071
2031	4,272,982,111	7.00%	1,714,154,945	6.78%	1,761,400,096
2032	4,400,231,631	7.00%	1,649,721,985	6.78%	1,698,608,778
2033	4,520,231,627	7.00%	1,583,843,022	6.78%	1,634,065,270
2034	4,631,904,380	7.00%	1,516,796,275	6.78%	1,568,047,376
2035	4,737,732,112	7.00%	1,449,954,557	6.78%	1,501,969,037
2036	4,837,359,576	7.00%	1,383,593,407	6.78%	1,436,116,708
2037	4,926,133,595	7.00%	1,316,808,195	6.78%	1,369,551,708
2038	5,002,705,007	7.00%	1,249,791,170	6.78%	1,302,470,895
2039	5,067,069,106	7.00%	1,183,056,830	6.78%	1,235,409,238
2040	5,118,495,929	7.00%	1,116,882,186	6.78%	1,168,657,536
2041	5,156,919,189	7.00%	1,051,650,785	6.78%	1,102,620,626
2042	5,182,323,040	7.00%	987,692,891	6.78%	1,037,650,625
2043	5,194,709,511	7.00%	925,283,752	6.78%	974,044,553
2044	5,195,173,783	7.00%	864,828,456	6.78%	912,238,757
2045	5,184,880,487	7.00%	806,649,491	6.78%	852,585,760
2046	5,164,807,145	7.00%	750,959,379	6.78%	795,324,422
2047	5,135,646,741	7.00%	697,868,669	6.78%	740,587,259
2048	5,097,881,274	7.00%	647,417,594	6.78%	688,433,023
2049	5,052,189,942	7.00%	599,640,107	6.78%	638,914,188
2050	4,999,091,951	7.00%	554,521,450	6.78%	592,031,578
2051	4,938,696,726	7.00%	511,983,312	6.78%	547,717,970
2052	4,870,613,003	7.00%	471,892,738	6.78%	505,846,955
2053	4,794,740,475	7.00%	434,151,192	6.78%	466,328,014
2054	4,710,840,044	7.00%	398,648,811	6.78%	429,057,644
2055	4,618,951,520	7.00%	365,301,740	6.78%	393,959,496
2056	4,518,692,277	7.00%	333,992,970	6.78%	360,920,725
2057	4,410,240,742	7.00%	304,651,330	6.78%	329,877,151
2058	4,294,280,275	7.00%	277,234,574	6.78%	300,795,413
2059	4,170,908,513	7.00%	251,654,030	6.78%	273,591,356
2060	4,040,448,412	7.00%	227,834,252	6.78%	248,194,503
2061	3,903,433,935	7.00%	205,708,626	6.78%	224,543,408
2062	3,760,865,571	7.00%	185,229,308	6.78%	202,596,609
2063	3,613,854,993	7.00%	166,344,650	6.78%	182,308,101
2064	3,463,348,358	7.00%	148,987,734	6.78%	163,614,695
2065	3,310,389,823	7.00%	133,091,310	6.78%	146,452,285
2066	3,155,811,528	7.00%	118,576,285	6.78%	130,743,154
2067	3,000,276,559	7.00%	105,357,218	6.78%	116,401,901
2068	2,844,456,923	7.00%	93,350,917	6.78%	103,344,895
2069	2,688,978,303	7.00%	82,475,080	6.78%	91,488,783
2070	2,534,460,521	7.00%	72,650,265	6.78%	80,752,684
2071	2,381,452,385	7.00%	63,798,401	6.78%	71,056,568
2072	2,230,446,292	7.00%	55,843,919	6.78%	62,322,516
2073	2,081,918,789	7.00%	48,715,159	6.78%	54,476,334
2074	1,936,307,949	3.56%	268,302,098	6.78%	47,447,071
2075	1,794,037,191	3.56%	240,042,997	6.78%	41,167,766
2076	1,655,524,382	3.56%	213,895,249	6.78%	35,575,608
2086	554,555,585	3.56%	50,499,866	6.78%	6,181,170
2096	81,774,470	3.56%	5,248,588	6.78%	472,772
2106	4,104,746	3.56%	185,691	6.78%	12,309
2116	138,782	3.56%	4,425	6.78%	216
Total Present Value			\$ 56,329,203,487		\$ 56,329,203,487

Projection of Plan Net Position and Benefit Payments



SECTION I

GLOSSARY OF TERMS

Glossary of Terms

<i>Accrued Service</i>	Service credited under the system that was rendered before the date of the actuarial valuation.
<i>Actuarial Accrued Liability (AAL)</i>	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
<i>Actuarial Assumptions</i>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<i>Actuarial Cost Method</i>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<i>Actuarial Equivalent</i>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
<i>Actuarial Gain (Loss)</i>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<i>Actuarial Present Value (APV)</i>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<i>Actuarial Valuation</i>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
<i>Actuarial Valuation Date</i>	The date as of which an actuarial valuation is performed.
<i>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</i>	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.

Glossary of Terms

<i>Amortization Method</i>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<i>Amortization Payment</i>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<i>Cost-of-Living Adjustments</i>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<i>Covered-Employee Payroll</i>	The payroll of employees that are provided with pensions through the pension plan.
<i>Deferred Inflows and Outflows</i>	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
<i>Deferred Retirement Option Program (DROP)</i>	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
<i>Discount Rate</i>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none">1. The benefit payments to be made while the pension plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

Glossary of Terms

<i>Entry Age Actuarial Cost Method (EAN)</i>	The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
<i>Fiduciary Net Position</i>	The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.
<i>GASB</i>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Long-Term Expected Rate of Return</i>	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
<i>Money-Weighted Rate of Return</i>	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
<i>Multiple-Employer Defined Benefit Pension Plan</i>	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<i>Municipal Bond Rate</i>	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
<i>Net Pension Liability (NPL)</i>	The NPL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan.
<i>Non-Employer Contributing Entities</i>	Non-employer contributing entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.
<i>Normal Cost</i>	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.

Glossary of Terms

<i>Other Postemployment Benefits (OPEB)</i>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
<i>Real Rate of Return</i>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<i>Service Cost</i>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<i>Total Pension Expense</i>	<p>The total pension expense is the sum of the following items that are recognized at the end of the employer’s fiscal year:</p> <ol style="list-style-type: none">1. Service Cost2. Interest on the Total Pension Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. Pension Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
<i>Total Pension Liability (TPL)</i>	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<i>Valuation Assets</i>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 67 and 68, the valuation assets are equal to the market value of assets.