

Actuarial Section



A Mellon Financial CompanySM

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September 10, 2002

The Retirement Board
Public School Employees'
Retirement System of Pennsylvania
P.O. Box 125
Harrisburg, Pennsylvania 17108

Ladies and Gentlemen:

This report presents the results of the revised annual actuarial valuation of the Public School Employees' Retirement System of Pennsylvania as of June 30, 2001. The valuation was revised to reflect Act 38 of 2002 which amended the Code. The Act 38 revisions effective with this valuation are:

- Established 1% floor on the pension rate commencing with 2002/2003 fiscal year contribution
- Established 1.15% cap on the total rate for 2002/2003 fiscal year only
- Changed the method of calculating the actuarial value of assets from a three-year smoothing method to a five-year smoothing method

The valuation takes into account all of the promised benefits to which members are entitled, including pension and survivor benefits and establishes the contribution rate for the 2002/2003 fiscal year in conformance with the Retirement Code.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8½% per annum compounded annually. The actuarial assumptions are unchanged from the prior valuation. The actuarial cost method has been revised in accordance with Act 9 and Act 38. The outstanding balance of the unfunded accrued liability as of June 30, 2001 is amortized over a 10-year period, with level dollar funding beginning July 1, 2002. The increase in liability due to new benefits provided by Act 9, the decrease in unfunded actuarial liability due to the new actuarial asset valuation method provided by Act 38, and future actuarial gains and losses are amortized over a 10-year period with level dollar funding.

The actuarial assumptions and methods comply with the parameters set forth in Governmental Accounting Standards No. 25.

Assets and Membership Data

The Retirement System reported the individual data for members of the System as of the valuation date to the actuary. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the Retirement System.

Funding Adequacy

The valuation results determine that the employer contribution rate for fiscal year 2002/2003 is 1.15%. The funded status of the plan determined as of June 30, 2001 based on the accrued liability and the actuarial value of assets is 114.4%.

Financial Results and Membership Data


Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report. The actuary prepared supporting schedules included in the Actuarial and Statistical Section of PSERS Comprehensive Annual Financial Report. The actuary prepared the trend data schedules included in the Financial Section of PSERS Comprehensive Annual Financial Report.

Qualified actuaries completed the valuations in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice.

Respectfully submitted,



Kim M. Nicholl, F.S.A.
Principal, Consulting Actuary



S. Lynn Hill
Associate Principal, Retirement Consulting

Executive Summary

This report presents the actuarial valuation as of June 30, 2001 for the Public School Employees' Retirement System of Pennsylvania.

The principal valuation results include:

- The employer contribution rate for fiscal year 2002/2003 which is 1.15%.
- The funded status of the plan determined as of June 30, 2001 based on the accrued liability and the actuarial value of assets as of that date which is 114.4%.
- The determination of the actuarial gain or loss as of June 30, 2001 which is a loss of \$2.0 billion.
- Annual disclosure as of June 30, 2001 as required by Statement No. 25 of the Governmental Accounting Standards Board.

The valuation was completed based upon membership and financial data submitted by the Retirement System. Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are included in the valuation report. The actuary prepared supporting schedules included in the Actuarial and Statistical Section of PSERS Comprehensive Annual Financial Report. The actuary prepared the trend data schedules included in the Financial Section of PSERS Comprehensive Annual Financial Report.

Changes Since Last Year

Legislative and Administrative Changes

Act 9 of 2001 amended Section 8509(B) of the PSERS Code. Act 9 created a new Class T-D service as of July 1, 2001 and allows members to have prior school service and intervening military service converted to Class T-D service. Members who are active or inactive as of July 1, 2001 must affirmatively elect Class T-D service by December 31, 2001. The multiplier for members with Class T-D service will increase from 2% to 2.5%. The multiplier for non-school service will remain at 2%.

Effective January 1, 2002, the member contribution rate will increase by 1.25% for members who elect to convert to Class T-D service and for all members enrolled on or after July 1, 2001. Members who were enrolled after July 22, 1983 who elect Class T-D service will pay an employee contribution rate of 7.5%. Members who were enrolled prior to July 22, 1983 who elect Class T-D service will pay an employee contribution rate of 6.5%. In addition, Act 9 reduced the vesting period from 10 years to five years of eligibility points.

Act 38 provides for a split COLA to be paid commencing July 1, 2002 for members retired before July 2, 1990 and commencing July 1, 2003 for members retired from July 2, 1990 through July 1, 2002. Funding for the cost of the COLA will commence July 1 following each effective date.

The benefit provisions and contribution provisions are summarized in Table 13.

Actuarial Assumptions and Methods

The actuarial assumptions are unchanged from the prior valuation with the exception of the actuarial cost method which has been revised in accordance with Act 9 of 2001 and the actuarial asset method which has been revised in accordance with Act 38 of 2002.

Act 38 of 2002 amended the actuarial asset valuation method. The new actuarial value of assets is determined by immediately recognizing the 8.5% actuarial expected investment return and recognizing the difference between the actual and expected investment return over a five-year period. Under the transition rule, the remaining unrecognized gains from the 1999/2000 and 2000/2001 fiscal years under the former three-year smoothing method are immediately recognized.

Under Act 9 the outstanding balance of the unfunded accrued liability as of June 30, 2001 is amortized over a 10-year period, with level dollar funding beginning July 1, 2002. The increase in liability due to new benefits provided by Act 9, the decrease in the unfunded accrued liability due to the new actuarial asset method provided by Act 38, and future actuarial gains and losses are amortized over a 10-year period with level dollar funding.

Act 38 of 2002 amended Section 8328(a) of the PSERS Code. Act 38 established a floor on the total contribution rate equal to 1% plus the premium assistance rate. In addition, Act 38 established a cap on the total contribution rate for the 2002/2003 fiscal year only of 1.15%.

The actuarial assumptions and methods are outlined in Table 12.

Contribution Rates

The results of the valuation as of June 30, 2001 determine the employer contribution rate for fiscal year 2002/2003. The total contribution rate payable by the employer is 1.15% of payroll as provided by Act 38 of 2002. This includes .18% of payroll for pension benefits plus 0.97% of payroll for the health insurance premium assistance program.

The average contribution rate payable by the members is 7.10%. Effective January 1, 2002 the employee contribution rate for members who elect to have prior school service and intervening military service converted to Class T-D service will increase by 1.25%. The average member contribution rate of 7.10% represents an average of the members who were most recently hired prior to July 22, 1983 contributing 6.50%, and the remaining members who are contributing 7.50%.

Reasons for Change in the Rate

The employer contribution rate increased from 1.09% for fiscal year 2001/2002 to 1.15% for fiscal year 2002/2003. The increase of .06% is due to the following reasons:

• Decrease due to reamortization of the unfunded accrued liability over 10 years	(8.72)%
• Increase due to Act 9 benefit increases*	10.59
• Decrease due to change in asset method under Act 38*	(7.50)
• Increase due to actuarial loss on assets*	2.97
• Increase due to actuarial loss on liabilities*	.25
• Decrease due to change in health insurance contribution rate	(.12)
• Decrease due to zero minimum pension contribution rate for fiscal 2001/2002	(.42)
• Increase due to floor and cap on contribution rate under Act 38	3.01
• Total	.06%

* Changes in Unfunded Accrued Liability amortized over 10 years

Summary of Principal Results

Summarized below are the principal financial results for the Public School Employees' Retirement System based upon the actuarial valuation as of June 30, 2001. Comparable results from the June 30, 2000 valuation are also shown.

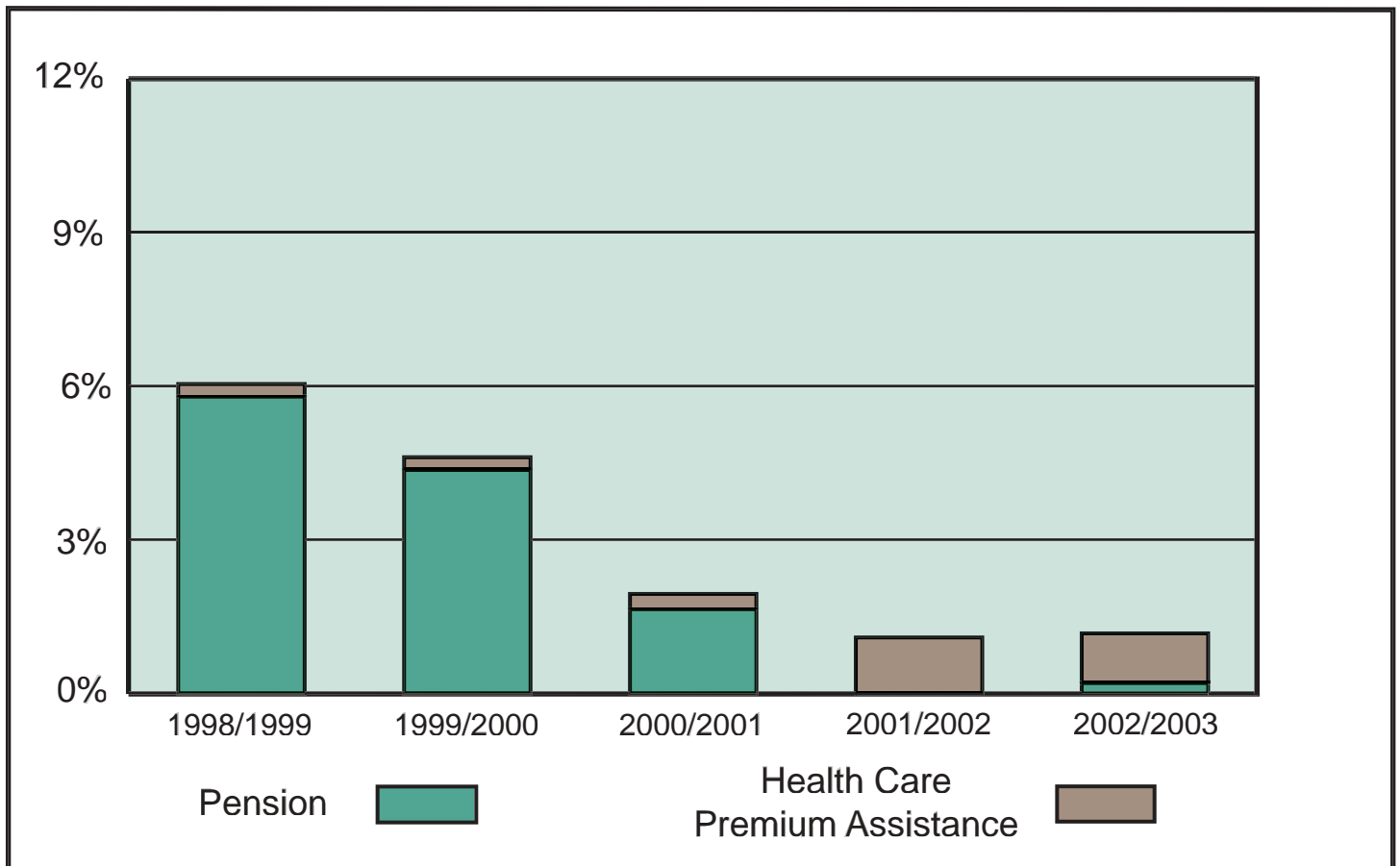
Item	June 30, 2001	June 30, 2000
Demographics		
Active Members		
· Number	243,311	234,210
· Average Annual Pay	\$ 38,695	\$ 38,169
Annuitants		
· Number	132,716	134,058
· Average Annual Benefit Payment	\$ 14,105	\$ 14,029
Contribution Rates (as a Percentage of Payroll)		
(Fiscal Year 2002/2003) (Fiscal Year 2001/2002)		
Employer Contribution Rate:		
· Total Pension Contribution Rate	0.18%	0.00%
· Health Insurance Contribution Rate	<u>0.97</u>	<u>1.09</u>
· Total	1.15%	1.09%
Member Average Contribution Rate		
· Total Rate	<u>7.10</u>	<u>5.80</u>
· Total Rate	8.25%	6.89%
Actuarial Funded Status		
· Accrued Liability	\$ 47,917.3 Mil	\$ 39,822.8 Mil
· Actuarial Value of Assets	<u>54,830.3</u>	<u>49,293.0</u>
· Unfunded Accrued Liability	\$ (6,913.0)	\$ (9,470.2)
· Funded Ratio	114.4%	123.8%

Five-Year History of Principal Financial Results

Five-Year History of Contribution Rates (As a % of Payroll)

Fiscal Year	Member Contributions	Employer Contributions			
		Normal Cost	Unfunded Accrued Liability	Health Care	Total
2002/2003	7.10%	7.20%	(10.03)%	.97%	1.15%
2001/2002	5.80	5.63	(6.05)	1.09	1.09
2000/2001	5.77	6.29	(4.65)	.30	1.94
1999/2000	5.72	6.40	(2.04)	.25	4.61
1998/1999	5.69	6.33	(.44)	.15	6.04

The following chart shows a five-year history of employer contribution rates:



Funded Ratio

The financing objective of the System is to:

- Fully fund all current costs based on the normal contribution rate determined under the funding method; and
- Liquidate the unfunded accrued liability based on the amortization schedules as required by the retirement code, i.e., a schedule of 10 years for each change in the unfunded accrued liability.

The total contribution rate of 1.15% of payroll payable by employers, when taken together with the contributions payable by the members and asset returns, is sufficient to achieve the financing objective.

The System's funded status on the funding basis is measured by comparing the actuarial value of assets (based on a 5-year moving average market value) with the accrued liability. The accrued liability is the present value of benefits accumulated to date under the System's funding method and reflects future pay increases for active employees.

On this basis, the System's funded ratio is 114.4% as of June 30, 2001. The funded ratio is based on an actuarial value of assets of \$54.8 billion and an accrued liability of \$47.9 billion.

Reasons for Change in the Funded Ratio

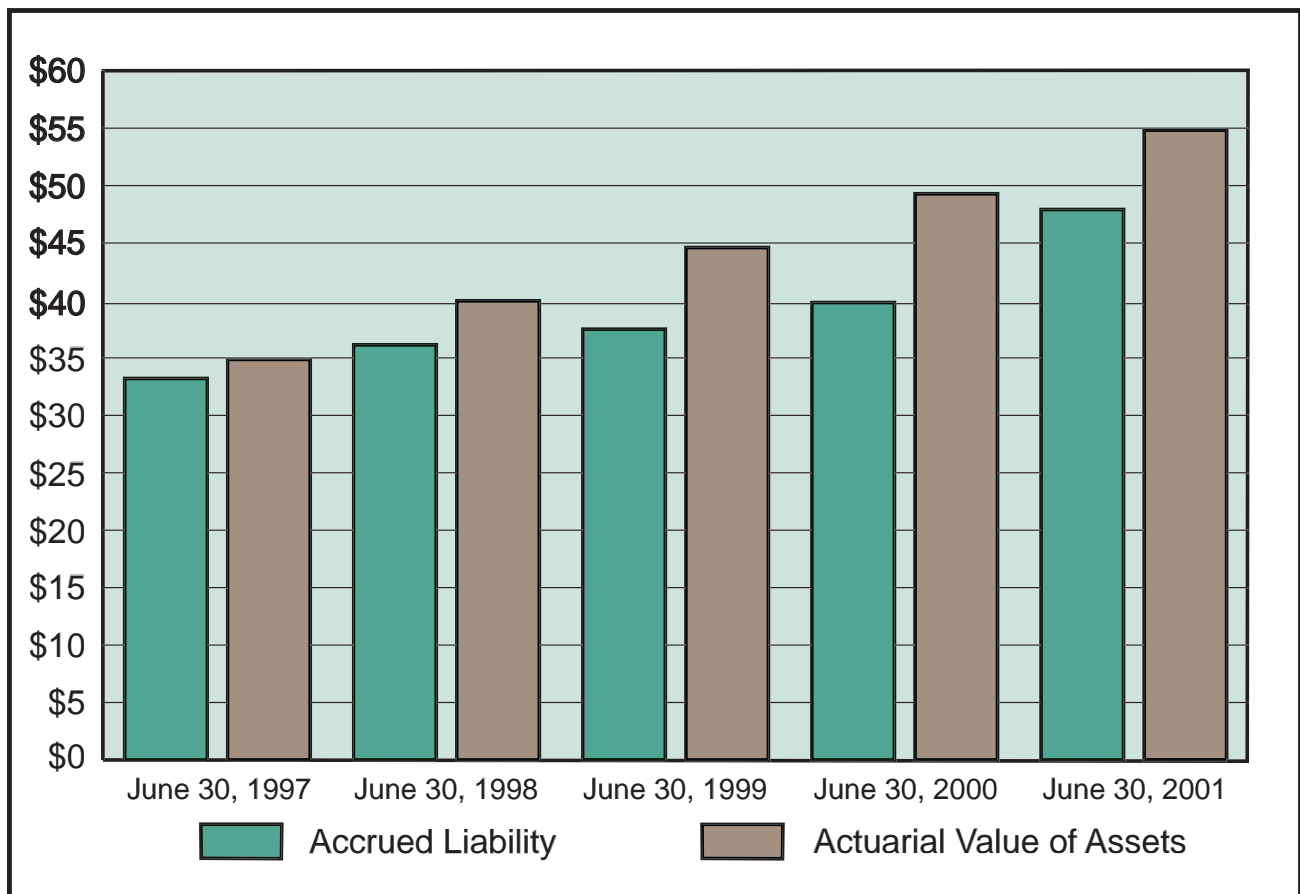
The funded ratio decreased from 123.8% as of June 30, 2000 to 114.4% as of June 30, 2001. The decrease is due to the net effect of the Act 9 benefit changes, Act 38 actuarial asset method change, and asset and experience losses.

Five-Year History of Funded Ratio (Dollar Amounts in Millions)

Valuation as of June 30	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio
2001	\$ 47,917.3	\$ 54,830.3	\$ (6,913.0)	114.4%
2000	39,822.8	49,293.0	(9,470.2)	123.8
1999	37,499.1	44,606.5	(7,107.4)	119.0
1998	36,136.2	39,969.0	(3,832.8)	110.6
1997	33,209.5	34,872.6	(1,663.1)	105.0

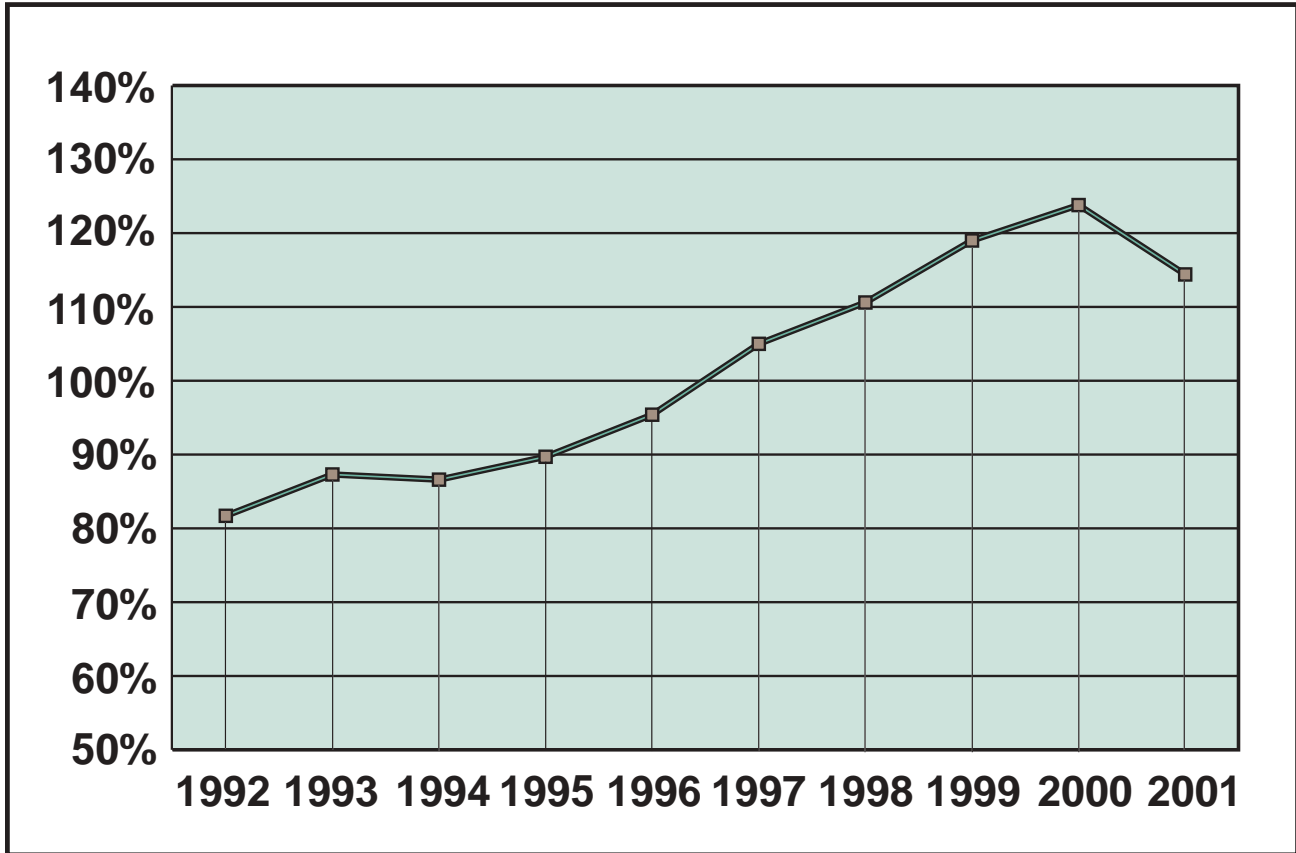
The following chart shows a five-year history of the accrued liability and the actuarial value of assets:

Five-Year History of Accrued Liability and Actuarial Value of Assets (Dollar Amounts in Billions)



The following chart shows a ten-year history of the funded ratio:

**Ten-Year History of Funded Ratio
(1992 - 2001)**



GASB No. 25 Disclosure

Statement No. 25 of the Governmental Accounting Standards Board established reporting standards for the annual financial reports of defined benefit pension plans. The System complied with Statement No. 25 beginning with the June 30, 1996 valuation. The statement requires disclosure of the “schedule of funding progress” and the “schedule of employer contributions” in the System’s financial statements.

The “schedule of funding progress” shows historical trend information about the System’s actuarial value of assets, the actuarial accrued liability and the unfunded actuarial accrued liability. The actuarial funded status is measured by comparing the actuarial value of assets (based on a 5-year moving average market value) with the accrued liability. The accrued liability is the present value of benefits accumulated to date under the System’s funding method and reflects future pay increases for active employees. On this basis, the System’s funded ratio is 114.4% as of June 30, 2001. The funded ratio is based on an actuarial value of assets of \$54.8 billion and an accrued liability of \$47.9 billion.

The “schedule of employer contributions” shows historical trend information about the annual required contributions (ARC) of the employer and the percentage of the ARC contributed to the System. The ARC is equal to the normal cost plus amortization of the unfunded actuarial accrued liability. The maximum period of amortizing the unfunded actuarial accrued liability permitted by GASB No. 25 is 40 years. The maximum amortization period decreases to 30 years in 2006. The employer contributions to the System are equal to the normal cost plus a 10-year amortization of each change in the unfunded accrued liability. The employer contributions to the System are equal to 100% of the ARC.

Rate of Return

The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) for fiscal years 1996/1997 through 2000/2001 is shown in the table below. The return based on the actuarial value of assets used for determining annual contribution rates is also shown.

The rate of return on market value reflects the investment earnings on the market value of assets from the beginning of the fiscal year to the end of the fiscal year. The actuarial assets are the assets recognized for valuation purposes. Actuarial assets are based on a smoothed market value that recognizes investment gains and losses over a period of three years. The rate of return on the actuarial value of assets is a measure of the increase in the actuarial value of assets from the beginning of the fiscal year to the end of the fiscal year.

Fiscal Year	Rate of Return Based on	
	Market Value	Actuarial Value
2000/2001	(7.4)%	14.3%
1999/2000	11.9	13.6
1998/1999	12.2	15.1
1997/1998	15.8	16.8
1996/1997	18.3	17.3

Table 1
Summary of Results of Actuarial Valuation
As of June 30, 2001
(Dollar Amounts in Thousands)

Item	Amount
Member Data	
1. Number of Members	
a) Active Members	243,311
b) Inactive Members and Vestees	53,979
c) Annuitants, Beneficiaries and Survivor Annuitants	132,716
d) Total	430,006
2. Annualized Salaries	\$ 9,414,884
3. Annual Annuities	\$ 1,871,995
Valuation Results	
4. Present Value of Future Pension Benefits	
a) Active Members	\$ 44,380,684
b) Inactive Members and Vestees	542,625
c) Annuitants, Beneficiaries and Survivor Annuitants	15,755,768
d) Total	\$ 60,679,077
5. Present Value of Future Pension Normal Cost	
a) Active Members	\$ 6,359,294
b) Employer	6,448,861
c) Total	\$ 12,808,155
6. Pension Accrued Liability	
a) Active Members (4a) - (5c)	\$ 31,572,529
b) Inactive Members and Vestees	542,625
c) Annuitants, Beneficiaries and Survivor Annuitants	15,755,768
d) Total	\$ 47,870,922
7. Health Care Premium Assistance Payments	\$ 46,372
8. Total Accrued Liability (6) + (7)	\$ 47,917,294
9. Actuarial Value of Assets	\$ 54,830,300
10. Unfunded Accrued Liability (8) - (9)	\$ (6,913,006)
11. Total Normal Cost Rate	14.30 %
12. Member Contribution Rate	7.10 %
13. Employer Normal Cost Rate (11) - (12)	7.20 %
Employer Annual Funding Requirement for Fiscal 2002/2003	
14. Employer Contribution Rate	
a) Normal	7.20 %
b) Unfunded Accrued Liability	<u>(10.03)</u>
c) Preliminary Pension Rate	(2.83) %
d) Preliminary Pension Rate with 1% Floor	1.00
e) Health Insurance Premium Assistance	<u>0.97</u>
f) Preliminary Total Rate	1.97 %
g) Minimum of (f) and 1.15%	1.15
h) Final Pension Rate (g) - (e)	0.18
i) Total Rate (h) + (e)	1.15 %

Table 2
Summary of Sources of Employer Contribution Rate
As of June 30, 2001
(Dollar Amounts in Thousands)

	Funding Period 10 Years from July 1	Initial Amount of Liability	Outstanding Balance as of July 1, 2001	Annual Payment	
				Amount	Percent
1. Amortization of:					
a) Initial Unfunded Base	2002	\$ (9,845,207)	\$ (9,845,207)	\$ (1,510,937)	(14.77)%
b) Changes in 2001	2002	2,932,201	2,932,201	484,845	4.74 %
Total Amortization Payments			(6,913,006)	(1,026,093)	(10.03)%
2. Employer Normal Cost Rate					7.20 %
3. Preliminary Pension Rate (1) + (2)					(2.83)%
4. Preliminary Pension Rate with 1% Floor -- Maximum of (3) and 1%					1.00 %
5. Health Insurance Premium Assistance Rate					0.97 %
6. Preliminary Total Employer Contribution Rate (4) + (5)					1.97 %
7. Final Total Employer Contribution Rate with 1.15% Cap -- Minimum of (6) and 1.15%					1.15 %

Table 3
Determination of Health Insurance Contribution Rate
For Fiscal Year 2002/2003
(Dollar Amounts in Thousands)

Item	Amount
1. Estimated Number of Eligible Annuitants in Fiscal Year 2003/2004	95,500
2. Estimated Number of Eligible Annuitants Who Elect Coverage	77,355
3. Estimated Annual Health Insurance Premium Assistance Payments During Fiscal Year 2003/2004 (2) x \$100 x 12	\$ 92,826
4. Estimated Health Insurance Premium Assistance Administrative Expenses During Fiscal Year 2003/2004	2,084
5. Total Estimated Health Insurance Premium Assistance Account Disbursements During Fiscal Year 2003/2004 (3) + (4)	\$ 94,910
6. Estimated Shortfall in Health Insurance Premium Assistance Account for Prior Fiscal Year 2002/2003	\$ 3,580
7. Estimated Shortfall in Health Insurance Premium Assistance Account (5) + (6)	\$ 98,490
8. Required Health Insurance Premium Assistance Contribution Rate	
(a) Estimated 2002/2002 Payroll	\$ 10,227,097
(b) Required Health Insurance Premium Assistance Contribution Rate (7) / (8a) (rounded up)	0.97%

Table 4
Summary of Market Value of Plan Assets
As of June 30, 2001
(Dollar Amounts in Thousands)

Market Value	
1. Market Value of Assets as of June 30, 2000	\$ 53,412,950
2. Contributions During Fiscal Year 2000/2001	765,566
3. Disbursements During Fiscal Year 2000/2001	2,157,420
4. Investment Return During Fiscal Year 2000/2001	
a) Net Investment Return	\$ (3,845,437)
b) Administrative Expenses	32,332
c) Investment Return After Expenses (a) - (b)	\$ (3,877,769)
5. Market Value of Assets as of June 30, 2001 (1) + (2) - (3) + (4c)	\$ 48,143,327
6. Rate of Return	(7.36)%
Asset Allocation by Account	
1. Members' Savings Account	\$ 7,464,404
2. Annuity Reserve Account	16,228,976
3. State Accumulation Account	24,403,575
4. Health Care Account	46,372
5. Total (1) + (2) + (3) + (4)	\$ 48,143,327

Table 5
Derivation of Actuarial Value of Assets
As of June 30, 2001
(Dollar Amounts in Thousands)

1. Market Value of Assets as of June 30, 2001					\$ 48,143,327
2. Determination of Deferred Gain (Loss)					
	Return on Assets				
<u>Year</u>	<u>Actual</u>	<u>Expected</u>	<u>Difference</u>	<u>% Deferred</u>	<u>Deferred Amount</u>
2000/2001	\$ (3,877,769)	\$ 4,480,947	\$ (8,358,716)	80%	\$ (6,686,973)
3. Actuarial Value of Assets (1) - (2)					\$ 54,830,300
4. Actuarial Rate of Return *					14.26%

* The actuarial rate of return is the investment return on the increase in the actuarial value of the assets from the June 30, 2000 valuation to the June 30, 2001 valuation.

Table 6
Analysis of Change in Unfunded Accrued Liability
As of June 30, 2001
(Dollar Amounts in Thousands)

Item	Amount
1. Unfunded Accrued Liability at June 30, 2000	\$ (9,470,215)
2. Interest Credit at 8.50% to June 30, 2001	(804,968)
3. Contributions Toward Unfunded Accrued Liability	(429,976)
4. Change due to Act 9	5,578,700
5. Change due to Act 38	(4,638,306)
6. Expected Unfunded Accrued Liability at June 30, 2001 (1) + (2) - (3) + (4) + (5)	\$ (8,904,813)
7. Actual Unfunded Accrued Liability at June 30, 2001	\$ (6,913,006)
8. Increase (Decrease) from Expected (6) - (7)	\$ (1,991,807)
9. Reasons for Increase (Decrease)	
(a) Experience (Gains) Losses	
(i) Loss from Investment Return on Actuarial Value of Assets	\$ 1,839,954
(ii) Gain from Salary Increases Less than Expected	(27,891)
(iii) Loss from Retirement and Other Separation Experience	128,321
(iv) Loss from Annuitants' Mortality Experience	51,423
Subtotal	\$ 1,991,807
(b) Change in Assumptions	\$ -
(c) Grand Total	\$ 1,991,807

Table 7
Schedule of Funding Progress
GASB Statement No. 25 Disclosure
(Dollar Amounts in Thousands)

Valuation as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Funded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll
2001	\$ 54,830,300	\$ 47,917,294	\$ 6,913,006	114.4 %	\$ 9,414,884	(73.4) %
2000	49,293,047	49,822,832	9,470,215	123.8	8,939,598	(105.9)
1999	44,606,526	37,499,115	7,107,411	119.0	8,247,602	(86.2)
1998	39,968,957	36,136,163	3,832,794	110.6	8,091,481	(47.4)
1997	34,872,643	33,209,493	1,663,150	105.0	7,745,001	(21.5)
1996	30,170,885	31,629,822	(1,458,937)	95.4	7,616,585	19.2

Table 8
Schedule of Employer Contributions
GASB Statement No. 25 Disclosure
(Dollar Amounts in Thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	\$ 158,193	100 %
2000	390,504	100 %
1999	513,940	100 %
1998	718,431	100 %
1997	796,205	100 %
1996	860,898	100 %

The information presented above was determined as part of the actuarial valuation as of two years prior to the dates indicated (i.e. the contribution determined by the valuation completed as of June 30, 1999 was contributed in the fiscal year ending June 30, 2001).

Additional information as of the latest actuarial valuation follows:

Valuation Date:	6/30/2001
Actuarial Cost Method:	Entry Age
Amortization Method:	Level percent closed
Remaining Amortization Period:	10 years
Asset Valuation Method:	5-year smoothed market

Actuarial Assumptions:	
- Investment Rate of Return *	8.50%
- Projected Salaried Increases *	6.25%

* Includes Inflation at:	3.50%
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Table 9
Solvency Test
Comparative Summary of Accrued Liability
and Actuarial Value of Assets
(Dollar Amounts in Thousands)

Valuation as of June 30	(1)	(2)	(3)	Actuarial Value of Assets	Portion of Accrued Liability Covered by Valuation Assets		
	Active Member Contributions	Retirees and Beneficiaries	Active Member Employer Financed		(1)	(2)	(3)
2001	\$ 7,464,404	\$ 15,802,140	\$ 24,650,750	\$ 54,830,300	100%	100%	100%
2000	6,775,934	16,036,880	17,010,018	49,293,047	100%	100%	100%
1999	6,298,483	15,275,756	15,924,876	44,606,526	100%	100%	100%
1998	6,113,312	13,734,388	16,288,463	39,968,957	100%	100%	100%
1997	5,755,010	12,078,982	15,375,501	34,872,643	100%	100%	100%
1996	5,498,624	10,599,998	15,531,200	30,170,885	100%	100%	91%

Table 10
History of Contribution Rates
(4.5%) FY 2001-2002 Assumed Rate of Return

	Contribution Rates					
Fiscal Year	Member	Employer Normal Cost Rate	Unfunded Liability Rate	Preliminary Employer Pension Rate	Health Insurance Rate	Total Employer Rate
1993/1994	5.51	7.34	5.58	12.92	0.25	13.17
1994/1995	5.55	6.43	4.18	10.61	0.45	11.06
1995/1996	5.59	6.43	4.67	11.10	0.62	11.72
1996/1997	5.62	6.44	3.56	10.00	0.60	10.60
1997/1998	5.65	6.44	2.17	8.61	0.15	8.76
1998/1999	5.69	6.33	(0.44)	5.89	0.15	6.04
1999/2000	5.72	6.40	(2.04)	4.36	0.25	4.61
2000/2001	5.77	6.29	(4.65)	1.64	0.30	1.94
2001/2002	6.43	5.63	(6.05)	(0.42)	1.09	1.09
2002/2003	7.10	7.20	(10.03)	1.00	0.97	1.15

The return on the market value of assets is assumed to be -4.5% for FY 2001-2002 and 8.5% for subsequent fiscal years. Otherwise, the projection of contribution rates is based on the assumption that there are no actuarial gains or losses, no changes in demographics or economic assumptions and no changes in benefit provisions.

Table 11
History and Projection of Annuitants, Beneficiaries,
Survivor Annuitants and Active Members

Valuation as of June 30	New Annuitants During the Year	Annuitant Deaths During the Year	Annuitants at End of Year	Beneficiaries and Survivor Annuitants at End of Year	Total Annuitants, Beneficiaries and Survivor Annuitants	Active Members
1992			100,265	4,761	105,026	202,991
1993			108,444	4,768	113,212	197,997
1994			109,813	5,218	115,031	206,540
1995			110,509	5,451	115,960	210,783
1996			113,007	5,719	118,726	213,906
1997			118,137	5,987	124,124	215,077
1998			120,665	6,149	126,814	220,703
1999			126,448	6,421	132,869	223,495
2000			127,404	6,654	134,058	234,210
2001			125,880	6,836	132,716	243,311
2002	11,000	3,890	132,990	7,260	140,250	241,384
2003	9,719	4,057	138,652	7,655	146,307	241,384
2004	10,175	4,206	144,621	8,006	152,627	241,384
2005	10,759	4,348	151,032	8,316	159,348	241,384
2006	11,233	4,502	157,763	8,595	166,358	241,384
2007	11,352	4,644	164,471	8,840	173,311	241,384
2008	11,689	4,793	171,367	9,055	180,422	241,384
2009	11,876	4,942	178,301	9,244	187,545	241,384
2010	11,828	5,075	185,054	9,408	194,462	241,384
2011	11,675	5,224	191,505	9,551	201,056	241,384

Table 12
Description of Actuarial Assumptions and Methods

ASSUMPTIONS

Interest Rate: 8½% per annum, compounded annually (adopted as of June 30, 1990). The components are 3½% for inflation and 5% for the real rate of return. Actuarial equivalent benefits are determined based on 4% (since 1960).

Separation From Service: Illustrative rates of assumed separation from service are as follows (adopted in 2000):

Age	Annual Rate of:						
	Non-Vested Withdrawal	Vested Withdrawal*		Death	Disability	Early Retirement**	Superannuation Retirement
		Less than 10 Years of Service	10 or More Years of Service				
Males							
25	13.00 %	5.50 %	1.40 %	.05 %	.02 %		
30	11.00	3.00	1.40	.05	.02		
35	11.00	3.00	1.10	.05	.10		
40	11.00	3.00	.80	.07	.18	.13 %	
45	11.00	3.00	.50	.10	.18	.15	
50	9.00	3.00	1.78	.16	.28	1.56	24.00 %
55	9.00	3.00	3.50	.25	.43	10.00	24.00
60	9.00	2.40	4.50	.46	.58	10.00	28.00
65				.90			20.00
69				1.44			20.00
Females							
25	13.00 %	9.50 %	4.00 %	.01 %	.04 %		
30	13.00	7.50	4.00	.02	.04		
35	13.00	5.50	2.00	.03	.08		
40	10.00	3.50	1.00	.04	.13	.60 %	
45	10.00	3.00	.55	.07	.18	.60	
50	10.00	3.00	1.50	.10	.25	1.74	10.00 %
55	10.00	3.00	3.00	.15	.35	10.00	10.00
60	10.00	3.50	5.90	.23	.45	15.00	25.00
65				.48			28.00
69				.88			20.00

* Vested Withdrawal - At least 5 years service but not eligible for Early or Superannuation retirement.

** Early Retirement - Age 55 with 25 years service, but not eligible for Superannuation retirement.

Description of Actuarial Assumptions and Methods (Continued)

Death After Retirement: The 1995 George B. Buck Mortality Tables, rated forward one year for males and unadjusted for females, adopted in 2000, are used to project mortality for healthy annuitants and for dependent beneficiaries. Special mortality tables based on PSERS' experience are used for disability retirements. (The 1995 George B. Buck Mortality Tables, rated forward one year for males and unadjusted for females, adopted in 2000, are used to determine actuarial equivalent benefits.)

Salary Increase: Effective average of 6 1/4% per annum, compounded annually. The components are 3 1/2% for inflation, 1% for real wage growth and 1 3/4% for merit or seniority increases (adopted as of June 30, 1995). Representative values are as follows:

Age	Annual Rate of Salary Increase
20	10.00 %
30	9.50
40	7.25
50	5.00
55	4.75
60	4.50
65	4.50
70	4.50

MISCELLANEOUS

Option 4 Elections: 100% of members are assumed to elect a refund of contributions and a reduced annuity.

Withdrawal Annuity: 90% of members are assumed to commence payment immediately and 10% are assumed to defer payment to superannuation age.

METHODS

Calculations: The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system, and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Actuarial Cost Method: Entry Age Normal Cost Method. The outstanding balance of the June 30, 2001 unfunded accrued liability is to be amortized over a 10 year period commencing July 1, 2002, with level dollar funding. Changes in the unfunded accrued liability, including actuarial gains and losses, subsequent to June 30, 2001 are to be amortized over a period of 10 years from the first day of July next following the change, with level dollar funding.

Description of Actuarial Assumptions and Methods (Continued)

Asset Valuation Method: A five-year moving market average value of assets that recognizes the 8½% actuarial expected investment return immediately and spreads the difference between the actual and expected return (beginning with the 2000/2001 fiscal year) over a period of five years (adopted as of June 30, 2001).

Determination of Health Care Contribution Rate: Rate necessary to establish reserves sufficient to provide postemployment healthcare insurance premium assistance payments for all participating eligible annuitants for the subsequent fiscal year.

DATA

Census and Assets: The valuation was based on members of the System as of June 30, 2001 and does not take into account future members. All census data was supplied by the System and was subject to reasonable consistency checks. Asset data was supplied by the System.

Table 13

Summary of Benefit and Contribution Provisions

MEMBERSHIP

For valuation purposes, all employees are considered to be full coverage and assumed to elect coverage under Class T-D. All employees who become members on and after January 1, 1966 are members of the dual coverage group. Dual coverage members contribute to both PSERS and to Social Security.

BENEFITS

Superannuation Annuity

Eligibility	Age 62, or age 60 with 30 years of service, or 35 years of service regardless of age.
Amount	2.5% of final average salary times years of school service and intervening military service. 2% of final average salary for non-school service and for members who do not elect Class T-D coverage. Minimum of \$100 per year of service. "Final average salary" means the highest average annual salary for any 3 years of service. Annual salary is subject to a limit of \$200,000, as adjusted under Section 401(a)(17). For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code.

Early Retirement Annuity

Eligibility	Age 55 with 25 years of service.
Amount	Accrued benefit as of date of retirement, reduced 1/4% for each month by which commencement of payments precedes Superannuation Age. For members who elect coverage under Class T-D, the maximum benefit is equal to the limit established by Section 415 of the Internal Revenue Code.

Withdrawal Annuity

Eligibility	5 years of service.
Amount	Accrued benefit deferred to superannuation retirement age or an actuarially reduced benefit payable immediately. Actuarially equivalent benefits are based on 4% interest and the 1995 George B. Buck mortality tables, rated forward one year for males and unadjusted for females.

Summary of Benefit and Contribution Provisions (Continued)

Disability Annuity

Eligibility	5 years of service.
Amount	The standard single life annuity if the total number of credited service is greater than 16.667, otherwise the standard single life annuity multiplied by the lesser of the following ratios: (Y^*/Y) or $(16.667/Y)$ where Y is the number of years of credited service and Y* is the total years of credited service if the member were to continue as a school employee until superannuation retirement age (or at current age, if later). Minimum of \$100 per year of service.

Return of Contributions

Eligibility	Death or separation from service and member does not qualify for other benefits.
Amount	Refund of accumulated deductions includes interest (less annuity payments received prior to death in the case of a retired member).

Death Benefit

Eligibility	Death of an active member or vestee who was eligible to receive an annuity.
Amount	The present value of the annuity which would have been effective if the member retired on the day before death. Option 1 (see next page) assumed payable if no other option elected.

Normal and Optional Forms of Benefits

Normal Form:	Life annuity with a guaranteed payment equal to member contributions with interest.
Option 1:	Reduced benefit with refund of balance of present value of annuity at retirement over payments received. If balance is less than \$5,000, benefit is paid in lump sum; otherwise, beneficiary may elect annuity and/or lump sum.
Option 2:	Joint and 100% survivorship annuity.
Option 3:	Joint and 50% survivorship annuity.
Option 4:	Benefit of equivalent actuarial value, including lump sum payment of member contributions.

Summary of Benefit and Contribution Provisions (Continued)

Postemployment Health Care Insurance Premium Assistance

Eligibility	Retired members who: (a) have 24½ or more years of service, or (b) are disability annuitants, or (c) have 15 or more years of service and who both terminated school service and retired after attaining superannuation age and (d) participate in the PSERS Health Options Program or in an employer-sponsored health insurance program.
Amount	Participating eligible annuitants receive health insurance premium assistance payments from the Health Insurance Account equal to the lesser of \$55 per month (\$100 per month effective January 1, 2002) or the actual monthly premium. All administrative expenses necessary to operate the health insurance premium assistance program are to be funded by the Health Insurance Account. The Health Insurance Account is credited with contributions of the Commonwealth and the employers.

CONTRIBUTIONS

By Members	Members who elect coverage under Class T-D and who were hired prior to July 22, 1983 contribute at a rate of 6½% of compensation, while members who elect coverage under Class T-D who were most recently hired on or after July 22, 1983 contribute at a rate of 7½% of compensation. Members who do not elect coverage under Class T-D and who were hired prior to July 22, 1983 contribute at a rate of 5¼% of compensation, while members who do not elect coverage under Class T-D who were most recently hired on or after July 22, 1983 contributed at a rate of 6¼% of compensation. Reduction for a joint coverage member of 40% of Social Security tax, exclusive of disability and medical coverage portion.
By Commonwealth and employers	Balance of required contribution determined as normal contribution, accrued liability contribution, supplemental annuity contribution, experience adjustment factor and premium assistance contribution, is funded by the Commonwealth and the employers.

Table 14
Summary of Membership Data
As of June 30, 2001
(Dollar Amounts in Thousands)

Active Members *

Item	Male	Female	Total
Number of Members	70,329	172,982	243,311
Annual Salaries **	\$ 3,213,059	\$ 6,201,825	\$ 9,414,884
Average Age	45.5	44.9	45.1
Average Service	14.6	11.6	12.5

* Excludes 53,979 inactive members and vestees.

** These salaries shown in the table above represent a rate of pay as of the valuation date and are the approximate average of the salaries of \$9,156,268 reported for the fiscal year ended June 30, 2001 and the expected salaries for the fiscal year ended June 30, 2002.

Annuitants and Beneficiaries

Item	Male	Female	Total
Number of Members	70,329	172,982	243,311
Annual Salaries **	\$ 3,213,059	\$ 6,201,825	\$ 9,414,884
Average Age	45.5	44.9	45.1
Average Service	14.6	11.6	12.5

Exhibit I

Active Membership Data as of June 30, 2001

Number and Average Annual Salary

Age	Years of Service									Total	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +		
Under 25	62,218	17									6,235
	\$ 24,792	\$ 25,318									\$ 24,791
25 - 29	16,366	3,305	44								19,715
	\$ 30,806	\$ 38,770	\$ 31,187								\$ 32,142
30 - 34	10,666	9,300	2,329	481							22,343
	\$ 27,871	\$ 41,154	\$ 44,522	\$ 32,671							\$ 35,146
35 - 39	10,587	5,144	5,665	1,928	121						23,445
	\$ 20,466	\$ 36,248	\$ 46,265	\$ 47,601	\$ 34,232						\$ 32,465
40 - 44	12,997	6,444	4,906	4,755	2,973	141					32,216
	\$ 18,945	\$ 29,951	\$ 42,057	\$ 51,111	\$ 52,544	\$ 37,897					\$ 32,597
45 - 49	10,720	7,669	6,611	4,396	8,561	7,140	87				45,184
	\$ 20,892	\$ 29,938	\$ 39,321	\$ 48,448	\$ 57,735	\$ 59,690	\$ 36,219				\$ 40,946
50 - 54	6,196	5,438	6,236	4,848	4,891	13,077	9,938	53			50,677
	\$ 21,642	\$ 29,441	\$ 37,260	\$ 44,613	\$ 53,411	\$ 62,222	\$ 64,131	\$ 36,260			\$ 48,484
55 - 59	3,222	2,552	3,300	3,148	3,229	3,281	5,520	2,317	14		26,583
	\$ 19,894	\$ 25,496	\$ 32,079	\$ 38,373	\$ 43,392	\$ 53,650	\$ 64,676	\$ 66,986	\$ 38,729		\$ 44,567
60 - 64	1,653	1,289	1,581	1,522	1,785	1,690	904	916	241		11,581
	\$ 16,630	\$ 22,145	\$ 27,886	\$ 31,572	\$ 35,136	\$ 44,589	\$ 53,821	\$ 65,870	\$ 62,824		\$ 35,435
Over 64	1,232	832	889	647	579	530	311	128	184		5,332
	\$ 13,040	\$ 16,624	\$ 20,629	\$ 24,289	\$ 28,303	\$ 32,280	\$ 40,023	\$ 50,684	\$ 62,499		\$ 23,984
Total	79,857	41,990	31,561	21,292	22,139	25,859	16,760	3,414	439		243,311
Ave. Sal.	\$ 23,595	\$ 33,053	\$ 39,101	\$ 44,627	\$ 51,271	\$ 58,537	\$ 63,162	\$ 65,598	\$ 61,919		\$ 38,695

Exhibit II
The Number and Average Annual Annuity
As of June 30, 2001

Retired on Account of Superannuation, Early Retirement and
Those in Receipt of Withdrawal Annuities

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +	
Under 50			1,654	490	193	34	2			2,373
			\$ 1,039	\$ 2,851	\$ 6,846	\$ 11,614	\$ 12,120			\$ 2,046
50 - 54			2,162	833	447	417	997	4		4,860
			\$ 1,039	\$ 2,884	\$ 7,328	\$ 14,269	\$ 29,779	\$ 29,415		\$ 8,988
55 - 59		1	1,960	1,132	640	764	6,903	726	1	12,127
		\$ 2,050	\$ 1,317	\$ 3,354	\$ 7,054	\$ 16,751	\$ 31,616	\$ 36,800	\$ 16,126	\$ 22,155
60 - 64	76	148	1,759	1,534	1,468	1,853	5,325	3,714	160	16,037
	\$ 575	\$ 1,813	\$ 2,419	\$ 5,013	\$ 9,284	\$ 17,732	\$ 29,440	\$ 35,959	\$ 39,082	\$ 22,156
65 - 69	360	714	2,571	2,443	2,819	3,012	3,988	3,132	1,507	20,546
	\$ 520	\$ 1,872	\$ 3,015	\$ 5,590	\$ 9,801	\$ 15,980	\$ 24,149	\$ 32,326	\$ 37,507	\$ 17,169
70 - 74	595	1,120	2,849	2,956	3,292	3,339	3,460	2,337	1,460	21,408
	\$ 485	\$ 1,642	\$ 3,080	\$ 5,522	\$ 9,748	\$ 14,939	\$ 21,423	\$ 28,392	\$ 36,890	\$ 14,179
75 - 79	584	1,206	2,865	2,954	2,723	2,537	2,038	1,860	773	17,540
	\$ 465	\$ 1,477	\$ 2,997	\$ 5,450	\$ 9,323	\$ 13,526	\$ 17,909	\$ 22,697	\$ 32,947	\$ 10,868
80 - 84	450	1,034	2,393	2,118	1,815	1,588	1,222	1,408	492	12,520
	\$ 503	\$ 1,473	\$ 2,971	\$ 5,298	\$ 8,143	\$ 11,566	\$ 15,580	\$ 18,943	\$ 25,581	\$ 8,908
85 - 89	294	748	1,262	1,182	985	928	767	1,015	596	7,777
	\$ 581	\$ 1,677	\$ 3,186	\$ 5,428	\$ 8,382	\$ 11,139	\$ 14,767	\$ 17,840	\$ 20,936	\$ 9,305
Over 89	40	374	532	569	507	628	528	779	963	4,920
	\$ 779	\$ 2,091	\$ 3,851	\$ 6,121	\$ 9,182	\$ 10,855	\$ 13,880	\$ 16,509	\$ 19,600	\$ 11,561
Total	2,399	5,345	20,007	16,211	14,889	15,100	25,230	14,975	5,952	120,108
	\$ 508	\$ 1,644	\$ 2,454	\$ 5,088	\$ 9,103	\$ 14,560	\$ 25,737	\$ 28,570	\$ 31,260	\$ 14,655

Exhibit III The Number and Average Annual Annuity As of June 30, 2001

Beneficiaries and Survivor Annuitants

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +	
Under 50	1	17	43	34	40	28	15	8	15	201
	\$ 217	\$ 859	\$ 1,444	\$ 2,315	\$ 4,810	\$ 7,122	\$ 8,525	\$ 6,848	\$ 11,267	\$ 4,473
50 - 54	2	2	20	21	24	25	41	18	13	166
	\$ 291	\$ 2,184	\$ 1,598	\$ 2,348	\$ 4,900	\$ 9,475	\$ 10,736	\$ 10,617	\$ 11,385	\$ 7,349
55 - 59	2	7	25	30	26	41	78	41	14	264
	\$ 381	\$ 1,358	\$ 1,980	\$ 3,107	\$ 4,791	\$ 10,342	\$ 13,277	\$ 14,178	\$ 6,202	\$ 9,111
60 - 64	3	7	51	49	46	43	101	88	36	424
	\$ 178	\$ 1,293	\$ 2,900	\$ 3,540	\$ 5,481	\$ 9,117	\$ 12,973	\$ 15,805	\$ 15,927	\$ 10,022
65 - 69	9	17	76	69	72	66	128	106	60	603
	\$ 535	\$ 1,620	\$ 2,410	\$ 3,791	\$ 5,604	\$ 8,752	\$ 11,415	\$ 14,622	\$ 16,675	\$ 9,071
70 - 74	17	49	116	131	112	124	141	186	93	969
	\$ 726	\$ 1,194	\$ 2,441	\$ 3,461	\$ 5,423	\$ 7,124	\$ 10,563	\$ 11,646	\$ 15,968	\$ 7,677
75 - 79	14	75	183	182	153	173	178	245	95	1,298
	\$ 746	\$ 1,226	\$ 2,232	\$ 3,331	\$ 5,529	\$ 7,401	\$ 8,849	\$ 10,074	\$ 12,665	\$ 6,541
80 - 84	20	119	190	152	150	129	176	250	158	1,344
	\$ 503	\$ 1,073	\$ 1,958	\$ 3,136	\$ 4,712	\$ 6,515	\$ 7,174	\$ 8,964	\$ 10,061	\$ 5,675
85 - 89	9	77	113	95	87	74	121	196	184	956
	\$ 574	\$ 1,107	\$ 1,870	\$ 2,979	\$ 4,229	\$ 4,856	\$ 5,899	\$ 7,391	\$ 8,523	\$ 5,275
Over 89	5	27	50	38	35	46	65	143	200	609
	\$ 1,516	\$ 895	\$ 1,927	\$ 2,698	\$ 3,670	\$ 5,043	\$ 5,762	\$ 6,315	\$ 6,938	\$ 5,347
Total	82	397	867	801	745	749	1,044	1,281	868	6,834
	\$ 640	\$ 1,140	\$ 2,129	\$ 3,219	\$ 5,029	\$ 7,244	\$ 9,378	\$ 10,144	\$ 10,612	\$ 6,745

Exhibit IV
The Number and Average Annual Annuity
As of June 30, 2001

Retired on Account of Disability

Age	Years of Service									Total	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +		
Under 50		188	187	99	89	18					581
		\$ 7,587	\$ 9,472	\$ 12,765	\$ 18,225	\$ 24,410					\$ 11,227
50 - 54		156	67	129	192	228	24				896
		\$ 6,411	\$ 9,107	\$ 11,904	\$ 19,439	\$ 27,895	\$ 31,244				\$ 16,628
55 - 59		159	212	172	220	228	35				1,026
		\$ 6,373	\$ 7,674	\$ 10,258	\$ 16,790	\$ 25,478	\$ 33,883				\$ 14,711
60 - 64		162	259	230	206	125	17	2			1,001
		\$ 4,859	\$ 6,914	\$ 9,232	\$ 13,696	\$ 22,881	\$ 26,800	\$ 40,265			\$ 10,908
65 - 69		153	216	180	145	93	18	1			806
		\$ 3,941	\$ 5,958	\$ 7,940	\$ 12,009	\$ 18,213	\$ 25,002	\$ 40,167			\$ 8,988
70 - 74		125	176	112	116	65	9	1	1		605
		\$ 3,254	\$ 4,984	\$ 7,568	\$ 11,789	\$ 16,022	\$ 20,384	\$ 22,501	\$ 50,092		\$ 7,928
75 - 79		97	109	78	71	48	18	1			422
		\$ 3,062	\$ 5,025	\$ 6,442	\$ 9,723	\$ 13,691	\$ 16,020	\$ 25,335			\$ 7,129
80 - 84		47	69	51	47	26	27				267
		\$ 2,597	\$ 4,749	\$ 6,729	\$ 8,558	\$ 12,334	\$ 17,214				\$ 7,418
85 - 89		10	34	35	18	16	9				122
		\$ 2,669	\$ 4,697	\$ 6,364	\$ 8,041	\$ 12,232	\$ 13,210				\$ 7,119
Over 89			15	12	8	10	2				47
			\$ 5,175	\$ 5,851	\$ 8,714	\$ 10,590	\$ 11,073				\$ 7,353
Total		1,097	1,444	1,098	1,112	857	159	5	1		5,773
		\$ 5,180	\$ 6,916	\$ 9,201	\$ 14,645	\$ 22,734	\$ 24,648	\$ 33,707	\$ 50,092		\$ 11,377

Exhibit V
The Number and Average Annual Annuity
As of June 30, 2001

Those in Receipt of a Refund Annuity

Age	Years of Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +	
Under 50										
50 - 54										
55 - 59										
60 - 64										
65 - 69										
70 - 74										
75 - 79										
80 - 84										
85 - 89										
Over 89	1 \$ 53									1 \$ 53
Total	1 \$ 53									1 \$ 53

Exhibit VI
Annuitant and Beneficiary Membership Data
As of June 30, 2001

Number and Average Annual Benefit
Excludes Partial Lump Sum Payments

Age Last Birthday	Number	Annual Benefit (Dollars in Thousands)	Average Annual Benefit (Dollars)
Annuitants			
(Normal, Early and Withdrawal)			
Under 60	19,360	\$ 317,209	\$ 16,385
60 - 64	16,037	355,318	22,156
65 - 69	20,546	352,762	17,169
70 - 74	21,408	303,535	14,179
75 - 79	17,540	190,624	10,868
Over 79	25,217	240,771	9,548
Total	120,108	\$ 1,760,219	\$ 14,655
Survivors and Beneficiaries			
Under 60	631	\$ 4,524	\$ 7,170
60 - 64	424	4,250	10,022
65 - 69	603	5,470	9,071
70 - 74	969	7,439	7,677
75 - 79	1,298	8,490	6,541
Over 79	2,910	15,926	5,473
Total	6,835	\$ 46,098	\$ 6,744
Disabled Annuitants			
Under 60	2,503	\$ 36,515	\$ 14,588
60 - 64	1,001	10,919	10,908
65 - 69	806	7,244	8,988
70 - 74	605	4,797	7,928
75 - 79	422	3,008	7,129
Over 79	436	3,195	7,327
Total	5,773	\$ 65,678	\$ 11,377
Grand Total			
Average Annual Benefit		132,716	\$ 1,817,995
			\$ 14,105

Exhibit VII

10 Year History of Membership Data

Active Members

Valuation as of June 30	Number of Active Members	Percentage Change in Membership	Total Annual Payroll (Dollars in Thousands)	Percentage Change in Payroll
2001	243,311	3.89%	\$ 9,414,884	5.32%
2000	234,210	4.79%	8,939,598	8.39%
1999	223,495	1.27%	8,247,602	1.93%
1998	220,703	2.62%	8,091,481	4.47%
1997	215,077	0.55%	7,745,001	1.69%
1996	213,906	1.48%	7,616,585	3.23%
1995	210,783	2.05%	7,378,342	7.16%
1994	206,540	4.31%	6,885,337	8.46%
1993	197,997	(2.46%)	6,348,565	4.11%
1992	202,991	0.18%	6,098,222	6.15%

Annuitant and Survivor Annuitant Members

Year Ended June 30	Number on roll	Additions	Deletions	Percentage Change in Membership	Annual Annuities (Dollars in Millions)	Percentage Change in Annuities
2001	132,716	3,140	4,482	(1.00)%	\$ 1,872.0	(0.46)%
2000	134,058	5,923	4,734	0.89%	1,880.6	2.73%
1999	132,869	10,609	4,554	4.77%	1,830.6	10.77%
1998	126,814	7,132	4,442	2.17%	1,652.6	14.21%
1997	124,124	9,787	4,389	4.55%	1,447.0	11.74%
1996	118,726	7,047	4,281	2.39%	1,295.0	6.05%
1995	115,960	4,923	3,994	0.81%	1,221.1	2.99%
1994	115,031	4,866	3,047	1.61%	1,185.6	12.06%
1993	113,212	12,258	4,072	7.79%	1,058.0	22.65%
1992	105,026	5,811	3,709	2.04%	862.6	5.66%