

ARIZONA JUDICIAL COUNCIL

Request for Council Action

**Date Action Requested:**

December 7, 2006

**Type of Action Requested:**

Formal Action/Request  
 Information Only  
 Other

**Subject:** Correctional Officers Retirement Plan (CORP)

**FROM:** Rob Lubitz, Director, Juvenile Justice Services Division, AOC

**DISCUSSION:**

The AJC previously approved moving forward with a joinder agreement between the AOC and the Correctional Officers Retirement Plan (CORP) to transfer probation, surveillance and detention officers from the Arizona State Retirement System (ASRS) to CORP contingent on the results of the statutorily required actuarial valuation.

The actuarial valuation has been completed and shows the estimated employer contribution rates for this fiscal year at 8.71% under CORP compared to 9.1% under ASRS. Estimates for the next fiscal year show the employer contribution rates at 9.25% under CORP compared to 9.6% under ASRS. The current employee contribution rate under CORP is 8.5% and will drop to 7.96% next year

A draft joinder agreement between the AOC and CORP has been prepared. Because the agreement impacts the budgets and operations of the counties, it was decided to send a letter and a copy of the proposed joinder agreement to the Chairman of the County Board of Supervisors, County Manager, County Attorney and the Presiding Judge of all fifteen counties. The letters gives each recipient 45 days to provide any comment or raise any concern(s). Assuming no major issues are identified, the AOC should be able to execute the joinder agreement in January and the transfer of officers to CORP should take place sometime between spring of 2007 and the start of the next fiscal year (July 1, 2007). If unexpected issues are identified, that timeline will allow the AOC and CORP to go back to the Legislature for further clarification and direction.

**RECOMMENDED COUNCIL ACTION:**

No action required at this time – informational only.

[letterhead]

[date]

Presiding Judges  
Chairpersons, County Boards of Supervisors

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Re: CORP Joinder Agreement

Dear Presiding Judges and Chairpersons of County Boards of Supervisors:

This letter is intended to provide notice and explanation of the impending transfer of designated employees of the Superior Court from the Arizona State Retirement System (ASRS) to the Corrections Officers Retirement Plan (CORP). The Forty-Seventh Legislature, Second Regular Session (2006) enacted SB 1142 (Chapter 308), amending A.R.S. § 38-902 to authorize the Administrative Office of the Courts to enter a “Joinder Agreement” with the CORP fund manager.<sup>1</sup> A copy of a draft of the Joinder Agreement with a proposed effective date of July 1, 2007 is enclosed with this letter as Attachment A.

The effect of the Joinder Agreement will be to trigger “section 5” of A.R.S. § 38-902 and to define the terms for enrollment into CORP of the designated class of full-time, paid employees consisting of probation and surveillance officers appointed pursuant to A.R.S. §§ 8-203, 12-251 or 12-259 and juvenile detention officers responsible for the direct custodial supervision of juveniles. These officers, who are currently enrolled in the ASRS, are employees of the Superior Court in each county. The Joinder Agreement would require the transfer from ASRS to CORP of “all credited service” of all current officers who do not “opt out” of the transfer, and would require all new officers to enroll in CORP upon employment. *See* A.R.S. § 38-902, sec. 5.

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<sup>1</sup> The same legislative session enacted other provisions, amending the CORP: SB 1357 (amending 38-891); SB 1359 (amending 38-881, 38-886, 38-888, 38-897, 38-901, 38-902 & 38-908, among other sections); HB 2482 (amending 38-884 and adding 38-885.01).

Representatives of the affected officers lobbied successfully for membership in the CORP because they perceive CORP benefits to be better than ASRS benefits and more comparable to the retirement benefits offered to Arizona peace officers. These greater retirement benefits, hopefully, will enhance recruitment and retention for these positions. As reflected in the enclosed fiscal note (Attachment B), the employer contribution rate for these employees in CORP is quite comparable to the current rate paid for ASRS by each county as part of the employee related expenses for these employees in addition to their salaries. A new fiscal analysis performed by ASRS and CORP as part of the joinder process (Attachment C) reached a similar conclusion, beginning July 1, 2007 (FY 2008) the employer contribution rate for the ASRS is expected to be 9.6% and the employer contribution the rate for the CORP for these employees expected to be 9.25%.

Though the current CORP and ASRS contribution rates are nearly the same for the eligible officers, the rates have somewhat different components. Notably, the CORP rate will not include the long term disability (LTD) premium component included with the ASRS rate. The ASRS provides a long term disability insurance benefit for which an additional premium is added to the contribution rate. By contrast, the CORP includes as part of the plan a disability retirement benefit limited to specific types of work related injury that occur after joining CORP (A.R.S. §§ 38-881.1; 38-881.24; & 38-886), and the CORP rate covers that disability retirement benefit. Officers who join CORP and wish to have long term disability insurance coverage would have to purchase such coverage on their own. The CORP rate also covers the difference between the cost of the CORP and the ASRS benefits, plus the comparative under funding of each plan at the present time, in order to allow one-to-one transfer of "all service credits" pursuant to A.R.S. § 38-902, sec. 5. This amount totals approximately 97.5 million dollars, which, when amortized over 30 years, contributes to the 9.25% FY 2008 employer contribution rate. The CORP and ASRS rates also reflect different actuarial assumptions by their respective actuaries.

Some of the affected officers have signed contracts with the ASRS to purchase prior government service credits under the ASRS. These contracts are known as Purchased Service Agreements (PSA). Under the terms of the Joinder Agreement and section 5 of A.R.S. § 38-902, the ASRS PSA service credits accrued at the time of the group's joinder (see effective date in the contemplated Joinder Agreement) will be transferred on a one-to-one basis to the CORP, and the unfunded liability created by that transfer will be factored into the contribution rate as described above for full service credits transfer. Those officers who have paid off their PSAs prior to joinder will have all their PSA service credits transferred in this fashion. However, those PSA service credits that accrue after the group transfer (*i.e.*, officers make PSA payments to the ASRS after the group transfer to the CORP, thereby accruing PSA service credits after the group transfer to the CORP) are governed by A.R.S. §§ 38-921 and 38-922. Transfers of PSA service credits accrued in the ASRS after the effective date of the Joinder Agreement must be initiated by the eligible officers (A.R.S. § 38-921). Thereafter, "Service credits qualified in accordance

with § 38-921 may be transferred or redeemed in accordance with this [38-922] section.” *See* A.R.S. § 38-922 (C). Members will have to make individual decisions in the future whether they want to leave service credits purchased in ASRS, transfer the service credits for partial credit in the CORP, or pay the cash difference needed to achieve a one-to-one service credits transfer from ASRS to CORP.

We ask that you review the attached Joinder Agreement, this letter, and the applicable statutes to insure that all affected persons and governmental entities understand the legal basis and the effect of the eligible officers joining the CORP. The CORP for the eligible superior court employees will be governed by an independent local board housed at the Administrative Office of the Courts. This Board will serve in a similar capacity as ASRS has served to enroll members and make determinations as to benefits. Consequently, the Board clerk will regularly communicate with probation departments, county HR and payroll offices, and the covered officers. Additional information on CORP may be obtained at the following internet address: <http://www.supreme.state.as.us/hr/corp>. We are interested in receiving your questions and comments regarding this matter between now and January 12, 2007.

Yours very truly,

David K. Byers  
Administrative Director

Enclosures

cc: Superior Court Administrators  
Chief Probation officers  
Juvenile Court Directors  
County Attorney  
County Manager  
CORP Fund Manager  
ASRS Director

**ARIZONA CORECTIONS OFFICER RETIREMENT PLAN  
JOINDER AGREEMENT**

PROBATION, SURVEILLANCE  
& JUVENILE DETENTION OFFICERS

**THIS JOINDER AGREEMENT** (“Agreement”) is by and between the Arizona Supreme Court, Administrative Office of the Courts (“Court”) and the Arizona Corrections Officer Retirement Plan (“Plan”), which is ultimately directed by its “Fund Manager.”

**WITNESSETH:**

**WHEREAS**, the Arizona Constitution provides the Arizona Supreme Court administrative supervision over all of the courts in the state and authorizes the Chief Justice to exercise this authority on behalf of the Court through an administrative director;

**WHEREAS**, the Arizona Superior Court in each county (the “Employer”) is subject to the Arizona Supreme Court’s administrative supervision and employs certain probation, surveillance and juvenile detention officers (the “Employees”),

**WHEREAS**, the Court on behalf of the Employer, after considering the cost requirements to provide retirement and other benefits to the Employees through the Plan, have determined to provide benefits for the Employees through the Plan and have obtained all required approvals, followed such other procedures as are necessary to join the Plan in accordance with all requirements set forth in A.R.S. Section 38-881 *et seq.* and entered an administrative order and

**WHEREAS**, the Fund Manager of the Plan has considered the request of the Court, on behalf of the Employer, to join the Plan and has approved the participation in the Plan of, the Employer and the Employees subject to the conditions set forth herein;

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants herein contained, Court (on behalf of itself and the Employer) represents and agrees as follows:

- 1 The Court is authorized to enter into this Agreement on behalf of itself and the Employer.
2. By execution of this Joinder Agreement, the Court for itself and the Employer unconditionally and irrevocably adopts, accepts and agrees to be bound by all the terms and conditions of the Plan and the Arizona Public Safety Personnel Retirement System (“System”), as provided by (i) Title 38, Chapter 5, Articles 4 through 7 of the Arizona Revised Statutes, as amended, and (ii) the common law as interpreted by the courts of the State of Arizona, with respect to the following designated class of Employees: full-time (normally works 40 or more hours per week), eligible, paid probation and surveillance officers appointed pursuant to

A.R.S. §§ 8-203, 12-251 or 12-259 and juvenile detention officers responsible for the direct custodial supervision of juveniles detained in a county juvenile detention center, which is a facility established pursuant to A.R.S. § 8-305 and supervised pursuant to A.R.S. § 8-306, (the "Covered Employees"). The parties to this agreement understand that juvenile court directors are probation officer members of the designated class due to their appointment pursuant to A.R.S. 8-203, that full time managers and supervisors of detention facilities responsible for direct custodial supervision of juveniles are juvenile detention officer members of the designated class, and that persons with job titles such as "youth supervisor" who perform the duties of a juvenile detention officer responsible for the direct custodial supervision of juveniles are juvenile detention officer members of the designated class.

3. For all Covered Employees joining the Plan on the effective date of this Agreement (and who do not otherwise elect to irrevocably opt out of the Plan in accordance with the procedures for opting out adopted by the Fund Manager), the Court and the Employer will include as past service to be transferred to the Plan all credited service earned or purchased by the Covered Employees and on account with any state defined benefit system or plan other than the Plan, with any expense or cost of any kind attributable or related to such transfer to be borne by the Employer. Annually, on or about July 1 of each year following the effective date of this Agreement, all Covered Employees having entered into agreements with the Arizona State Retirement System ("ASRS") for the purchase of ASRS service may instruct the ASRS, pursuant to A.R.S. § 38-921, to transfer to the Plan the amount each Covered Employee paid for ASRS service purchases during the previous fiscal year. Pursuant to A.R.S. § 38-922, an Employee directing such a transfer of purchased ASRS service credit has the option to accept the equivalent service credit value in CORP or pay to CORP the additional expense or cost necessary to obtain a one-for-one full service credit transfer to CORP. Upon receipt of such amounts, the Plan will credit each applicable Covered Employee with the amount of credited service in the Plan that the amounts transferred will purchase, as determined by the Plan's actuary or administrator. Any expense or cost of any kind attributable or related to such transfer shall be borne by the affected Covered Employee.
4. The Employer will make contributions to the Plan for the Covered Employees sufficient to meet the normal cost of benefits for such Covered Employees, on a level cost method, and to satisfy all costs, including interest on its liability for the Covered Employees' past service, as provided in Title 38, Chapter 5, Article 6, Arizona Revised Statutes.
5. All contributions made by the Employer to the Plan, as well as all state taxes allocated to the Plan, shall be irrevocable and shall be used to pay benefits under the Plan or to pay expenses of the Plan and its accumulated assets (the "Fund"), including the expenses incurred by the Fund Manager to administer the Plan and Fund.

6. In the event the Employer no longer has any Covered Employees participating in the Plan, but there remain excess assets in the Employer's account with the Plan, such assets shall not revert to the Employer but instead, shall remain on account with the Plan for five (5) years, after which time, if there continues to be no active or retired Covered Employees in the Plan, such assets shall revert to the Fund for the *pro rata* benefit of all active members of the Plan and to cover the expenses of the Plan and Fund Manager. In the event the Employer no longer has any active or retired Covered Employees participating in the Plan, but there remains an asset deficiency in the Employer's account, the Employer shall pay such deficiency in accordance with the provisions of A.R.S. § 38-891(A).
7. This Agreement is valid and enforceable in accordance with its stated terms, subject to general principles of equity.
8. Court and the Employer hereby represent, covenant and agree, and the Fund Manager hereby consents and agrees, that:
  - (i) All disputes and controversies of every kind or description involving Court, the Employer, the Covered Employees, the Fund Manager, Plan or System, including without limitation, matters involving Plan enrollment, membership, contributions, termination, reinstatement, benefits, division or taxation of benefits, pension qualification, retirement, tax compliance, vesting, deferred retirement option plans, local boards, qualified governmental excess benefit arrangements, credited service transfers, redemption of prior service, benefit or cost-of-living adjustments, group health and accident coverage, military service credit, medical boards and examinations, tax deferred annuity and deferred compensation programs, medical subsidies, and/or any and all other matters referenced in, related to or implicated by Articles 4 through 7 of Chapter 5 of Title 38, Arizona Revised Statutes, including issues involving interpretation of state statutes involving the Plan, and any amendments to such statutes, will be resolved solely and exclusively through the court system of the State of Arizona and not through the federal court system or the court system of any other State of the United States unless the parties agree otherwise, in writing.
  - (ii) Court and the Employer are bound by all State of Arizona statutes, common law rules and administrative rules and procedures which regulate and interpret the provisions of the Plan and System, including without limitation, eligibility for membership in the Plan, service credits and the rights of any claimant to benefits and the amount of such benefits.
  - (iii) Court and the Employer shall fully comply with all procedures and requirements consistent with law which the Fund Manager or its

Administrator may prescribe to participating employers on a uniform basis.

- (iv) All actions brought by Court or the Employer against the Fund Manager or the Plan or System and involving the Plan or System shall be brought and maintained in the Maricopa County, Arizona Superior Court.
  - (v) The terms of the Internal Revenue Code (“Code”) are integral terms of the Plan. To preserve the Plan’s status as a qualified plan under the Code, any provisions of the Code which conflict with provisions of the Plan shall take precedence and prevail over any terms of the Plan.
9. By its execution of this Agreement, the Fund Manager accepts the Employer for participation in the Plan, subject to the provisos, agreements and conditions precedent contained in this Agreement.
  10. The Court and the Employer agree that all assets in the Arizona State Retirement System (ASRS) attributable to the Covered Employees that are (i) necessary to equal the actuarial present value of projected benefits and (ii) to the extent funded on a market value basis as of the most recent actuarial valuation attributable to the Covered Employees, calculated using the actuarial methods and assumptions adopted by the ASRS, shall be transferred from the ASRS to the Fund Manager as soon as possible and no later than sixty (60) days after the Employer’s effective date of participation in the Plan. The Court, on behalf of the Employer, agrees to request that ASRS provide a statement to the Fund Manager of the accumulated employee contribution accounts in the prior program. The Court, on behalf of the Employer, shall use its best efforts to prompt ASRS to deliver possession of the aforesaid assets to the Fund Manager within sixty (60) days after the effective date of this Agreement. The portion of the transferred assets attributable to employee contributions, including interest credits, shall be allocated to each affected Covered Employee and credited to the affected Covered Employee’s initial accumulated contributions in accordance with a schedule furnished to the Court by the Fund Manager.
  11. This Agreement shall be effective on July 1, 2007 if it is fully executed by each of the parties hereto prior to that date.
  12. Court’s execution of this Joinder Agreement is an acknowledgement of its intent to comply with all requirements set forth in A.R.S. Section 38-902. The provisions of Title 38, Chapter 5, Articles 4 through 7 of the Arizona Revised Statutes, shall control in the event of a conflict with any term of this Joinder Agreement
  13. This Agreement shall bind and inure to the benefit of the parties’ agents, attorneys, employees, administrators, managers, officers, trustees, members, successors and assigns. This Agreement shall not be assignable by any party

hereto unless all parties hereto consent to such assignment. The persons signing this Agreement on behalf of the parties hereto are authorized to do so and thereby bind said parties;

- 14. Should any term or provision of this Agreement be found unenforceable by a court of competent jurisdiction, such term or provision shall be severed from this Agreement such that if possible, the remainder of this Agreement shall be preserved and enforceable as if the term or provision found unenforceable had never been a part thereof.
- 15. This contract is subject to the provisions of A.R.S. § 38-511.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the dates reflected below:

**FUND MANAGER:**

**ARIZONA SUPREME COURT,  
ADMINISTRATIVE OFFICE OF  
THE COURTS:**

By \_\_\_\_\_  
Chairman of the Fund Manager

By \_\_\_\_\_  
Its Administrative Director

**Printed Name: Carter Olson**

**Printed Name: David Byers**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**BILL #** SB 1142

**TITLE:** ~~children; removal from home~~  
NOW: CORP; MEMBERSHIP EXPANSION

**SPONSOR:** Johnson

**STATUS:** As Amended by House APPROP (P)

**PREPARED BY:** Eric Jorgensen

## FISCAL ANALYSIS

### Description

SB 1142 allows probation, surveillance and juvenile detention officers in the judiciary to participate in the Correctional Officers Retirement Plan (CORP). Actual participation is based on the Administrative Office of the Courts entering a joinder agreement with the Fund Manager and the consent of the participant. Participating officers would transfer their current accounts from the Arizona State Retirement System (ASRS) to CORP.

### Estimated Impact

The fiscal impact of the bill cannot be determined in advance. The bill allows the transfer of participants to occur, but does not mandate the transfer. If the Administrative Office of the Courts does enter a joinder agreement with the Fund Manager, the expected state General Fund impact could be between a \$41,300 savings and a \$44,000 cost, based on 2 different rate calculations by the Fund Manager. This estimate, however, is extrapolated from the estimated contribution rate for Maricopa County. Actual state costs or savings will depend on each county's actual contribution rates.

### Analysis

In the CORP system, each employer has a different retirement contribution rate based on the characteristics of their participants. At this time, the Fund Manager is unable to calculate an exact rate for each employer as they have only received data for Maricopa County. This analysis estimates total state costs based on the estimated Maricopa County rate; however, the actual rate for each county will vary based on the characteristics of their participating officers. If the contribution rates in other counties are higher than the estimated Maricopa rate, the associated impact will also be higher. This analysis also assumes that all probation, surveillance and juvenile detention officers choose to transfer to CORP, as they can opt out of the transfer.

Contribution rates have 2 components. The first component is the normal cost, which is the permanent cost associated with providing the benefit. The second component is the unfunded liability. Unfunded liability is created by adding benefits or changing assumptions and represents the cost of providing benefits to recipients who did not pay the full cost of the benefits as part of the normal cost. Unfunded liability is paid off over a specific amortization time period. Currently, the amortization period for CORP is 20 years; however, Laws 2006, Chapter 251 allows the Fund Manager to increase the amortization period to 30 years.

Actuaries under contract for the Fund Manager estimated that the employer contribution rate would be 9.26% for Maricopa County, based on the current plan provision. This consists of a normal cost of 5.68% and an unfunded liability of 3.58%. Currently, all the participants are enrolled in the ASRS system. Under ASRS, the FY 2007 employer retirement rate (including Long Term Disability) is 9.1%. The 9.26% CORP rate is 16 basis points or 0.16% higher than the ASRS rate, which indicates there would be a cost to the state. It appears, however, the amount of assets to be transferred from ASRS was not correctly estimated in this calculation.

As mentioned previously, Laws 2006, Chapter 251 allows the Fund Manager to increase the amortization period from 20 to 30 years, which would spread the unfunded liability portion of the contribution rate over a longer period of time. When this and other changes expected to be implemented this year are taken into account, as well as using the correct value of assets transferred from ASRS, the net effect is that the employer rate could potentially be reduced to 8.95% (5.47% for normal cost and 3.48% for unfunded liability), which would be a savings to the state as the rate would be 15 basis points, or 0.15%, lower

than the ASRS rate of 9.1%. However, while increasing the amortization time period does create immediate savings, over the amortization period, it will cost more to pay off the unfunded liability.

Total unfunded liability for Maricopa County would be between \$39 million and \$48 million. If the unfunded liability were the same percent of payroll in all counties, total unfunded liability would be between \$69 million and \$84 million.

The normal cost under ASRS is 6.58%, which is higher than either estimated Maricopa County rate under CORP. This indicates that the long-term cost for Maricopa County would actually be less in the CORP system, based on current demographics and benefits. There are several reasons for this including a younger population, a higher assumed rate of return on investments, lower pay raise assumptions and even differences in the methods of the different actuaries.

Both the state and the counties pay probation and surveillance officer salaries, while juvenile detention officers are funded only by the counties. The state costs will be affected by any increase to the contribution rate of state funded officers because the budget generally includes increases for the additional Employee Related Expenses (ERE) associated with the increased employer contribution rates. Counties will likewise be impacted by changes to the contribution rates for county funded officers. Due to the passage of Laws 2006, Chapter 261, the state will no longer pay the salaries of any of the potential participants in Maricopa County, as financial responsibility for both adult and juvenile probation programs has been transferred to the county. Therefore, for FY 2007, there is no expected state cost for participants in Maricopa County.

If the same range of rates for Maricopa County (8.95% to 9.26%) were applied to all counties, the total state cost would be between \$(41,300) and \$44,000 based on current payroll figures. Actual state costs depend on the actual contribution rate for each county.

### **Local Government Impact**

As counties share the cost of probation, surveillance and juvenile detention officers, a change in the contribution rate also means a change in county expenses. For Maricopa County, a 9.26% contribution rate would cost an additional \$96,600, while a rate of 8.95% would save the county \$90,600. If the same range of rates were applied to all counties, the total cost for all counties is estimated between \$(116,100) and \$123,900. Actual county costs will depend on each county's contribution rate.

5/19/06

## ATTACHMENT C

### Arizona Corrections Officer Retirement Plan

#### Information Regarding SB 1142

#### Cost of Participation of State Probation Officers

(10/26/2006)

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#### Background

This report contains the results of actuarial valuations made to determine the liabilities and contribution rates associated with the potential participation of the State Probation Officers in the Arizona Corrections Officer Retirement Plan pursuant to 2006 legislation.

#### Valuation Data

The valuations were based upon data submitted to us by the Arizona State Retirement System. The service originally reported included actual service plus service being purchased on contracts for which ASRS has already received payment from the employee. Additionally, service being purchased after January 1, 2007 on current contracts was reported. The data submitted to us can be summarized as follows:

|   |   |
|---|---|
| Number of Active State Probation Officers                               | 2,840   |
| Annual Payroll  | \$126,378,718                                 |
| Averages  |   |
| Age   | 41.1 yrs.                                     |
| Service   | 9.41 yrs (9.67 w/addit. service not yet paid) |
| Payroll   | \$44,500                                      |
| Total Actuarial Present Value of Accrued ASRS Benefits Provided by ASRS | \$228,820,834                                 |
| ASRS Percent Funded 6/30/2006 (Preliminary)                             | 80.3%   |
| Net Amount of Transfer to CORP from ASRS                                | \$183,743,129*                                |

\*The total amount of employee contributions paid after January 1, 2007 for service purchased under existing contracts was reported to be \$3,010,634. Including this amount the total assets transferred to CORP would be \$186,753,763.

## Valuation Methods and Assumptions

The methods and assumptions used for these valuations were the same as those used for the annual actuarial valuation of CORP as of June 30, 2006.

## Valuation Results

The valuation results are shown below. These results are based on 80.3% total Actuarial Present Value of Accrued Benefits computed by ASRS being transferred to the Corrections Officer Retirement Plan as of January 1, 2007. The total employer contribution rate consists of a contribution for Normal Cost plus 30-year amortization of any unfunded actuarial accrued liability. The contribution rates are expressed as level percents of projected active employee payroll. The contribution rates are shown as of January 1, 2007 based on service purchased on contracts to that time, and are also shown including service being purchased on contracts which has not be paid for as of January 1, 2007.

|                                  | Arizona State Probation Officers |  |
|----------------------------------|----------------------------------|--|
|                                  | With Service to 1/1/07           | Including Service Purchased after 1/1/07 on Existing Contracts |
| Normal Cost                      |                                  |  |
| Total                            | 13.85%                           | 13.81%   |
| Employee                         | 8.50*                            | 8.50*  |
| Net Employer Normal Cost         | 5.35                             | 5.31   |
| Actuarial Accrued Liability      | \$281,316,105                    | \$291,421,408  |
| Assumed Asset Transfer from ASRS | 183,743,129                      | 186,753,763  |
| Unfunded Act. Accrued Liability  | 97,572,976                       | 104,667,645  |
| 30 Year Amortization Rate        | 3.36%                            | 3.60%  |
| Total Employer Contribution Rate |                                  |  |
| Normal Cost                      | 5.35%                            | 5.31%  |
| Unf'd Act. Accr. Liability       | 3.36%                            | 3.60%  |
| Total                            | 8.71%                            | 8.91%  |

\* Note: The actual employee contribution rate for the FY 07/08 is 7.96% pursuant to 2005 legislation. The legislation decreases the employee contribution rate by the difference between 5% and the aggregate computed employer contribution rate for the prior fiscal year. The employee contribution rate is expected in the future to be between 7.65% and 8.50%. Based on the 7.96% employee rate, the total employer contribution rate would be 9.25% rather than 8.71%, and 9.45% rather than 8.91%.