

At June 30, 1991, the unfunded pension benefit obligation (i.e., pension obligation less net assets available for benefits) of the System was as follows (amounts expressed in thousands):

| | |
|---|--------------|
| Pension benefit obligation: | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | \$ 7,527,282 |
| Current employees: | |
| Accumulated employee contributions including allocated investment income | 1,449,117 |
| Employer—financed vested | 8,997,365 |
| Employer—financed nonvested | 407,282 |
| Total pension benefit obligation | 18,381,046 |
| Net assets available for benefits, at cost (market value is \$12,504,678) | 11,325,358 |
| Unfunded pension benefit obligation | \$ 7,055,688 |

There were no changes in actuarial assumptions or benefit provisions which significantly affected the valuation of the pension benefit obligation during fiscal year 1991.

Contributions Required and Made:

The State's retirement contributions are appropriated annually, based upon actuarial valuations. In this regard, the System has engaged an independent firm of consulting actuaries to prepare annual actuarial valuations and perform various actuarial consulting services. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' normal and accrued liability contribution rates and the unfunded actuarial accrued liability. Using this method the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called 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 called the actuarial accrued liability.

Employer contributions to the System totalling \$633,995,000 (12.4% of covered payroll) for fiscal year 1991 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 1989. This amount consisted of \$352,773,000 normal cost and \$281,222,000 amortization of the unfunded actuarial accrued liability. Employee contributions to the System for fiscal year 1991 were \$114,103,000 (2.2% of covered payroll).

The liquidation period for the unfunded actuarial accrued liabilities (as provided by law) is 29 years from June 30, 1991. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

The computation of the pension contribution requirements for fiscal year 1991 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Retirement expenditures applicable to governmental fund types for the year ended June 30, 1991, aggregated approximately \$536,381,000. The excess of retirement expenditures over retirement costs of approximately \$40,544,000 is included in the general long-term debt account group.

Three-Year Historical Trend Information for the System (amounts expressed in thousands):

| Fiscal Year | (1) Net Assets Available for Benefits at Cost | (2) Pension Benefit Obligation | (3) Percentage Funded (1)÷(2) | (4) Unfunded Pension Benefit Obligation (2)-(1) | (5) Annual Covered Payroll | (6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4)÷(5) | (7) Employer Contributions | (8) Employer Contributions as a Percentage of Covered Payrolls (7)÷(5) |
|-------------|--|-----------------------------------|----------------------------------|--|-------------------------------|---|-------------------------------|---|
| 1989 | \$ 9,090,704 | \$15,400,391 | 59.0% | \$6,309,687 | \$4,284,572 | 147.3% | \$599,586 | 14.0% |
| 1990 | 10,251,637 | 16,672,354 | 61.5 | 6,420,717 | 4,682,550 | 137.1 | 593,004 | 12.7 |
| 1991 | 11,325,358 | 18,381,046 | 61.6 | 7,055,688 | 5,093,708 | 138.5 | 633,995 | 12.4 |

Ten-year historical trend information is available in a separate financial report issued by the System. This report presents information about progress made in accumulating sufficient assets to pay benefits when due.

For asset and investment management purposes, the State combined the assets of all State administered retirement and pension systems into a pooled trust fund. Accordingly, the financial statements for the State administered pension fund are presented on a combined basis in the fiduciary fund type financial statements.