The fiscal year 1995 pension benefit obligation was determined as a part of an actuarial valuation as of June 30, 1995. Significant actuarial assumptions used include the following:

Rate of return on investments	7.5%
Projected salary increases for inflation	5% to 6%
Projected salary increases for seniority and merit	.94% to 6.82%
Postretirement benefit increase	3% to 6%

As of June 30, 1995, the unfunded pension benefit obligation (i.e., pension obligation less net assets available for benefits) for covered employees, is as follows (amounts expressed in thousands).

	System	System (excluding participating political subdivisions)
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$10,374,939	$ 9,794,011
Current employees:		
Accumulated employee contributions including allocated investment income	1,503,415	1,422,380
Employer-financed vested	9,451,258	8,860,951
Employer-financed nonvested	344,980	312,875
Total pension benefit obligation	21,674,592	20,390,217
Net assets available for benefits, at cost (market value $18,467,329 and $17,226,979)	16,269,489	15,182,024
Unfunded pension benefit obligation	$ 5,405,103	$ 5,208,193

There were no changes in actuarial assumptions or benefit provisions which significantly affected the valuation of the pension benefit obligation during fiscal year 1995.

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.

Contributions to the System for State employees for fiscal year 1995 are as follows (amounts expressed in thousands).

	State		Employees		Total	
	Contribution	Percentage of Covered Payroll	Contribution	Percentage of Covered Payroll	Contribution	Percentage of Covered Payroll
Normal cost	$381,349	7.7%	$85,113	2.0%	$466,462	9.7%
Amortization of underfunding	265,006	5.4%			265,006	5.4
Total	$646,355	13.1%	$85,113	2.0%	$731,468	15.1%

The total and covered payroll for State employees for the year ended June 30, 1995, are $2,434,607,000 and $4,933,529,000 respectively. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. The required and actual contributions were actuarially determined based on the June 30, 1993, valuation.

The liquidation period for the unfunded actuarial accrued liabilities (as provided by law) is 25 years from June 30, 1995. 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 1995 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.