

**REPORT ON THE ACTUARIAL VALUATION OF THE
DISABILITY INCOME PLAN OF NORTH CAROLINA
PREPARED AS OF DECEMBER 31, 2010**

October 7, 2011

Board of Trustees
Teachers' and State Employees'
Retirement System of North Carolina
325 North Salisbury Street
Raleigh, NC 27603

Members of the Board:

This report presents the results of the valuation of the Disability Income Plan of North Carolina, prepared as of December 31, 2010.

The plan sponsor selected the assumptions used for the results in this report. We believe that these assumptions are reasonable and comply with the requirements of GASB Nos. 43 and 45. We prepared this report in accordance with the requirements of these standards.

The undersigned actuaries together meet the Qualification Standards of the American Academy of Actuaries (AAA) to render the actuarial opinions contained in this report. Michael A. Ribble and Larry Langer meet the qualification standards of the AAA in the pension practice area and render the opinion related to the long-term aspects of this calculation. Amy Whaley meets the qualification standards of the AAA in the health practice area and renders the opinion related to the short-term aspects of this calculation. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it.

The Table of Contents, which immediately follows, outlines the material contained in this report.

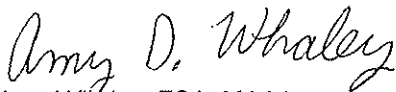
Respectfully submitted,



Michael A. Ribble, FSA, EA, MAAA
Director, Consulting Actuary



Larry Langer, ASA, EA, MAAA
Principal, Consulting Actuary



Amy Whaley, FSA, MAAA
Principal, Consulting Actuary

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14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

Table of Contents

Section	Item	Page
I	Introduction	1
II	Summary of Principal Results	1
III	Membership Data	3
IV	Assets	4
V	Condition of the Plan	5
VI	Experience	6
VII	Accounting Information	7
Schedule		
A	Detailed Tabulations of the Active Member Data	11
B	Detailed Tabulations of the Disabled Member Data	16
C	Development of Actuarial Value of Assets	20
D	Statement of Actuarial Assumptions and Methods	21
E	Summary of Main Benefit Provisions as Interpreted for Valuation Purposes	28

**REPORT ON THE ACTUARIAL VALUATION OF THE
DISABILITY INCOME PLAN OF NORTH CAROLINA
PREPARED AS OF DECEMBER 31, 2010**

SECTION I - INTRODUCTION

1. This report presents the results of the actuarial valuation of the Disability Income Plan of North Carolina, prepared as of December 31, 2010. The purpose of the valuation is to determine the present value of future payments to disabled members as of December 31, 2010, to determine the expected cost of new claims for 2011, and to provide the Annual Required Contribution under GASB Statements 43 and 45 for postemployment benefits.
2. Schedule A of this report presents detailed tabulations of the active membership of the plan as of the valuation date.
3. Schedule B of this report presents detailed tabulations of the disabled membership of the plan as of the valuation date.
4. Schedule C of this report presents the development of the actuarial value of assets.
5. Schedule D outlines the full set of actuarial assumptions and methods employed.
6. The valuation was based on provisions of the Plan as amended through December 31, 2010. A summary of the main Plan provisions used for valuation purposes appears in Schedule E.

SECTION II - SUMMARY OF PRINCIPAL RESULTS

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized on the following page.

TABLE I
SUMMARY OF PRINCIPAL RESULTS

Valuation Data	12/31/2010	12/31/2009
Number of active members		
Teachers' and State Employees' Retirement System	317,740	316,647
Optional Retirement Program	<u>13,511</u>	<u>13,346</u>
Total	331,251	329,993
Reported compensation		
Teachers' and State Employees' Retirement System	\$ 13,053,830,873	\$ 13,253,029,516
Optional Retirement Program	<u>1,306,542,480</u>	<u>1,281,631,887</u>
Total	\$ 14,360,373,353	\$ 14,534,661,403
Valuation compensation		
Teachers' and State Employees' Retirement System	\$ 13,831,161,230	\$ 13,940,920,882
Optional Retirement Program	<u>1,437,860,062</u>	<u>1,320,707,193</u>
Total	\$ 15,269,021,292	\$ 15,261,628,075
Number of disabled members receiving Long term disability benefits	6,480	6,089
Annual reported benefits	\$ 77,525,975	\$ 74,017,284
Assets and Liabilities		
Assets		
Actuarial Value	\$ 377,994,992	\$ 352,627,921
Market Value	376,808,920	342,424,419
Liability for currently disabled members	\$ 345,090,249	\$ 341,453,498
Deficit/(Surplus)	\$ (32,904,743)	\$ (11,174,423)
GASB 43/45		
Annual required contribution (ARC)		
Normal cost	0.44%	0.46%
Accrued liability	<u>-</u>	<u>-</u>
Total	0.44%	0.46%

TABLE II
RECONCILIATION OF CHANGE IN ANNUAL REQUIRED CONTRIBUTION

Prior Year's Preliminary ARC (based on 12/31/09 valuation)	0.46%
Impact of Legislative Changes	<u>0.00%</u>
Prior Year's Final ARC	0.46%
Change Due to Demographic (Gain)/Loss	(0.01%)
Change Due to Contributions Less than ARC	(0.01%)
Change Due to Investment (Gain)/Loss	<u>0.00%</u>
Current Year's Preliminary ARC (based on 12/31/10 valuation)	0.44%

SECTION III - MEMBERSHIP DATA

1. Data for 317,740 active members of the Teachers' and State Employees' Retirement System with reported compensation of \$13,053,830,873 and 13,511 members of the Optional Retirement Program with reported compensation of \$1,306,542,480 were furnished by the Retirement Systems Division as of December 31, 2010. The reported compensation includes annual longevity payments. The number and reported compensation of active members, distributed by age, as of December 31, 2010 are shown in Schedule A.
2. The membership service requirement for short term disability benefits under the Plan is one year and the membership service requirement for long term disability benefits under the Plan is five years.
3. The Retirement Systems Division also supplied data for 6,480 disabled employees in receipt of annual long-term disability benefits totaling \$77,525,975 as of the valuation date. Of this number, 160 disabled employees are grandfathered under all provisions of the old Disability Salary Continuation Plan and 6,320 are receiving long-term disability benefits under the provisions of this Plan. Schedule B presents a comparison of the number and annual amount of benefits payable as of the current and previous valuation dates.

SECTION IV - ASSETS

1. Asset information taken into account in this valuation is based principally on information reported by the Retirement Systems Division. The market value of assets was \$376,808,920 as of December 31, 2010.
2. For valuation purposes, the assets were valued at market related actuarial value. The market related actuarial value as of the valuation date was \$377,994,992. The development of this amount is shown in Schedule C.
3. The following table shows an allocation of investments by category as of December 31, 2010.

TABLE III
ALLOCATION OF INVESTMENTS BY CATEGORY
AS OF DECEMBER 31, 2010

Cash and Receivables	7.1%
Fixed Income (LTIF)	92.9
Public Equity	0.0
Other*	<u>0.0</u>
Total	100.0%

* Real Estate, Alternatives, Inflation and Credit.

SECTION V - CONDITION OF THE PLAN

1. The following table shows the assets and liabilities of the Plan as of the current valuation date of December 31, 2010. The items shown in the table, other than the current assets, are present values actuarially determined as of the valuation date.

**TABLE IV
STATEMENT OF CONDITION OF THE PLAN
AS OF DECEMBER 31, 2010**

Present value of prospective benefits payable to all disabled members on LTD as of the valuation date for:	
LTD approved claims	\$ 274,601,219
LTD incurred but not reported claims	59,445,784
STD incurred but not reported claims	11,043,246
Total claim liability	\$ 345,090,249
Valuation assets	377,994,992
Deficit/(Surplus)	\$ (32,904,743)
Prospective present value of benefits for current active members	\$ 620,956,873
Present value of benefits not covered by current assets	\$ 588,052,130
Present value of compensation for active members	\$135,454,772,800
Level contribution as a percentage of compensation to fund present value of benefits not covered by current assets	0.44%

2. Claim liabilities are equal to the present value of future claim payments the Plan is obligated to make to members disabled as of the valuation date. The claim liabilities are separated into three classifications, which reflect the status of each claim as of the valuation date.
- (a) Approved claim liabilities are for long term disabilities which have occurred, have been approved, and are in long term payment status as of the valuation date.

- (b) LTD incurred but not reported liabilities are for disabilities which have occurred but are not in payment status as of the valuation date. These liabilities are estimated based on the number of expected disabilities for prior years.
- (c) STD incurred but not reported liabilities are for disabilities which have occurred but are not in payment status as of the valuation date. These liabilities are estimated based on the number of expected disabilities for prior years.

The method of determining claim liabilities and the assumptions used are described in Schedule D.

3. The total claim liability as of December 31, 2010 was \$345,090,249 of which \$274,601,219 was on account of claimants receiving benefits, and \$70,489,030 was on account of claimants assumed to be in the waiting period or receiving short-term payments. Against these liabilities the Plan had actuarial value of assets of \$377,994,992. The difference between the total claim liability and the assets represents a deficit/(surplus) as of the valuation date of \$(32,904,743). This compares with a deficit/(surplus) of \$(11,174,423) as of the previous valuation date.
4. Statements 43 and 45 of the Governmental Accounting Standards Board (GASB) require that an annual required contribution be calculated that will fund any deficit and the present value of prospective benefits for active members. The present value of prospective benefits for active members is \$620,956,873. After adding the deficit/(surplus) of \$(32,904,743), the present value of benefits not covered by current assets is \$588,052,130. The present value of compensation for active members is \$135,454,772,800. The normal cost is equal to the present value of benefits not covered by current assets divided by the present value of compensation for active members, or 0.44% of compensation.

SECTION VI - EXPERIENCE

1. Section V shows that the deficit/(surplus) under the Plan has decreased by \$21,730,320 from \$(11,174,423) to \$(32,904,743) since the previous valuation date.

2. The following table shows a detailed reconciliation of the change in deficit/(surplus) since the prior valuation.

TABLE V
RECONCILIATION OF CHANGE IN DEFICIT/(SURPLUS) SINCE THE PRIOR VALUATION

Prior Year Deficit/(Surplus)	\$(11,174,423)
Prior Year Term Cost	62,895,423
Actual Contributions	(77,717,001)
Interest Adjustment	(1,068,650)
STD Experience	(1,150,246)
LTD Experience	(4,986,364)
Asset Loss	296,518
Current Deficit/(Surplus)	<u>\$(32,904,743)</u>

SECTION VII - ACCOUNTING INFORMATION

1. Statement Nos. 43 and 45 of the Governmental Accounting Standards Board (GASB) set forth certain items of information to be disclosed in the financial statements of the Plan. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND DISABLED PARTICIPANTS
AS OF DECEMBER 31, 2010**

GROUP	NUMBER
Disabled participants receiving long-term disability benefits	6,480
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	0
Active participants, including those in the waiting period or on short-term disability	<u>331,251</u>
Total	<u>337,731</u>

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/06	\$302,631,878	\$459,284,494	\$156,652,616	65.9%	\$12,736,914,993	1.23%
12/31/07	326,674,352	474,614,167	147,939,815	68.8	13,849,158,462	1.07
12/31/08	350,145,153	477,574,565	127,429,412	73.3	14,493,066,028	0.88
12/31/09	352,627,921	492,731,413	140,103,492	71.6	14,534,661,403	0.96
12/31/10	377,994,992	498,505,723	120,510,731	75.8	14,360,373,354	0.84

The aggregate cost method does not identify or separately amortize unfunded liabilities. Information about the plan's funded status and funding progress have been prepared using the entry age actuarial cost method as an approximation and as required by GASB Statements 43 and 45.

3. Following is a reconciliation of the preliminary employer annual required contribution rate to the final employer annual required contribution for fiscal year ending June 30, 2011. The preliminary annual required contribution rate is based on the December 31, 2008 valuation.

	Fiscal Year Ending June 30, 2011
Preliminary Annual Required Contribution Rate	
Normal	0.46%
Accrued Liability	<u>0.00</u>
Total	0.46%
Impact of Legislative Changes	<u>0.00</u>
Final Annual Required Contribution Rate	0.46%
Actual Payroll for Fiscal Year Ending June 30, 2011	\$ <u>14,748,124,543</u>
Annual Required Contribution	\$ 67,841,373

4. Following is the calculation of the annual OPEB cost and net OPEB obligation for the fiscal year ending June 30, 2011.

Annual OPEB Cost and Net OPEB Obligation for Fiscal Year Ending 6/30/2011

(a)	Employer annual required contribution	\$ 67,841,373
(b)	Interest on net OPEB obligation*	(613,854)
(c)	Adjustment to annual required contribution**	<u>938,548</u>
(d)	Annual OPEB cost: (a) + (b) + (c)	\$ 68,166,067
(e)	Employer contributions made for fiscal year ending 6/30/2011	<u>76,690,248</u>
(f)	Increase (decrease) in net OPEB obligation: (d) – (e)	\$ (8,524,181)
(g)	Net OPEB obligation beginning of fiscal year	<u>(8,466,951)</u>
(h)	Net OPEB obligation end of fiscal year: (f) + (g)	\$ (16,991,132)

TREND INFORMATION

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$78,420,002	101.8%	\$(4,192,550)
June 30, 2010	72,588,482	105.9	(8,466,951)
June 30, 2011	68,166,067	112.5	(16,991,132)

* Based on the 7.25% investment rate of return assumption used for the December 31, 2008 valuation.

** Based on the ratio of the present value of future salary to valuation compensation for the December 31, 2008 valuation.

5. The annual required contribution (ARC) of the employer as a percentage of payroll, determined in accordance with the parameters of GASB 43/45, is shown below.

**2012/2013 FISCAL YEAR
ANNUAL REQUIRED CONTRIBUTION (ARC)
BASED ON THE VALUATION AS OF DECEMBER 31, 2010**

ANNUAL REQUIRED CONTRIBUTION (ARC)	RATE
Normal cost	0.44%
Accrued liability	<u>—</u>
Total	0.44%

6. Additional information as of December 31, 2010 follows.

Valuation date	12/31/10
Actuarial cost method	Aggregate
Amortization method	Level percent
Remaining amortization period	The aggregate cost method does not identify or separately amortize unfunded liabilities
Asset valuation method	20% of market value plus 80% of expected actuarial value (not greater than 120% of market value and not less than 80% of market value)
Actuarial assumptions:	
Investment rate of return*	5.75%
Projected salary increases**	4.25% - 9.10%
* Includes inflation of	3.00%
** Includes inflation and productivity of	3.50%
Cost-of-living adjustments	3.50% for gross long term disability benefits
Total Claim Liability	\$ 345,090,249
Market Related Value of Assets	<u>377,994,992</u>
Deficit	\$ (32,904,743)

SCHEDULE A

TABLE 1

**THE NUMBER AND AVERAGE REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE AND SERVICE
AS OF DECEMBER 31, 2010**

AGE	YEARS OF SERVICE										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	3,019	3,959	80	0	0	0	0	0	0	0	7,058
	12,175	27,852	27,203	0	0	0	0	0	0	0	21,139
25 to 29	3,427	17,351	7,874	57	0	0	0	0	0	0	28,709
	14,587	32,074	35,748	31,529	0	0	0	0	0	0	30,993
30 to 34	3,118	11,071	15,514	4,928	34	0	0	0	0	0	34,665
	32,956	34,009	39,704	43,303	38,020	0	0	0	0	0	37,788
35 to 39	3,525	9,602	11,059	11,450	3,458	27	0	0	0	0	39,121
	49,187	34,965	39,807	45,893	48,830	43,327	0	0	0	0	42,045
40 to 44	3,669	9,950	11,448	9,393	9,064	2,907	69	0	0	0	46,500
	57,067	34,546	38,788	43,778	50,726	51,870	47,531	0	0	0	43,489
45 to 49	3,069	8,624	10,644	8,886	6,233	6,884	3,048	51	0	0	47,439
	64,547	34,156	37,677	40,472	47,375	53,873	55,681	48,632	0	0	44,092
50 to 54	2,733	7,276	9,894	8,896	6,731	5,642	6,137	1,881	26	0	49,216
	76,359	35,606	38,495	40,875	45,444	51,574	59,068	59,532	58,559	0	46,430
55 to 59	2,402	5,828	8,327	7,237	6,189	5,790	4,267	2,726	675	11	43,452
	84,964	38,598	39,813	42,375	46,142	51,154	58,438	65,587	67,871	62,417	48,873
60 to 64	1,634	3,341	5,646	4,487	3,843	3,508	2,241	1,230	660	130	26,720
	102,926	40,390	41,843	43,815	47,979	51,575	59,740	65,750	74,216	71,977	51,436
65 to 69	768	752	1,486	1,109	809	634	395	250	157	99	6,459
	117,441	38,735	41,783	43,852	50,907	56,776	61,388	68,952	89,811	96,587	57,652
70 & up	201	243	416	351	240	160	91	75	41	94	1,912
	104,644	33,237	35,277	35,808	44,052	50,951	57,481	58,660	68,411	103,802	50,874
Total	27,565	77,997	82,388	56,794	36,601	25,552	16,248	6,213	1,559	334	331,251
	53,058	34,277	38,966	42,955	47,890	52,248	58,358	63,699	72,625	87,914	43,352

SCHEDULE A

TABLE 2

**THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF DECEMBER 31, 2010**

Age	Men		Women	
	Number	Amount	Number	Amount
16	2	\$ 24,330		
18	1	1,862	1	\$ 6,477
19	17	125,107	12	96,792
20	32	292,421	23	319,841
21	123	1,772,613	85	1,286,230
22	308	5,113,008	568	9,001,674
23	595	11,872,498	1,806	33,733,471
24	982	23,013,636	2,503	62,535,947
25	1,288	35,312,322	3,339	92,713,683
26	1,535	44,246,800	3,820	112,926,618
27	1,619	48,669,625	4,199	130,972,201
28	1,885	60,473,297	4,408	141,655,509
29	1,915	64,626,681	4,701	158,191,231
30	2,060	73,462,640	4,675	163,710,224
31	2,157	80,732,689	4,712	170,827,171
32	2,135	83,318,336	4,799	179,611,071
33	2,278	92,042,652	4,750	180,887,092
34	2,274	98,204,281	4,825	187,125,415
35	2,274	100,296,695	4,708	185,701,925
36	2,444	114,385,313	5,158	206,345,876
37	2,503	115,249,914	5,215	209,351,504
38	2,602	122,730,919	5,467	219,039,506
39	2,829	134,958,767	5,921	236,780,648
40	3,172	152,037,243	6,640	266,988,209
41	3,030	153,158,470	6,533	266,528,653
42	2,941	148,387,945	6,409	260,087,021
43	2,850	144,346,178	6,026	241,480,508
44	2,789	142,634,383	6,110	246,570,394
45	2,922	149,218,079	6,028	241,262,234
46	2,956	149,524,558	6,361	256,640,765
47	3,066	157,644,615	6,461	262,444,652
48	3,113	162,322,080	6,606	269,933,664
49	3,074	158,235,513	6,852	284,443,256
50	3,115	163,442,081	6,917	288,894,488
51	2,988	159,389,776	6,859	293,258,016
52	3,012	163,216,631	6,768	289,712,563
53	3,016	166,007,969	6,832	301,059,496
54	2,965	159,284,406	6,744	300,846,935
55	2,817	153,135,346	6,379	288,515,288
56	2,780	154,950,296	6,123	277,101,469

TABLE 2
 THE NUMBER AND REPORTED COMPENSATION OF
 ACTIVE MEMBERS DISTRIBUTED BY AGE
 AS OF DECEMBER 31, 2010

CONTINUED

Age	Men		Women	
	Number	Amount	Number	Amount
57	2,851	\$ 158,836,522	6,083	\$ 276,829,993
58	2,696	151,281,925	5,723	263,789,474
59	2,676	153,943,123	5,324	245,235,128
60	2,495	142,047,973	4,800	223,111,831
61	2,200	123,610,675	4,065	185,129,666
62	1,957	118,489,920	3,379	157,021,880
63	1,574	101,235,947	2,599	123,228,293
64	1,425	93,459,996	2,226	107,028,059
65	867	61,540,854	1,234	58,948,011
66	724	49,444,613	877	42,265,352
67	532	37,221,207	640	30,311,768
68	473	34,197,507	486	21,365,028
69	330	23,973,506	296	13,104,318
70	246	15,735,543	222	8,365,856
71	202	11,821,429	167	7,562,950
72	150	8,533,682	116	4,795,255
73	110	6,764,143	91	3,114,037
74	84	6,071,425	78	3,177,734
75	56	2,836,959	50	1,977,430
76	43	2,967,417	59	2,104,282
77	45	2,440,805	23	792,442
78	31	1,488,715	26	846,050
79	28	1,386,275	11	436,683
80	15	1,101,754	11	321,423
81	12	816,872	3	78,774
82	7	360,149	1	77,936
83	5	370,266	3	116,576
84	1	131,534	3	104,604
85			3	69,587
86	4	281,771		
88	2	38,269		
89	1	52,181	1	27,776
92	1	94,991		
99			1	7,517
	106,307	\$ 5,260,439,923	224,944	\$ 9,099,933,430

SCHEDULE A

TABLE 3

**THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF DECEMBER 31, 2010**

Years of Service	Number	Men		Women	
		Number	Amount	Number	Amount
0	12,021		\$ 873,600,981	15,544	\$ 588,939,533
1	6,686		197,870,875	11,684	340,129,441
2	4,893		196,122,546	9,684	330,301,341
3	7,709		291,377,473	16,073	542,056,611
4	6,467		260,387,332	14,801	515,247,337
5	6,345		259,774,608	15,069	536,732,499
6	5,549		231,642,938	12,684	463,716,130
7	5,030		214,569,701	11,337	424,436,320
8	4,364		192,429,306	9,800	381,187,230
9	3,597		165,248,153	8,613	340,585,595
10	3,740		173,535,479	9,296	369,489,517
11	3,604		169,264,205	8,888	356,130,459
12	3,382		162,899,947	8,307	338,095,081
13	2,968		146,468,059	7,339	307,901,325
14	2,738		136,382,867	6,532	279,434,318
15	2,600		134,044,099	5,993	262,633,954
16	2,384		123,038,908	5,416	244,729,491
17	2,487		128,412,546	5,057	231,865,078
18	1,991		109,671,203	4,605	216,857,846
19	1,964		106,839,761	4,104	194,720,602
20	1,526		86,999,042	3,405	167,828,702
21	1,781		97,238,819	3,740	185,023,671
22	1,627		89,335,021	3,778	186,603,824
23	1,577		91,717,775	3,693	185,185,603
24	1,404		85,606,609	3,021	159,511,476
25	1,116		70,227,665	2,612	141,164,988
26	1,285		80,768,871	2,575	139,699,500
27	1,307		81,267,064	2,456	138,020,505
28	941		61,197,311	1,760	101,360,256
29	662		44,073,576	1,534	90,427,062
30	467		32,508,297	1,225	71,397,960
31	438		31,873,569	1,062	62,027,502
32	381		28,954,553	911	54,008,393
33	288		22,627,518	707	42,985,531
34	247		18,559,147	487	30,816,779
35	173		14,362,402	315	20,866,537
36	135		10,963,964	247	17,823,899
37	115		8,647,322	203	12,870,583
38	84		6,958,347	137	9,492,897
39	65		5,547,443	85	5,689,507

TABLE 3
THE NUMBER AND REPORTED COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF DECEMBER 31, 2010

CONTINUED

Years of Service	Number	Men		Women	
			Amount	Number	Amount
40	40	\$	3,733,573	50	\$ 4,044,354
41	41		4,047,395	37	2,590,311
42	20		1,988,381	27	2,131,547
43	27		3,208,639	18	1,031,873
44	11		1,046,760	10	691,814
45	6		956,265	2	94,571
46	5		544,975	5	381,004
47	7		672,184	4	213,564
48	5		577,267	5	395,258
49	2		154,302	3	141,740
50	2		341,185	1	47,791
51	1		55,579	1	63,911
52	1		57,374		
54				1	40,879
55				1	69,930
58	1		40,742		
Total	106,307	\$	5,260,439,923	224,944	\$ 9,099,933,430

SCHEDULE B**TABLE I****NUMBER AND ANNUAL AMOUNT OF
LONG TERM DISABILITY BENEFITS PAYABLE**

GROUP	As of December 31, 2010		As of December 31, 2009	
	NUMBER	ANNUAL BENEFITS PAYABLE	NUMBER	ANNUAL BENEFITS PAYABLE
Disabled prior to January 1, 1988	160	\$ 302,090	172	\$ 323,044
Disabled after January 1, 1988	<u>6,320</u>	<u>77,223,885</u>	<u>5,917</u>	<u>73,694,240</u>
Total	6,480	\$ 77,525,975	6,089	\$ 74,017,284

SCHEDULE B

TABLE 2

THE NUMBER AND ANNUAL LONG TERM DISABILITY BENEFITS
OF DISABLED MEMBERS DISTRIBUTED BY AGE
AS OF DECEMBER 31, 2010

DISABLED PRIOR TO JANUARY 1, 1988

Age	Men		Women	
	Number	Amount	Number	Amount
50			1	\$ 4,973
54			1	4,478
55			3	6,048
56			5	15,292
57	1	\$ 471	3	10,488
58	1	1,078		
59	1	2,315	5	11,380
60	2	4,350	1	176
61	2	3,621	1	472
62	2	4,081	1	3,078
63	2	6,256	3	3,960
64	3	5,184	6	18,589
65	2	5,539	2	2,244
66	1	2,140	2	3,023
67	1	2,090	2	7,770
68	1	2,203	3	4,921
69	1	1,127	4	5,620
70	3	10,531	3	7,225
71	2	5,959	2	3,946
72	1	3,275		
73	1	307	1	2,298
74			1	1,764
75	1	2,717	2	2,114
76			1	6,443
77			3	2,269
78	3	13,001	2	2,925
79			2	3,342
80			4	5,562
81			2	858
82	1	2,114	4	7,579
83			6	13,884
84	1	489	4	3,477
85	1	1,664	1	4,645
86			10	16,012
87	1	1,649	2	2,106
88	1	1,144	6	5,452
89			5	6,137
90	1	1,229	1	319
91	1	121	1	1,052
92	1	855	2	3,069

TABLE 2
 THE NUMBER AND ANNUAL LONG TERM DISABILITY BENEFITS
 OF DISABLED MEMBERS DISTRIBUTED BY AGE
 AS OF DECEMBER 31, 2010

DISABLED PRIOR TO JANUARY 1, 1988

CONTINUED

Age	Number	Men		Women	
		Number	Amount	Number	Amount
93	1		\$ 1,259	3	\$ 4,057
94				2	2,587
95				2	835
96				1	49
97	1		623	3	2,180
Total	41		\$ 87,392	119	\$ 214,698

SCHEDULE B

TABLE 3

THE NUMBER AND ANNUAL LONG TERM DISABILITY BENEFITS
OF DISABLED MEMBERS DISTRIBUTED BY AGE
AS OF DECEMBER 31, 2010

DISABLED AFTER JANUARY 1, 1988

Age	Men		Women	
	Number	Amount	Number	Amount
28			1	16,430
29			3	36,622
30	1	16,464		
31	1	14,735	7	118,308
32	3	25,472	6	124,815
33	2	24,239	6	86,837
34	2	19,400	14	213,508
35	8	135,121	19	276,521
36	9	185,212	15	237,555
37	11	196,518	5	87,830
38	10	172,101	24	443,952
39	12	148,011	31	426,672
40	9	151,018	46	623,967
41	18	179,668	55	785,513
42	24	337,279	38	624,903
43	36	430,501	70	1,151,165
44	34	444,923	62	801,303
45	45	712,280	64	725,194
46	48	646,625	93	1,127,868
47	52	706,228	106	1,358,539
48	68	917,468	102	1,529,229
49	68	851,087	118	1,693,764
50	64	887,624	160	1,993,093
51	82	1,038,825	149	1,923,552
52	76	917,529	176	2,119,391
53	100	1,278,240	189	2,496,608
54	110	1,477,021	204	2,397,617
55	97	1,083,786	216	2,920,811
56	102	1,283,726	241	3,082,475
57	111	1,350,369	250	3,071,510
58	123	1,411,399	221	2,616,591
59	134	1,689,564	267	3,198,134
60	132	1,260,083	263	3,302,973
61	115	1,083,330	234	2,631,004
62	130	1,082,470	197	2,264,893
63	137	1,278,491	226	2,631,996
64	122	1,132,153	201	2,080,936
65	62	534,772	76	805,890
66			2	38,550
67			1	8,248
68			1	8,711
69			1	11,583
73	1	19,977		
75			1	5,115
Total	2,159	\$ 25,123,709	4,161	\$ 52,100,176

SCHEDULE C

**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2010**

1.	Actuarial Value of Assets as of December 31, 2009	\$ 352,627,921
2.	2010 Net Cash Flow	
	a. Contributions	77,717,001
	b. Disbursements	<u>72,480,079</u>
	c. Net Cash Flow: (a) - (b)	5,236,922
3.	Expected Investment Return: [(1) x .0575] + [(2)c x .02875]	20,426,667
4.	Expected Actuarial Value of Assets as of December 31, 2010: (1) + (2)c + (3)	378,291,510
5.	Market Value of Assets as of December 31, 2010	376,808,920
6.	Excess of Market Value over Expected Actuarial Value of Assets: (5) - (4)	(1,482,590)
7.	20% Adjustment towards Market Value: (6) * .20	(296,518)
8.	Preliminary Actuarial Value of Assets as of December 31, 2010 (4) + (7)	\$ 377,994,992
9.	Final Actuarial Value of Assets as of December 31, 2010 [(8) not less than 80% of (5) and not greater than 120% of (5)]	\$ 377,994,992
10.	Rate of investment return on actuarial value	5.67%
11.	Rate of investment return on market value	8.45%

SCHEDULE D**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

Assumptions are based on the experience investigation prepared as of December 31, 2009 and adopted by the Board of Trustees on October 21, 2010.

INTEREST RATE: 5.75% per annum, compounded annually.

INFLATION: General inflation is assumed to be 3.00% per annum.

PRODUCTIVITY INCREASE: 0.50% per annum.

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed rates of separation from active service are as follows:

<u>Service</u>	ANNUAL RATES OF WITHDRAWAL					
	<u>General Employees and Other Education</u>		<u>Classroom Teachers</u>		<u>Law Enforcement Officers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
0	.270	.270	.260	.220	.180	.180
1	.180	.185	.180	.170	.090	.090
2	.120	.120	.130	.130	.070	.070
3	.080	.100	.100	.100	.070	.070
4	.070	.090	.080	.080	.060	.060

GENERAL EMPLOYEES AND OTHER EDUCATION
Annual Rates of

<u>Age</u>	<u>Withdrawal and Vesting*</u>		<u>Base Mortality**</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
	25	.0650	.0900	.0004
30	.0650	.0800	.0005	.0003
35	.0500	.0600	.0008	.0005
40	.0400	.0400	.0011	.0008
45	.0350	.0400	.0016	.0012
50	.0350	.0400	.0023	.0018
55	.0350	.0400	.0033	.0028
60	.0350	.0400	.0054	.0043
65			.0081	.0062
69			.0099	.0076

* These rates apply only after five years of membership in the system.

** Base mortality rates as of December 31, 2003.

CLASSROOM TEACHERS

Annual Rates of

Age	Withdrawal and Vesting*		Base Mortality**	
	Male	Female	Male	Female
	25	.0600	.0700	.0004
30	.0550	.0600	.0004	.0003
35	.0400	.0450	.0007	.0005
40	.0350	.0300	.0010	.0007
45	.0350	.0300	.0014	.0011
50	.0350	.0300	.0020	.0017
55	.0350	.0300	.0028	.0025
60	.0350	.0300	.0044	.0039
65			.0070	.0058
69			.0091	.0073

* These rates apply only after five years of membership in the system.

** Base mortality rates as of December 31, 2003.

LAW ENFORCEMENT OFFICERS

Annual Rates of

Age	Withdrawal and Vesting*		Base Mortality**	
	Male	Female	Male	Female
	25	.0400	.0400	.0004
30	.0350	.0350	.0004	.0003
35	.0350	.0350	.0008	.0005
40	.0350	.0350	.0011	.0007
45	.0350	.0350	.0015	.0011
50	.0350	.0350	.0021	.0017
55	.0350	.0350	.0030	.0025
60	.0350	.0350	.0049	.0039
65			.0076	.0058
69			.0095	.0073

* These rates apply only after five years of membership in the system.

** Base mortality rates as of December 31, 2003.

RETIREMENTS: Representative values of the assumed rates of retirement from active service are as follows:

GENERAL EMPLOYEES AND OTHER EDUCATION - MALES

Age	Service						
	5	10	15	20	25	30	35
50				0.0370	0.1000	0.3500	0.3500
55				0.0550	0.1000	0.3000	0.2000
60	0.1000	0.1000	0.1000	0.1000	0.3500	0.3000	0.2250
65	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
70	0.2250	0.2250	0.2250	0.2250	0.2250	0.2250	0.2250
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

GENERAL EMPLOYEES AND OTHER EDUCATION - FEMALES

Age	Service						
	5	10	15	20	25	30	35
50				0.0400	0.0350	0.3500	0.3500
55				0.0550	0.0900	0.3500	0.2250
60	0.1400	0.1400	0.1400	0.1400	0.4500	0.3500	0.2500
65	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
70	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CLASSROOM TEACHERS - MALES

Age	Service						
	5	10	15	20	25	30	35
50				0.0300	0.0900	0.3000	0.3000
55				0.0450	0.0900	0.3750	0.3000
60	0.1200	0.1200	0.1200	0.1200	0.4000	0.3750	0.3000
65	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
70	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CLASSROOM TEACHERS - FEMALES

Age	Service						
	5	10	15	20	25	30	35
50				0.0350	0.0900	0.3000	0.3000
55				0.0550	0.1000	0.4500	0.2750
60	0.1500	0.1500	0.1500	0.1500	0.5000	0.4500	0.2750
65	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
70	0.2750	0.2750	0.2750	0.2750	0.2750	0.2750	0.2750
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

LAW ENFORCEMENT OFFICERS

Age	Service						
	5	10	15	20	25	30	35
50			0.0600	0.0600	0.0600	0.5000	0.5000
55	0.3000	0.3000	0.3000	0.3000	0.3000	0.5000	0.5000
60	0.2500	0.2500	0.2500	0.2500	0.2500	0.5000	0.5000
65	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
70	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

SALARY INCREASES: Representative values of the assumed annual rates of salary increases are as follows:

Annual Rate of Salary Increase			
<u>Service</u>	<u>Teachers</u>	<u>General Employees</u>	<u>Law Enforcement Officers</u>
0	7.55%	5.50%	9.10%
5	6.55	5.50	7.10
10	5.70	5.45	5.40
15	5.45	5.25	4.95
20	5.25	5.25	4.65
25	5.25	5.25	4.25
30	5.25	5.25	4.25
35	5.25	5.25	4.25
40	4.75	4.75	4.25
45	4.25	4.25	4.25
50	4.25	4.25	4.25

DEATHS PRIOR TO RETIREMENT: According to the RP-2000 Mortality tables for active employees. These tables are set back one year for male teachers, set forward one year for all general employees and unadjusted for female teachers and all law enforcement officers. The base RP-2000 tables for active employees have no rates after age 70. A blend of active rates and retired rates are used from ages 70 to 80 prior to any set back and adjustments.

MORTALITY PROJECTION (NON-DISABLED): All mortality rates are projected from December 31, 2003 using Scale AA.

TIMING OF ASSUMPTIONS: All withdrawals, deaths, disabilities, retirements and salary increases are assumed to occur on July 1 of each year.

RATES OF DISABILITY: The assumed rates of disability per 1,000 lives exposed are as follows:

AGE	RATE OF DISABILITY PER 1,000 LIVES	
	MALES	FEMALES
20 – 24	1.18	1.50
25 – 29	1.26	1.63
30 – 34	1.44	2.13
35 – 39	1.87	3.16
40 – 44	2.66	4.02
45 – 49	4.31	5.60
50 – 54	7.18	7.89
55 – 59	12.03	10.83
60 – 64	17.07	12.80

RATES OF TERMINATION: Monthly select rates of termination of disability were used for the first 24 months of disability. Sample rates of termination per 1,000 lives are as follows:

MALES									
Duration of Disability (in months)	Age at Disability								
	22	27	32	37	42	47	52	57	62
5	142.2	129.1	118.7	106.4	94.1	81.5	67.3	49.8	27.5
10	69.0	60.0	52.3	45.6	39.0	32.9	26.4	18.5	11.2
15	44.0	38.6	34.0	29.9	25.2	21.3	17.8	12.2	6.3
20	28.0	25.5	23.0	21.2	18.5	15.3	13.1	8.9	4.9
24	20.2	18.6	16.7	15.7	14.0	11.6	9.8	7.5	4.8

FEMALES									
Duration of Disability (in months)	Age at Disability								
	22	27	32	37	42	47	52	57	62
5	147.7	134.1	123.3	110.5	97.8	84.7	69.9	51.7	28.6
10	78.6	68.3	59.6	51.9	44.4	37.5	30.1	21.1	12.8
15	45.9	40.3	35.5	31.2	26.3	22.2	18.6	12.7	6.6
20	28.2	25.7	23.1	21.3	18.6	15.4	13.2	9.0	4.9
24	19.7	18.1	16.3	15.3	13.6	11.3	9.5	7.3	4.7

Annual select and ultimate rates of termination of disability were used after the first 24 months of disability, with select rates effective from 24 months to 10 years. Sample rates per 1,000 lives are as follows:

MALES									
Duration of Disability (in years)	Age at Disability								
	22	27	32	37	42	47	52	57	62
5	105.9	93.8	78.4	63.5	52.9	48.2	48.5	50.5	48.8
10	27.3	28.5	30.3	32.6	36.4	36.9	37.3	44.9	57.2
15	25.1	27.0	29.9	34.2	36.3	38.2	46.0	64.1	90.9
20	27.0	29.9	34.2	36.3	38.2	46.0	64.1	90.9	131.4

FEMALES									
Duration of Disability (in years)	Age at Disability								
	22	27	32	37	42	47	52	57	62
5	73.7	65.3	54.6	44.2	36.8	33.5	33.8	35.1	34.0
10	18.2	19.0	20.2	21.7	24.3	24.6	24.9	29.9	38.2
15	16.8	18.1	20.0	22.9	24.3	25.6	30.8	42.9	60.9
20	18.1	20.0	22.9	24.3	25.6	30.8	42.9	60.9	88.1

SOCIAL SECURITY ASSUMPTIONS: The assumed rate of approval for Social Security disability benefits prior to completion of four years of disability from the conclusion of the waiting period is 50%.

NATIONAL AVERAGE WAGE: National average wage growth is assumed to be 3.50% per year for purposes of calculating Social Security benefits.

FUTURE INCREASES IN SOCIAL SECURITY BENEFITS: Social Security disability benefits are assumed to increase by 3.00% per year. This impacts those disabled on or after January 1, 1988.

ACROSS-THE-BOARD SALARY INCREASES: 3.50% per year. This impacts the LTD benefits (before reductions) for those disabled on or after January 1, 1988.

OTHER OFFSETS: No additional offsets due to Worker's Compensation or Outside Earnings, other than those reported, have been assumed.

LEAVE CONVERSIONS: Sick leave can be converted to increase creditable service and used to meet the eligibility requirements for retirement. Unused vacation leave can be converted to increase creditable service, but does not add to the eligibility service. The assumed impact of these conversions is shown on the table below.

	Classroom Teachers		General		Law Enforcement		Other Education	
	Males	Females	Males	Females	Males	Females	Males	Females
Increase in AFC	2.25%	2.25%	2.25%	2.25%	1.50%	1.50%	3.50%	3.50%
Increase in Creditable Service (years)								
Credited	1.25	1.00	0.90	0.65	1.50	1.50	1.25	1.00
Eligibility	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

REPORTED COMPENSATION: Calendar year compensation as furnished by the system's office.

VALUATION COMPENSATION: Reported compensation adjusted based on the assumed annual rates of salary increase to reflect the assumed rate of pay as of the valuation date.

ADMINISTRATIVE EXPENSES: No allowance made. It is assumed that the administrative costs of the plan are provided for out of the general operating funds of the state.

VALUATION METHOD: Aggregate.

ASSET VALUATION METHOD: Actuarial value, as developed in Schedule C. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The actuarial value of assets is not allowed to be greater than 120% of the market value of assets or less than 80% of the market value of assets.

INCURRED BUT NOT REPORTED CLAIMS (IBNR): IBNR claims are based on the one-year term cost for expected disablements during the year. For short-term disability, a reserve of 62/72 of the term cost is added to account for the timing of STD payments. That reserve includes an allowance for STD that has been incurred but not reported, as well as STD in pay status. For long-term disability, a reserve of 14/12 of the term cost is added to account for the waiting time after disability to receive LTD benefits.

SCHEDULE E**SUMMARY OF MAIN BENEFIT PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES**

The Disability Income Plan of North Carolina became effective January 1, 1988. The Plan replaced the Disability Salary Continuation Plan for Teachers and State Employees of North Carolina (DSC Plan). Those beneficiaries disabled prior to January 1, 1988 continue to be covered under the provisions of the DSC Plan as in effect December 31, 1987. Beneficiaries disabled on or after January 1, 1988 are covered under the provisions of the Disability Income Plan. The following summary describes the main membership, benefit and contribution provisions of the Plan as interpreted for the valuation.

1 - MEMBERSHIP IN THE PLAN

All teachers and other employees who are in active service and are members of the Teachers and State Employees' Retirement System or the Optional Retirement Program on or after January 1, 1988 are eligible to participate in the Plan.

2 - BENEFITS

Definition of Disability	The mental or physical incapacity for the further performance of duty of a beneficiary; provided that such incapacity was not the result of terrorist activity, of active participation in a riot, of the commission or attempt to commit a felony, or of the intentional self-infliction of an injury.
Waiting Period	A beneficiary shall receive no benefits from the Plan for a period of 60 continuous calendar days from the onset of disability determined as the last actual day of service or the day succeeding at least 365 calendar days after the commencement of service as a teacher or employee, whichever is later.
Salary Continuation Benefits	During the waiting period, a beneficiary may be paid such salary continuation as provided by an employer through the use of sick leave, vacation leave or any other salary continuation. A disabled beneficiary may elect to receive any such salary continuation in lieu of STD benefits provided such election shall not extend the 365 days duration of the STD period.

A disabled beneficiary may elect to receive any such salary continuation in lieu of LTD benefits provided such election shall not extend the first 36 consecutive calendar months of the LTD period.

Eligibility for Short Term Disability (STD) Benefits

Any beneficiary who becomes disabled and is no longer able to perform his usual occupation after at least 365 calendar days succeeding his date of initial employment and at least one year of contributing membership service in the Teachers' and State Employees' Retirement System (TSERS) may be eligible for STD benefits.

Commencement of STD Benefits

The STD benefit commences on the first day succeeding the waiting period.

Duration of STD Benefits

These benefits are payable for 365 days following the waiting period. The first six months of benefits are payable by the employer outside of the trust. The remaining six months are paid by the employer outside of the trust but the employer is reimbursed by the trust quarterly. STD benefits may be extended up to an additional 365 days if the Medical Board determines that the beneficiary's disability is temporary and is likely to end within the extended period. During this extended period, STD benefits are paid directly from the trust.

Amount of Monthly STD Benefits

50% of 1/12th of the annual base rate of compensation last payable to the beneficiary prior to the beginning of the STD period plus 50% of 1/12th of the annual longevity payment (see below) to which the beneficiary would be eligible, to a maximum of \$3,000 per month, reduced by monthly payments for Workers' Compensation. Provided that a beneficiary has earnings in excess of the STD benefit, the STD benefit shall be reduced on a dollar-for-dollar basis by the amount that exceeds the STD benefit.

Eligibility for Long Term Disability (LTD) Benefits

Any beneficiary who has five or more years of membership service may receive LTD benefits from the Plan upon approval by the Board of Trustees provided that the disability is likely to be permanent.

Commencement of LTD Benefits

Benefits commence on the first day succeeding the conclusion of the short-term disability period provided the beneficiary makes application for such benefits within 180 days after the short-term disability period ceases or after salary continuation payments cease, whichever is later.

Duration of LTD Benefits

The LTD benefit is payable until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from TSERS as described in the December 31, 2010 valuation report for TSERS.

Amount of Monthly LTD Benefits

65% of 1/12th of the annual base rate of compensation last payable to the beneficiary prior to the beginning of the STD benefit period plus 65% of 1/12th of the annual longevity payment (see below) to which the beneficiary would be eligible, to a maximum of \$3,900 per month, reduced by benefits payable from other plans including but not limited to the "Plan Offsets" (listed below).

Plan Offsets

Primary Social Security disability benefits. For beneficiaries not approved for Primary Social Security disability benefits, upon completion of four years from the conclusion of the waiting period, the beneficiary's benefit shall be reduced by an amount as determined by the Board of Trustees, equal to a Primary Social Security disability benefit to which the beneficiary might be entitled had the beneficiary been awarded Social Security disability benefits. For members with less than five years of service as of July 31, 2007, the LTD benefit ceases after 36 months if the member has not been approved for Social Security disability benefits.

Workers' Compensation

Post Disability Benefit Adjustments

The compensation upon which the short-term or long-term disability benefit is calculated may be increased by any percentage across-the-board salary increases granted by the General Assembly. Benefits shall be reduced by future increases granted by the Social Security Administration.

Outside Earnings

During the first 36 months of disability, the net monthly LTD benefit plus outside earnings cannot be greater than 100% of the monthly compensation used to calculate the LTD benefit including any across-the-board salary increases granted by the General Assembly.

After the first 36 months of disability, a beneficiary's earnings will not result in any reduction of the monthly long-term disability benefit until the monthly earnings equal the net monthly long-term disability benefit. The monthly long-term disability benefit will be reduced by \$1.00 for each \$3.00 of monthly earnings in excess of the net long-term disability benefit until the sum of the monthly net long-term benefit and monthly earnings reaches 100% of monthly compensation adjusted for across-the-board salary increases, at which point the monthly long-term disability benefit shall be reduced dollar-for-dollar for the amount of earnings in excess of the 100% monthly limit.

Annual Longevity Payments

These payments are based on service and are additional components of the STD and LTD benefit formulas.

<u>Years of Service</u>	<u>Percentage of Base Salary</u>
less than 10	0.00%
10 - 14	1.50%
15 - 19	2.25%
20 - 24	3.25%
25 and over	4.50%

Transition Provisions

Any participant in service as of August 7, 1987 who becomes disabled after one year of membership service may be eligible for LTD benefits regardless of the requirement of five years of membership service. However, any beneficiary who receives benefits under the transition provisions shall receive lifetime benefits in lieu of service accruals under the Retirement System.

Benefits for Participants Disabled Prior to January 1, 1988 and Receiving Payments Under Former Disability Salary Continuation Plan

The LTD benefit is payable until termination of disability and pays 60% of monthly salary to a maximum of \$1,000 per month reduced by benefits payable from other plans including but not limited to the "Plan Offsets."

Plan Offsets include:

- Social Security benefits payable:
 - Prior to July 1, 1974 - Full family benefits.
 - July 1, 1974 and after – Primary benefits only.
- Workers' Compensation and statutory disability plans.
- Teachers' and State Employees' Retirement System, or other retirement systems supported by the State.
- Other insurance plans to which the State contributes.
- Wages or other income paid by public or private employers.

Benefits shall not be increased by future across-the-board salary increases granted by the General Assembly nor decreased by any future increases granted by the Social Security Administration.

3 - CONTRIBUTIONS

All contributions are to be made by the State or Employing Units.