A MILLIMAN GLOBAL FIRM

Milliman
Consultants and Actuaries

80 Lamberton Road
Windsor, CT 06095-2126
Tel +1 860 687.2110
Fax +1 860 687.2111
www.milliman.com

February 1, 2007

PERSONAL & CONFIDENTIAL

Dr. Thomas Woodruff, Director
Retirement and Benefits Division
55 Elm Street
Hartford, CT 06106

Re: Connecticut State Employees Retirement System (SERS)
Contribution Projection

Dear Tom:

At your request, we have enhanced our projection showing the payoff of the SERS Unfunded Actuarial Liability (UAL) to include a projection of normal cost rates as well.

According to the current level percent of pay funding approach, the UAL will be paid off in fiscal year 2032. Using the System's payment schedule, the past service payment levels out at 13.2% of payroll starting in July 1, 2012 when we assume that there are no actuarial or investment gains or losses.

For the normal cost projection, we had already determined what the ultimate employer normal cost rate would be if the entire SERS membership were covered by Tier IIA. The employer normal cost rate would be 6.8% of pay for the non-hazardous group and 13.5% for the hazardous group. (Please see our letter dated January 29, 2007.) For purposes of the attached projection, we have assumed that this ultimate employer normal cost rate will be reached by fiscal year 2032, and that the demographic profile of active SERS members will remain unchanged over time. We have assumed that the reduction in the employer normal cost rate will occur smoothly between now and then. The actual reduction in the employer normal cost rate will depend on the actual timing of retirements from Tier I and Tier II and on actual changes in the demographic profile of active SERS members over time.

The attached projections are based on employee census data and financial data as of June 30, 2006 supplied by the State of Connecticut and used for the 2006 valuation. Appendices B and C of our 2006 valuation report summarize the principal plan provisions and the actuarial methods, assumptions, and projection techniques, respectively, that were used to prepare the results contained herein. Please refer to the 2006 valuation report for more information about these items. If the attached results are distributed to other parties, we request that a copy of our 2006 valuation report in its entirety be distributed as well, since that document provides background information that is important in understanding the basis for the attached results. The explanatory notes contained in the 2006 valuation report, including statements of reliance and limitations on use, continue to apply.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent future experience deviates from those assumptions, the results of this analysis could vary from the results presented here.

This analysis was prepared exclusively for the Connecticut State Employees Retirement System. It is a complex, technical analysis that assumes a high level of knowledge concerning the System, and uses the System's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Milliman does not intend to benefit any third party recipient of this analysis and assumes no duty or liability to any such third parties.

Please let us know if you have any questions.

Sincerely,

Becky

Rebecca A. Sielman, FSA
Consulting Actuary

RAS 16 CSE020107Projection.doc

Connecticut State Employees Retirement System
Projection Updated With 2006 Valuation Results

Fiscal Year	Final Amortization Payment Reflecting All SEBAC Adjustments - % of Payroll	Employer Normal Cost % of Payroll	Total Contribution % of Payroll	Total Contribution Dollars (000s)
2007-08	12.40%	9.57%	21.97%	716,944
2008-09	12.63%	9.37%	22.00%	753,698
2009-10	12.87%	9.13%	22.00%	791,122
2010-11	13.10%	8.88%	21.98%	829,917
2011-12	13.32%	8.67%	21.99%	871,847
2012-13	13.32%	8.65%	21.97%	914,538
2013-14	13.32%	8.63%	21.95%	959,318
2014-15	13.32%	8.61%	21.93%	1,006,289
2015-16	13.32%	8.59%	21.91%	1,055,560
2016-17	13.32%	8.56%	21.88%	1,107,242
2017-18	13.32%	8.54%	21.86%	1,161,453
2018-19	13.32%	8.52%	21.84%	1,218,317
2019-20	13.32%	8.50%	21.82%	1,277,964
2020-21	13.32%	8.48%	21.80%	1,340,530
2021-22	13.32%	8.46%	21.78%	1,406,158
2022-23	13.32%	8.43%	21.75%	1,474,997
2023-24	13.32%	8.41%	21.73%	1,547,204
2024-25	13.32%	8.39%	21.71%	1,622,945
2025-26	13.32%	8.37%	21.69%	1,702,392
2026-27	13.32%	8.35%	21.67%	1,785,726
2027-28	13.32%	8.33%	21.65%	1,873,138
2028-29	13.32%	8.30%	21.62%	1,964,826
2029-30	13.32%	8.28%	21.60%	2,061,001
2030-31	13.32%	8.26%	21.58%	2,161,881
2031-32	13.32%	8.24%	21.56%	2,267,696
2032-33		8.24%	8.24%	910,058

The figures shown above for FYs 2007-08 and 2008-09 are from the 2006 full valuation (see Tables IV-3 and IV-4 of our valuation reports). For FYs 2009-10, 2010-11, and 2011-12, the figures are projections from the 2006 valuation using the projection methodology used to determine the contributions for FY 2007-08 and 2008-09. For FYs beyond 2011-12, the figures shown above assume that there will be no future actuarial gains or losses. Starting with FY 2032-33, the Unfunded Accrued Liability will be paid off and the Total Contribution will consist only of Employer Normal Cost.