



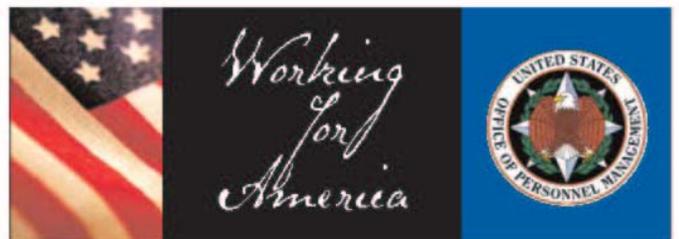
*UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT*

**FEDERAL CIVILIAN  
BENEFITS PROGRAMS**

**ANNUAL REPORT**

**FISCAL YEAR 2006**

United States Office of Personnel Management



April 2007



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## *A Message from the Chief Financial Officer*

The Federal Civilian Benefits Program is accountable for over \$700 billion in assets we hold in trust for Federal employees, retirees, and their dependents and survivors. We prepare comprehensive financial and actuarial reports annually in recognition of our accountability for these assets and our responsibility to provide an accurate accounting for them.

The Annual Report on Federal Civilian Benefits for FY 2006 presents the financial statements of the three major employee benefits we administer: the Civil Service Retirement and Disability Fund, the Federal Employees Health Benefits Program, and the Federal Employees' Group Life Insurance Program. These statements differ from the ones we publish in our annual "Performance and Accountability Report" because we base them on the accounting standards applied by private-sector benefit plans, rather than Federal accounting standards. The public auditing firm, KPMG, LLP, has certified the financial statements are "presented fairly, in all material respects."

We have included in this report the "Civil Service Retirement and Disability Fund Actuarial Valuation," prepared by our enrolled pension actuary. An actuarial valuation is a "snapshot" of the finances of a pension fund at a given point in time to determine whether there are enough assets to pay for the benefits of participants currently and in the future. Although the Valuation shows the long-term liability of the Fund for benefits to participants and survivors is quite large, the Fund has sufficient assets to pay benefits as they come due beyond the year 2075.

This Annual Report demonstrates our commitment to fulfilling our stewardship responsibilities and enhances our accountability to the American people. Through audited financial reports we are also furthering one of the central objectives of the President's Management Agenda – improving the Government's financial performance.

Mark Reger  
Chief Financial Officer



Office of the  
Chief Financial  
Officer

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

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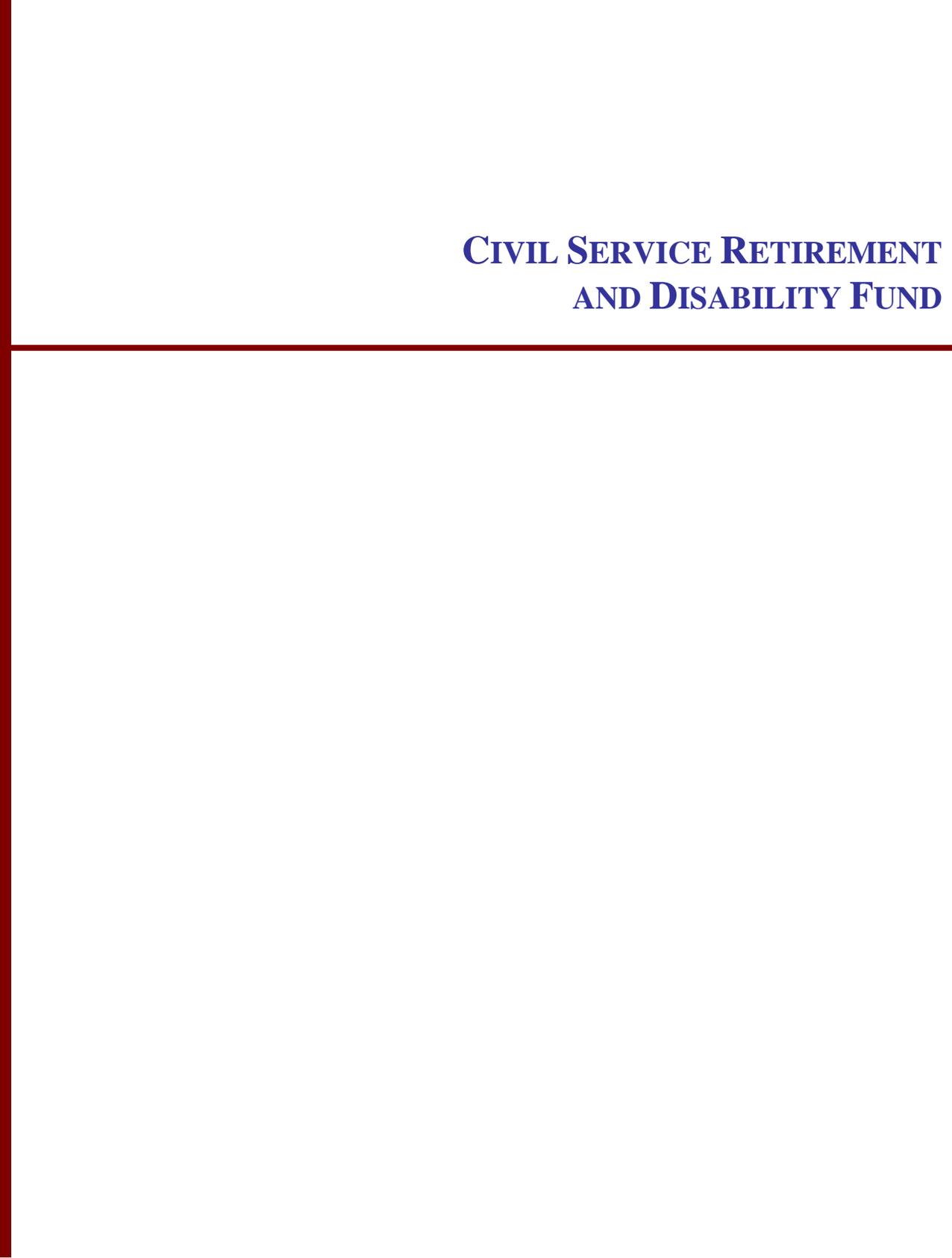
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A handwritten signature in blue ink, appearing to read "Mark Reger".

Mark Reger  
Chief Financial Officer



**CIVIL SERVICE RETIREMENT  
AND DISABILITY FUND**

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**CIVIL SERVICE RETIREMENT AND DISABILITY FUND**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**As of September 30, 2006 and 2005**  
*(In Millions)*

|                                           | <b>Civil<br/>Service<br/>Retirement<br/>System</b> | <b>Federal<br/>Employees<br/>Retirement<br/>System</b> | <b>Total<br/>Fund<br/>2006</b> | <b>Total<br/>Fund<br/>2005</b> |
|-------------------------------------------|----------------------------------------------------|--------------------------------------------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>                            |                                                    |                                                        |                                |                                |
| Investments, at fair value [Note 5]       | <u>\$440,125</u>                                   | <u>\$249,811</u>                                       | <u>\$689,936</u>               | <u>\$660,750</u>               |
| Receivables:                              |                                                    |                                                        |                                |                                |
| Contributions by employers                | 174                                                | 534                                                    | 708                            | 717                            |
| Contributions by participants             | 107                                                | 39                                                     | 146                            | 154                            |
| Accrued interest on investments           | 5,858                                              | 3,295                                                  | 9,153                          | 8,967                          |
| Other                                     | <u>66</u>                                          | <u>65</u>                                              | <u>131</u>                     | <u>122</u>                     |
| Total receivables                         | 6,205                                              | 3,933                                                  | 10,138                         | 9,960                          |
| Cash [Note 3]                             | <u>17</u>                                          | <u>-</u>                                               | <u>17</u>                      | <u>23</u>                      |
| Total Assets                              | <u>446,347</u>                                     | <u>253,744</u>                                         | <u>700,091</u>                 | <u>670,733</u>                 |
| <b>Liabilities:</b>                       |                                                    |                                                        |                                |                                |
| Accrued administrative and other expenses | <u>37</u>                                          | <u>2</u>                                               | <u>39</u>                      | <u>37</u>                      |
| Total Liabilities                         | <u>37</u>                                          | <u>2</u>                                               | <u>39</u>                      | <u>37</u>                      |
| <b>Net Assets Available for Benefits</b>  | <u>\$446,310</u>                                   | <u>\$253,742</u>                                       | <u>\$700,052</u>               | <u>\$670,696</u>               |

The accompanying notes are an integral part of the financial statements.

**CIVIL SERVICE RETIREMENT AND DISABILITY FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**For the Year Ended September 30, 2006 and 2005**  
*(In Millions)*

|                                                           | <b>Civil<br/>Service<br/>Retirement<br/>System</b> | <b>Federal<br/>Employees<br/>Retirement<br/>System</b> | <b>Total<br/>Fund<br/>2006</b> | <b>Total<br/>Fund<br/>2005</b> |
|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|--------------------------------|--------------------------------|
| <b><i>Additions to Net Assets Attributable to:</i></b>    |                                                    |                                                        |                                |                                |
| Investment income:                                        |                                                    |                                                        |                                |                                |
| Net depreciation in fair value of investments             | \$ -                                               | \$ -                                                   | \$ -                           | \$ (4)                         |
| Interest                                                  | <u>23,715</u>                                      | <u>12,903</u>                                          | <u>36,618</u>                  | <u>36,261</u>                  |
| Total investment income                                   | <u>23,715</u>                                      | <u>12,903</u>                                          | <u>36,618</u>                  | <u>36,257</u>                  |
| Contributions: [Note 4]                                   |                                                    |                                                        |                                |                                |
| Employer                                                  | 4,114                                              | 14,118                                                 | 18,232                         | 17,533                         |
| Employees                                                 | 2,908                                              | 1,027                                                  | 3,935                          | 4,070                          |
| Special                                                   | <u>27,939</u>                                      | <u>245</u>                                             | <u>28,184</u>                  | <u>25,652</u>                  |
| Total contributions                                       | <u>34,961</u>                                      | <u>15,390</u>                                          | <u>50,351</u>                  | <u>47,255</u>                  |
| Total Additions to Net Assets                             | <u>58,676</u>                                      | <u>28,293</u>                                          | <u>86,969</u>                  | <u>83,512</u>                  |
| <b><i>Deductions from Net Assets Attributable to:</i></b> |                                                    |                                                        |                                |                                |
| Benefits paid to participants                             | 54,559                                             | 2,912                                                  | 57,471                         | 54,302                         |
| Administrative and other expenses                         | <u>109</u>                                         | <u>33</u>                                              | <u>142</u>                     | <u>138</u>                     |
| Total Deductions from Net Assets                          | <u>54,668</u>                                      | <u>2,945</u>                                           | <u>57,613</u>                  | <u>54,440</u>                  |
| Net Increase in Net Assets                                | 4,008                                              | 25,348                                                 | 29,356                         | 29,072                         |
| <b><i>Net Assets Available for Benefits:</i></b>          |                                                    |                                                        |                                |                                |
| Beginning of Year                                         | <u>442,302</u>                                     | <u>228,394</u>                                         | <u>670,696</u>                 | <u>641,624</u>                 |
| End of Year                                               | <u>\$446,310</u>                                   | <u>\$253,742</u>                                       | <u>\$700,052</u>               | <u>\$670,696</u>               |

The accompanying notes are an integral part of the financial statements.

**CIVIL SERVICE RETIREMENT AND DISABILITY FUND**  
**STATEMENT OF ACCUMULATED PLAN BENEFITS**

**As of September 30, 2005**

*(In Millions)*

|                                                                              | <b>Civil<br/>Service<br/>Retirement<br/>System</b> | <b>Federal<br/>Employees<br/>Retirement<br/>System</b> | <b>Total<br/>Fund</b> |
|------------------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-----------------------|
| <i>Actuarial Present Value of<br/>Accumulated Plan Benefits: [Note 2]</i>    |                                                    |                                                        |                       |
| Vested benefits:                                                             |                                                    |                                                        |                       |
| Participants currently receiving payments                                    | \$669,100                                          | \$ 38,400                                              | \$707,500             |
| Other participants                                                           | <u>243,700</u>                                     | <u>79,500</u>                                          | <u>323,200</u>        |
| Total vested benefits                                                        | 912,800                                            | 117,900                                                | 1,030,700             |
| Nonvested benefits                                                           | <u>31,500</u>                                      | <u>27,600</u>                                          | <u>59,100</u>         |
| <b><i>Total Actuarial Present Value of<br/>Accumulated Plan Benefits</i></b> | <u>\$944,300</u>                                   | <u>\$145,500</u>                                       | <u>\$1,089,800</u>    |

The accompanying notes are an integral part of the financial statements.

**CIVIL SERVICE RETIREMENT AND DISABILITY FUND**  
**STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS**  
**For the Year Ended September 30, 2005**  
*(In Millions)*

|                                                                                         | <b>Civil<br/>Service<br/>Retirement<br/>System</b> | <b>Federal<br/>Employees<br/>Retirement<br/>System</b> | <b>Total<br/>Fund</b> |
|-----------------------------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-----------------------|
| <b><i>Actuarial Present Value of Accumulated Plan Benefits at Beginning of Year</i></b> | <u>\$903,400</u>                                   | <u>\$124,600</u>                                       | <u>\$1,028,000</u>    |
| <b><i>Increase (Decrease) During the Year Attributable to:</i></b>                      |                                                    |                                                        |                       |
| Benefits accumulated                                                                    | 84,653                                             | 22,149                                                 | 106,802               |
| Changes in Actuarial Assumptions                                                        | 8,100                                              | 1,200                                                  | 9,300                 |
| Benefits paid                                                                           | <u>(51,853)</u>                                    | <u>(2,449)</u>                                         | <u>(54,302)</u>       |
| Net increase                                                                            | <u>40,900</u>                                      | <u>20,900</u>                                          | <u>61,800</u>         |
| <b><i>Actuarial Present Value of Accumulated Plan Benefits at End of Year</i></b>       | <u>\$944,300</u>                                   | <u>\$145,500</u>                                       | <u>\$1,089,800</u>    |

The accompanying notes are an integral part of the financial statements.

**CIVIL SERVICE RETIREMENT AND DISABILITY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006 AND 2005**

**NOTE 1 - DESCRIPTION OF PLANS**

The following brief description of the Civil Service Retirement and Disability Fund (the “Fund”) is provided for general information purposes only. Participants should refer to Title 5, United States Code Chapters 83 and 84, for a complete description of the Fund’s provisions.

**A. General**

The United States Office of Personnel Management (OPM) administers two defined-benefit retirement plans, via the Fund: the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). Combined, the two Plans cover 100 percent of all eligible employees. As government-sponsored benefit plans, the CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended.

The CSRS was established by the *Civil Service Retirement Act*, which was enacted on May 22, 1920. It is a stand-alone retirement plan intended to provide reasonable benefits for long-service Federal employees. The CSRS, which is closed to new members, covers most Federal employees who first entered a covered position before 1984.

The FERS was established by the *Federal Employees' Retirement System Act of 1986*, which was enacted on June 6, 1986. Using Social Security as a base, the FERS provides an additional defined benefit and a voluntary thrift savings plan. The FERS generally covers employees who first entered a covered position after December 31, 1983.

**B. Retirement Benefits**

The CSRS provides full retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. Deferred benefits are payable at age 62 with 5 years of service. The annuity formula provides 1.5 percent of average salary for the first five years of service, 1.75 percent for the next five years, and 2 percent for any remaining service, up to a maximum of 80 percent of average salary (based on the highest three consecutive years of salary). Special benefits are provided for certain law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, congressional employees, Members of Congress, and certain other groups.

The FERS provides full retirement benefits at the “Minimum Retirement Age” (MRA) with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. The MRA is 55 for those born before 1948, and incrementally increases to 57 for those born in or after 1970. Deferred retirement benefits are available at or after the MRA with 10 years of service at reduced

benefit levels. The annuity formula generally provides one percent of the employee's average salary (based on the highest three consecutive years of salary) times the number of years of creditable service. If retirement is at age 62 or later, with at least 20 years of service, a factor of 1.1 percent is used rather than 1 percent. Special benefits are provided for certain law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, congressional employees, Members of Congress, and certain other groups.

### **C. Disability Benefits**

The CSRS requires that employees have at least five years of creditable civilian service to qualify for disability retirement benefits. Benefits are generally equal to the higher of (1) the CSRS computation described in Note 1.B. or (2) a guaranteed minimum disability annuity, consisting of the lower of 40 percent of the highest three years' average salary or the regular earned annuity formula using service projected to age 60.

Under the FERS, disability retirement may occur at any age with 18 months of service. In the first year of retirement, disability benefits are generally 60 percent of the average of the highest three consecutive years of salary, minus the employee's Social Security disability benefits.

Subsequently, disabled employees receive 40 percent of their high-three average yearly salary, minus 60 percent of their Social Security disability benefit, until recomputation at age 62.

### **D. Death Benefits**

Under the CSRS, the spouses of employees who die in service receive 55 percent of the retirement benefits the employee would have received had they retired on disability. The spouses of deceased annuitants receive 55 percent of the annuity, unless a survivor benefit was waived or a less than full survivor benefit was elected. Children receive a flat monthly benefit amount.

Under the FERS, the spouses of employees who die in service after at least 18 months of service receive one-half of the annual rate of pay at death, or one-half of the average of the highest three consecutive years of salary as of the date of death, whichever is higher, plus a lump-sum payment adjusted annually for COLAs (cost-of-living allowances) under CSRS rules. If the employee had at least 10 years of service, the surviving spouse also receives an annuity equaling 50 percent of the accrued basic retirement benefit. The spouses of deceased annuitants receive 50 percent of the annuity, unless a survivor benefit was waived or a less than full survivor benefit was elected. Children receive a flat monthly benefit amount, minus the amount of Social Security benefits payable to them.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

The accompanying financial statements include all Fund financial activities for which OPM has fiduciary responsibility. These comprise the CSRS and the defined benefit portion of the FERS. The financial activities related to the Social Security and thrift savings plan provisions of the FERS

are not administered by OPM and are, therefore, not included in the accompanying financial statements.

## **B. Basis of Accounting**

The accompanying financial statements of the Fund have been prepared in accordance with Statement of Financial Accounting Standards No. 35 (SFAS 35) *Accounting and Reporting by Defined Benefit Pension Plans*, which establishes the accounting principles generally accepted in the United States of America (GAAP) for defined benefit pension plans. GAAP for Federal entities, however, is prescribed by the Federal Accounting Standards Advisory Board (FASAB). As a consequence, the accompanying statements are considered to have been prepared on a comprehensive basis of accounting other than GAAP.

The preparation of financial statements in accordance with SFAS 35 requires the inclusion of financial statements and the disclosure of information that differs significantly from those required by FASAB standards. Moreover, the presentation of financial statements in accordance with SFAS 35 requires departures from FASAB standards with regard to the valuation of the Fund's actuarial liability and its investments. SFAS 35 requires valuation of the Fund's investments at fair value and the recognition of the change in that value during the reporting period. FASAB standards, on the other hand, require that investments be valued at their cost.

The actuarial liability, computed in accordance with FASAB standards, requires the actuary to make assumptions about future service and projected salary, whereas the liability under SFAS 35 is based only on service and pay to the valuation date.

The accompanying financial statements have been prepared under the accrual basis of accounting, with the exception that SFAS 35 requires that Benefits Paid to Participants be reported on the cash basis of accounting in the Statements of Changes in Net Assets Available for Benefits.

## **C. Use of Estimates**

As part of the process of preparing financial statements on a comprehensive basis of accounting other than GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

## **D. Investment Valuation and Income Recognition**

All Fund investments are in interest-bearing U.S. Treasury securities guaranteed as to principal and interest. Throughout the year, monies are invested initially in Certificates of Indebtedness ("Certificates"), which are issued at par value and mature on the following June 30. The Certificates are routinely redeemed at face value to pay for authorized expenditures. Each June 30, the outstanding Certificates are "rolled over" into government account series (GAS) securities that are issued to the Fund at par-value, with maturities spread over a 15-year period and a yield equaling the average of all marketable U.S. Treasury securities with four or more

years to maturity. The Fund also carries, but does not routinely invest in, securities issued by the Federal Financing Bank (FFB) as well as marketable Treasury bonds. As of September 30, 2006 and September 30, 2005, there were no Treasury bonds among the Fund's investments. The invested assets of the CSRS and FERS (and related interest income) represent allocations from the Fund's invested assets, based upon the proportionate investment contribution balance of each Plan.

The fair value of the GAS securities, Certificates, and FFB securities is equal to their par values. The fair value of the marketable Treasury bonds, as well as their appreciation and depreciation, is based on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

### **E. Actuarial Present Value of Accumulated Plan Benefits**

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable, under the Plans' provisions, to service that employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries; (b) beneficiaries of employees who have died; and (c) present employees or their beneficiaries. Benefits under the Plans are based on employee service and compensation. The accumulated plan benefits for active employees are based on the average of the highest three consecutive years of compensation ending on the valuation date. Benefits payable under all circumstances — retirement, death, disability, and termination of employment — are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The Actuarial Present Value of Accumulated Plan Benefits is determined by an actuary employed by OPM and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The Actuarial Present Value of Accumulated Plan Benefits is measured as of the first day of the year.

The significant demographic assumptions used in the valuation are the life expectancy of participants and retirement age assumptions, both based on plan experience. All demographic rates are updated based on recent experience under the CSRS and FERS.

The following table presents the significant economic assumptions used to compute the Actuarial Present Value of Accumulated Plan Benefits for 2006 and 2005:

|                                       |      |      |
|---------------------------------------|------|------|
| Economic Assumption:                  | 2006 | 2005 |
| Interest rate (%)                     | 6.25 | 6.25 |
| Rate of inflation (%)                 | 3.50 | 3.25 |
| Rate of annual increase in salary (%) | 4.25 | 4.00 |

The Board of Actuaries recommended that the long-term inflation rate be increased from 3.25 to 3.50 percent. A higher inflation rate was assumed because rates of inflation have increased in recent years. The Board also recommended that the rate of general salary increase be increased

from 4.0 percent to 4.25 percent, and that the long-term interest rate remain the same at 6.25 percent. The change in assumptions, which went into effect for the FY 2006 actuarial valuation, resulted in an increase in the liabilities.

The foregoing actuarial assumptions are based on the presumption that the Plans will continue. Were the Plans to terminate, different actuarial assumptions and other factors might be applicable in determining the Actuarial Present Value of Accumulated Plan Benefits.

#### **F. Payment of Benefits**

Benefit payments to participants are recorded upon distribution.

#### **G. Risks and Uncertainties**

Contributions to the Plan and the actuarial present value of accumulated plan benefits are based on certain assumptions pertaining to interest rates, inflation rates, employee compensation and demographics. Due to the uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these assumptions in the near term could have a material effect on the financial statements.

### **NOTE 3 - CASH**

Cash represents the amount on deposit with the U.S. Treasury that is immediately available to the Fund for the payment of benefits and other expenses. There are no restrictions or pledges over cash.

### **NOTE 4 - FUNDING POLICY**

#### **A. CSRS**

***Employer and Employee Contributions.*** As a condition of participation in the CSRS, participating employees are required to contribute a percentage of their pay to the Fund. For fiscal years 2006 and 2005, the employee contribution rate was 7.0 percent of pay. Participating law enforcement officers, firefighters, congressional employees, and Members of Congress contributed a higher percentage.

Total accumulated employee contributions were estimated to be \$55.4 billion as of FY 2006 and \$56.3 billion as of FY 2005.

Employing agencies must also make contributions to the Fund on behalf of their participating employees. For fiscal years 2006 and 2005, employers contributed 7.0 percent of pay for most of the participating employees.

Employing agencies contributed a higher percentage for law enforcement officers, firefighters, congressional employees, and Members of Congress.

**Special Contribution.** The Fund receives an annual contribution from the U.S. Treasury that includes amounts that (a) amortize, over a 30-year period, increases in the actuarial present value of accumulated plan benefits resulting from new or liberalized benefits, increases in pay, or extension of coverage to new employee groups; (b) pays five percent interest on the unfunded portion of the actuarial present value of accumulated plan benefits; and (c) reimburses the Fund for the cost of benefits attributable to military service credit and certain survivor annuities.

## **B. FERS**

**Employer and Employee Contributions.** As a condition of participation in the FERS, participating employees are required to contribute a percentage of their pay to the Fund. FERS employee contributions are equal to a percentage of pay that is equal to the difference between the contribution rate for CSRS participants, as set forth above, 7.0 percent, and the Old Age, Survivors, and Disability Insurance (OASDI) rate, currently 6.2 percent of pay. Thus the contribution rate for most of the FERS participants in fiscal years 2006 and 2005 is 0.80 percent of pay. Participating law enforcement officers, firefighters, congressional employees, and Members of Congress contributed a higher percentage.

Employing agencies must also make contributions to the Fund on behalf of their participating employees. The employer contribution was 11.2 percent and 10.7 percent, respectively, of most participants' pay for fiscal years 2006 and 2005.

## **NOTE 5 - INVESTMENTS**

The following table presents the estimated fair value of Fund investments at September 30, 2006 and 2005 (in millions). Individual investments that represent five percent or more of the Fund's net assets available for benefits are separately identified below:

|                      | CSRS<br>2006 | FERS<br>2006 | Total<br>2006 | Total<br>2005 |
|----------------------|--------------|--------------|---------------|---------------|
| GAS securities:      |              |              |               |               |
| 5.625% , due 2016    | \$22,481     | \$12,646     | \$35,127      | 35,127        |
| 5.25% , due 2017     | 23,798       | 13,386       | 37,184        | 37,184        |
| 3.5%, due 2018       | 25,052       | 14,092       | 39,144        | 39,144        |
| 4.625%, due 2019     | 25,723       | 14,470       | 40,193        | 40,193        |
| 4.125% 2020          | 27,430       | 15,429       | 42,859        | 42,859        |
| 5.125% 2021          | 28,610       | 16,094       | 44,704        | -             |
| Other GAS securities | 258,267      | 148,368      | 406,635       | 424,770       |
| Total GAS securities | 411,361      | 234,485      | 645,846       | 619,277       |
| FFB securities       | 9,506        | 4,494        | 14,000        | 14,000        |
| Other Securities     | 19,258       | 10,832       | 30,090        | 27,473        |
| Total Investments    | \$440,125    | \$249,811    | \$689,936     | \$660,750     |

## NOTE 6 - PLAN TERMINATION

Since the Plans have been established by an act of Congress, they cannot be terminated unless legislation should be enacted to do so. As there is no anticipation that such legislation will be introduced, the Plans are expected to continue indefinitely.

## NOTE 7 - CONTINGENCIES

Certain claims, lawsuits, and complaints have been filed against the Fund. It is the opinion of the administrator and OPM's General Counsel that the resolution of these matters would not materially affect the financial position or the results of operations of the Fund.

## NOTE 8 - TAX STATUS

The Fund is not subject to income taxes by Federal statute.

## NOTE 9 – SUBSEQUENT EVENTS

On December 20, 2006, President Bush signed into law the Postal Accountability and Enhancement Act, P.L. 109-435. Title VIII of the Act made significant changes in the laws dealing with CSRS benefits and the funding of retiree health benefits for Postal employees.

Sec. 802 of the Act deals with CSRS funding, transferring responsibility for funding military service credit for Postal CSRS-covered employees from Postal Service to Treasury. Sec. 802 eliminates the requirement for the Postal Service to make CSRS contributions. P.L. 109-435

cancels Postal Normal Cost payments to the CSRS retroactively to October 1, 2006, which resulted in a refund to Postal Service of \$283.8 million. Any remaining Postal CSRS funding surplus is to be transferred on June 30, 2007 to a new Special Fund Expenditure Account, “Postal Service Retiree Health Benefits Fund” established by Sec. 803; the estimated transfer amount, per the President’s Budget for FY 2008, is \$23 billion.

In addition, P.L. 109-435 requires the Postal Service to make scheduled payments to the new Postal Service Retiree Health Benefits Fund of approximately \$5.4 and \$5.8 billion per year from FY 2007 through FY 2016. Thereafter, beginning in FY 2017, the Postal Service will make annual payments of the sum of the normal cost payment (net present value of the future payments required for the employer share of health benefits premium for retired Post employees attributable to the service of Postal Service employees during the most recently ended fiscal year) plus the scheduled amount to liquidate the unfunded liability (or overfunded surplus, if applicable) for Postal retiree health benefits contributions.

## ***Text of Independent Auditor's Report***

### **Independent Auditor's Report**

Director,  
U.S. Office of Personnel Management

We have audited the accompanying statements of net assets available for benefits of the Civil Service Retirement and Disability Fund (the Fund), as administered by the United States Office of Personnel Management (OPM), as of September 30, 2006 and 2005, and the related statements of changes in net assets available for benefits of the years then ended, and the statement of accumulated plan benefits as of September 30, 2005, and the related statement of changes in accumulated plan benefits for the year then ended (hereinafter referred as to the "Fund's financial statements"). These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2B, the Fund's financial statements were prepared in accordance with Statement of Financial Accounting Standards No.35, *Accounting and Reporting by Defined Benefit Plans*, as amended, issued by the Financial Accounting Standards Board. This basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the Fund's financial statements referred to above present fairly, in all material respects, information regarding the Fund's net assets available for benefits as of September 30, 2006 and 2005, and the changes therein for the years then ended and its financial status as of September 30, 2005, and changes therein for the year then ended on the basis of accounting described in Note 2B.

Our audit was conducted for the purpose of forming an opinion on the accompanying Fund's financial statements taken as a whole. The financial statements of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) included in the Fund's financial statements, are presented for purposes of additional analysis of the Fund's financial

statements rather than to present the net assets available for benefits and changes therein and the financial status of the Fund's accumulate plan benefits and changes therein of the individual CSRS and FERS financial statements. The accompanying financial statements of the CSRS and FERS have been subjected to the auditing procedures applied in the audits of the Fund's financial statements and, in our opinion, are fairly stated in all material respects in relation to the Fund's financial statements taken as a whole.

KPMG LLP

March 23, 2007



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036

## **Independent Auditors' Report**

Director,  
U.S. Office of Personnel Management:

We have audited the accompanying statements of net assets available for benefits of the Civil Service Retirement and Disability Fund (the Fund), as administered by the United States Office of Personnel Management (OPM), as of September 30, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended, and the statement of accumulated plan benefits as of September 30, 2005, and the related statement of changes in accumulated plan benefits for the year then ended (hereinafter referred as to the "Fund's financial statements"). These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2B, the Fund's financial statements were prepared in accordance with Statement of Financial Accounting Standards No.35, *Accounting and Reporting by Defined Benefit Plans*, as amended, issued by the Financial Accounting Standards Board. This basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

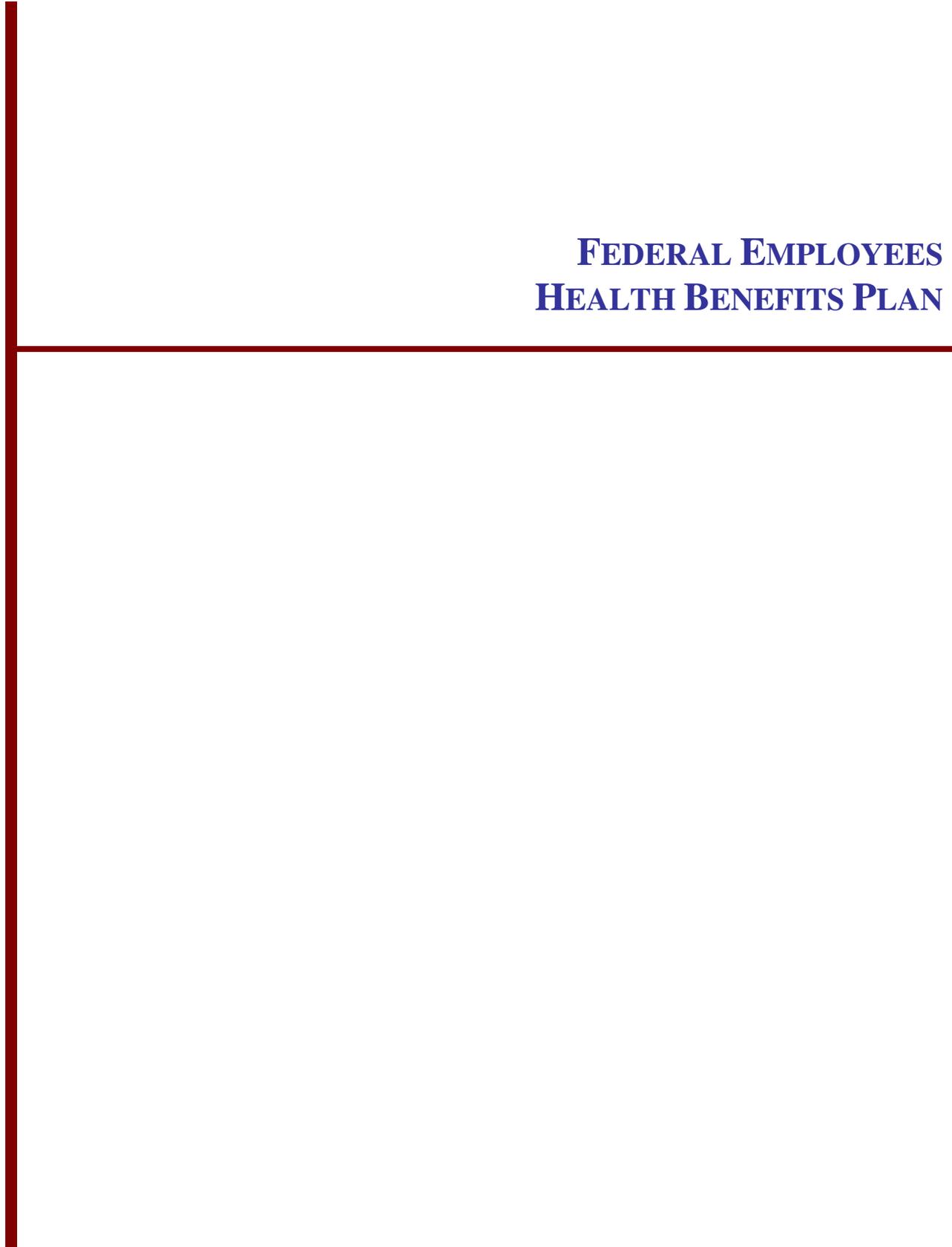
In our opinion, the Fund's financial statements referred to above present fairly, in all material respects, information regarding the Fund's net assets available for benefits as of September 30, 2006 and 2005, and the changes therein for the years then ended and its financial status as of September 30, 2005, and changes therein for the year then ended on the basis of accounting described in Note 2B.



Our audit was conducted for the purpose of forming an opinion on the accompanying Fund's financial statements taken as a whole. The financial statements of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) included in the Fund's financial statements, are presented for purposes of additional analysis of the Fund's financial statements rather than to present the net assets available for benefits and changes therein and the financial status of the Fund's accumulate plan benefits and changes therein of the individual CSRS and FERS financial statements. The accompanying financial statements of the CSRS and FERS have been subjected to the auditing procedures applied in the audits of the Fund's financial statements and, in our opinion, are fairly stated in all material respects in relation to the Fund's financial statements taken as a whole.

KPMG LLP

March 23, 2007



**FEDERAL EMPLOYEES  
HEALTH BENEFITS PLAN**

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# FEDERAL EMPLOYEES HEALTH BENEFITS PLAN

## STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

As of September 30, 2006 and 2005

(In Millions)

|                                                 | 2006                | 2005                |
|-------------------------------------------------|---------------------|---------------------|
| <b>Assets:</b>                                  |                     |                     |
| Investments, at fair value [Note 5]             | <u>\$14,647</u>     | <u>\$12,412</u>     |
| Receivables:                                    |                     |                     |
| Contributions by employers                      | 532                 | 520                 |
| Contributions by participants                   | 558                 | 528                 |
| Accrued interest on investments                 | 55                  | 43                  |
| Due from participating carriers                 | <u>39</u>           | <u>44</u>           |
| Total receivables                               | 1,184               | 1,135               |
| Plan assets held by insurance carriers [Note 2] | 47                  | 78                  |
| Cash [Note 4]                                   | <u>850</u>          | <u>829</u>          |
| Total Assets                                    | <u>16,728</u>       | <u>14,454</u>       |
| <br><b>Liabilities:</b>                         |                     |                     |
| Accrued administrative and other expenses       | <u>342</u>          | <u>382</u>          |
| Total Liabilities                               | <u>342</u>          | <u>382</u>          |
| <br><b>Net Assets Available for Benefits</b>    | <br><u>\$16,386</u> | <br><u>\$14,072</u> |

The accompanying notes are an integral part of the financial statements.

**FEDERAL EMPLOYEES HEALTH BENEFITS PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**AVAILABLE FOR BENEFITS**  
**For the Years Ended September 30, 2006 and 2005**  
*(In Millions)*

|                                                           | <b>2006</b>     | <b>2005</b>     |
|-----------------------------------------------------------|-----------------|-----------------|
| <b><i>Additions to Net Assets Attributable to:</i></b>    |                 |                 |
| Contributions:                                            |                 |                 |
| Employers                                                 | \$23,928        | \$22,683        |
| Participants                                              | <u>9,112</u>    | <u>8,448</u>    |
| Total contributions                                       | <u>33,040</u>   | <u>31,131</u>   |
| Investment income:                                        |                 |                 |
| Net depreciation in fair value of investments             | (30)            | (160)           |
| Interest                                                  | <u>589</u>      | <u>380</u>      |
| Total investment income                                   | <u>559</u>      | <u>220</u>      |
| Total Additions to Net Assets                             | <u>33,599</u>   | <u>31,351</u>   |
| <b><i>Deductions from Net Assets Attributable to:</i></b> |                 |                 |
| Health benefits paid                                      | 23,548          | 22,167          |
| Premiums paid to health maintenance organizations         | 6,121           | 5,825           |
| Administrative and other expenses                         | <u>1,616</u>    | <u>1,481</u>    |
| Total Deductions from Net Assets                          | <u>31,285</u>   | <u>29,473</u>   |
| Net Increase in Net Assets                                | 2,314           | 1,878           |
| <b><i>Net Assets Available for Benefits:</i></b>          |                 |                 |
| Beginning of Year                                         | <u>14,072</u>   | <u>12,194</u>   |
| End of Year                                               | <u>\$16,386</u> | <u>\$14,072</u> |

The accompanying notes are an integral part of the financial statements.

# FEDERAL EMPLOYEES HEALTH BENEFITS PLAN

## STATEMENTS OF PLAN'S BENEFIT OBLIGATIONS

As of September 30, 2006 and 2005

(In Millions)

|                                                                                | 2006                 | 2005                 |
|--------------------------------------------------------------------------------|----------------------|----------------------|
| <b><i>Amounts Currently Payable to or for Participants and Dependents:</i></b> |                      |                      |
| Health benefits payable                                                        | \$ 604               | \$ 710               |
| Premiums payable to health maintenance organizations                           | 528                  | 511                  |
| Benefits incurred but not reported                                             | <u>2,395</u>         | <u>2,379</u>         |
| Total obligations other than postretirement benefits                           | <u>3,527</u>         | <u>3,600</u>         |
| <br><b><i>Postretirement Benefit Obligations:</i></b>                          |                      |                      |
| Current retirees                                                               | 155,800              | 149,256              |
| Other participants fully eligible for benefits                                 | 29,520               | 28,659               |
| Other participants not yet fully eligible for benefits                         | <u>133,665</u>       | <u>132,460</u>       |
| Total postretirement benefits obligations                                      | <u>318,985</u>       | <u>310,375</u>       |
| <br><b><i>Total Benefit Obligations</i></b>                                    | <br><u>\$322,512</u> | <br><u>\$313,975</u> |

The accompanying notes are an integral part of the financial statements.

**FEDERAL EMPLOYEES HEALTH BENEFITS PLAN**  
**STATEMENTS OF CHANGES IN PLAN'S BENEFIT OBLIGATIONS**  
For the Years Ended September 30, 2006 and 2005  
*(In Millions)*

|                                                                                                      | <b>2006</b>             | <b>2005</b>             |
|------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b><i>Amounts Currently Payable to or for Participants and Dependents:</i></b>                       |                         |                         |
| Balance at beginning of year                                                                         | \$ 1,221                | \$ 1,088                |
| Claims reported and approved for payment                                                             | 10,862                  | 10,960                  |
| Claims paid                                                                                          | <u>(10,951)</u>         | <u>(10,827)</u>         |
| Balance at end of year                                                                               | <u>1,132</u>            | <u>1,221</u>            |
| <br>                                                                                                 |                         |                         |
| <b><i>Other Obligations for Current Benefit Coverage, at Present Value of Estimated Amounts:</i></b> |                         |                         |
| Balance at beginning of year                                                                         | 2,379                   | 2,323                   |
| Increase in claims incurred but not reported                                                         | <u>16</u>               | <u>56</u>               |
| Balance at end of year                                                                               | <u>2,395</u>            | <u>2,379</u>            |
| <br>                                                                                                 |                         |                         |
| Total obligations other than postretirement benefit obligations                                      | <u>3,527</u>            | <u>3,600</u>            |
| <br>                                                                                                 |                         |                         |
| <b><i>Postretirement Benefit Obligations:</i></b>                                                    |                         |                         |
| Balance at beginning of year                                                                         | 310,375                 | 288,191                 |
| Increase (decrease) during the year attributable to:                                                 |                         |                         |
| Benefits earned and other changes                                                                    | 9,133                   | 8,891                   |
| Interest cost                                                                                        | 18,879                  | 18,355                  |
| Benefits paid [Note 6]                                                                               | (11,097)                | (10,558)                |
| Actuarial (gain) loss                                                                                | <u>(8,305)</u>          | <u>5,496</u>            |
| Balance at end of year                                                                               | <u>318,985</u>          | <u>310,375</u>          |
| <br>                                                                                                 |                         |                         |
| <b><i>Total Benefit Obligations at End of Year</i></b>                                               | <u><b>\$322,512</b></u> | <u><b>\$313,975</b></u> |

The accompanying notes are an integral part of the financial statements.

**FEDERAL EMPLOYEES HEALTH BENEFITS PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006 AND 2005**

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**NOTE 1 - DESCRIPTION OF PLAN**

The following brief description of the Federal Employees Health Benefits Plan (the “Plan”) is provided for general information purposes only. Participants should refer to Title 5, United States Code, Chapter 89, for a complete description of the Plan’s provisions.

**A. General**

The Plan was established in 1960 by the *Federal Employees Health Benefits Act*, which was enacted on September 28, 1959. The purpose of the Plan is to provide hospital and major medical benefits to active and retired civilian employees of the United States Government and their families. The Plan is administered by the United States Office of Personnel Management (OPM) and, as a government-sponsored employee benefits plan, it is not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended.

The Plan covers approximately 82 percent of all eligible participants. There is no vesting requirement – employees, retirees and their families become participants in the Plan upon enrollment. The Plan generally covers active employees, who are permanent employees with a regularly scheduled tour-of-duty or temporary employees with an appointment for longer than one year. Retired employees may generally participate in the Plan if they have been continuously enrolled (or covered as a family member) for the five years of service immediately before the date their retirement annuity starts, or for the full periods of service since their first opportunity to enroll, if less than five years. Family members who are eligible for coverage under the Plan generally are certain survivors of employees and retirees, spouses and unmarried dependent children under age 22.

Participation in the Plan ceases upon the earliest of: the date upon which participants separate from Federal service (unless they retire); the date upon which participants change to a position that is excluded from coverage; the date upon which participants cease to make contributions required under the Plan; the date as of which participants revoke their election to enroll in the Plan; or the effective date of the participants election not to re-enroll in the Plan. In addition, the participation in the Plan by family members will cease on the date upon which they are no longer an eligible family member.

**B. Benefits**

The law prescribes, in general, the types of benefits to be provided and authorizes OPM to contract with qualified health benefits carriers to provide them. OPM contracts with two types of

carriers: fee-for-service (FFS), where participants or their health care providers are reimbursed for the cost of services; and health maintenance organizations (HMOs), which provide or arrange for services on a prepaid basis through designated providers. Participants can choose from among carriers offering FFS coverage, regardless of where they live, or HMOs, if they live (or sometimes work) within the area serviced by them. Some FFS coverages are open to all participants, but some have membership requirements. Eligible participants may only enroll with one carrier.

Most of the contracts of carriers that provide FFS benefits are experience-rated, with the amount contributed by and for participants primarily affected by the number and size of claims. Most HMO contracts are community-rated, so that the amount paid by and for participants is essentially the same as that paid by and for participants in similarly-sized subscriber groups.

### **C. Contributions**

Both participants and their employers contribute to the Plan, based upon a formula established by Federal statute. The employers of participating employees contribute the lesser of: (1) 72 percent of the Plan-wide weighted average of subscription charges in effect or (2) 75 percent of the total subscription charge for the specific health benefits plan in which their employees are enrolled. The employer contribution for Federal retirees and their survivors who participate in the Plan is funded by a Congressional appropriation. Participants are responsible for all amounts in excess of the employer contribution.

In addition to deductibles and co-payments, retirees contributed 28 and 27 percent of the estimated cost of providing their postretirement benefits for FY 2006 and FY 2005, respectively.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of Accounting**

The accompanying financial statements of the Plan have been prepared in accordance with American Institute of Certified Public Accountants Statement of Position No. 01-2 (SOP 01-2) *Accounting and Reporting by Health and Welfare Benefit Plans* which establishes the accounting principles generally accepted in the United States of America (GAAP) for health and welfare plans. GAAP for Federal entities, however, is prescribed by the Federal Accounting Standards Advisory Board (FASAB). As a consequence, the accompanying statements are considered to have been prepared on a comprehensive basis of accounting other than GAAP.

The preparation of financial statements in accordance with SOP 01-2 requires the inclusion of financial statements and the disclosure of information that differ significantly from those required by FASAB standards. Moreover, the presentation of financial statements in accordance with SOP 01-2 requires departures from FASAB standards with regard to the valuation of the Plan's investments and postretirement benefit obligation. SOP 01-2 requires the valuation of Plan investments at their fair value and the recognition of the change in that value during the

reporting period; FASAB standards, on the other hand, require that investments be valued at their cost.

Both SOP 01-2 and FASAB standards compute postretirement benefit obligations in essentially the same manner with regard to retired employees. The difference in the standards applies to the treatment of active employees. SOP 01-2 accrues the obligation for active employees to the first retirement eligibility date, whereas FASAB standards require that the obligation be accrued to the expected retirement date.

The accompanying financial statements have been prepared under the accrual basis of accounting with the exception that SOP 01-2 requires that Health Benefits Paid and Premiums Paid to Health Maintenance Organizations be reported on the cash basis of accounting in the Statements of Changes in Net Assets Available for Benefits.

## **B. Use of Estimates**

As part of the process of preparing financial statements on a comprehensive basis of accounting other than GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, claims incurred but not reported (IBNR), eligibility credits, claims payable, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

## **C. Valuation of Investments**

The Plan invests all receipts in “market-based” U.S. Treasury securities that mirror the terms of marketable Treasury bills, fixed-principal notes and bonds, and inflation-indexed notes and bonds. Monies that are needed for immediate expenditure are invested in overnight market-based securities, whose interest rates are equal to an overnight repurchase agreement rate that is calculated by the Federal Reserve Bank of New York. The Plan’s investments are stated at fair value, which is determined by the market prices quoted for the securities upon which they are based.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

## **D. Postretirement Benefit Obligation**

The postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributable to employee service rendered to the end of the fiscal year. Postretirement benefits include future benefits expected to be paid for (1) currently retired employees and their survivors and dependents and (2) active employees and their survivors and dependents after retirement. Employees do not make any contributions to their post-retirement health benefits. Prior to an active employee’s retirement, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee’s service rendered to the valuation date.

The postretirement benefit obligation is measured as of the first day of the year, with a "roll-forward" or projection to the end of the year. The "roll-forward" considers all major factors that affect the measurement occurring during the reporting year, including pay raises, cost of living allowances, and material changes in the numbers of covered employees.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death or withdrawal) between the valuation date and the expected date of payment. All demographic rates were updated based on recent experience of the Plan.

The following were the significant economic assumptions used in the valuations of September 30, 2006 and 2005:

|                                    |      |
|------------------------------------|------|
| Weighted-average discount rate (%) | 6.25 |
| Medical trend assumption (%)       | 7.00 |

For measurement purposes, the medical trend assumption is assumed to remain at 7.0 percent indefinitely. OPM's actuaries have concluded that the 7% medical trend assumption reflects a reasonable assumption about the future, and also agrees well with past experience.

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and factors may be applicable in computing the Plan's postretirement benefit obligations.

**E. Plan Assets Held by Insurance Carriers**

Plan assets held by insurance carriers represent the amount held by the participating carriers, pending expenditure for authorized purposes.

**F. Other Plan Benefits**

Benefit claims currently payable include the Plan's liability for those health claims incurred by participants but not yet processed and for IBNR as of the end of the fiscal year. The Plan's liability for claims IBNR is estimated by the experience-rated carriers that have contracted with OPM to provide benefits, utilizing actuarial methods that take into consideration prior claims experience and the expected time period from the date such claims are incurred to the date that the related claims are submitted and paid.

**G. Risks and Uncertainties**

Contributions to the Plan and the actuarial present value of accumulated plan benefits are based on certain assumptions pertaining to interest rates, inflation rates, employee compensation and demographics. Due to the uncertainties inherent in the estimation and assumption process, it is at

least reasonably possible that changes in these assumptions in the near term could have a material effect on the financial statements.

### NOTE 3 - BENEFIT OBLIGATIONS

The Plan's excess of benefit obligations over net assets available for benefits at September 30, 2006 and 2005 relates primarily to the postretirement benefit obligation, the funding of which is not covered by the current contributions by and for participants. There is no current anticipation that postretirement benefit obligation will be fully funded by future contributions. Employees do not make any contributions for their postretirement health benefits. Retirees make pay-as-you-go contributions in retirement which offset the total liability.

The weighted-average health care cost trend rate assumption has a significant effect on the amounts reported in the accompanying financial statements. If the assumed health care cost trend rate increased by one percentage point, it would increase the postretirement benefit obligation as of September 30, 2006 and 2005 by approximately \$58 billion and \$57 billion, respectively.

### NOTE 4 - CASH

Cash represents the amount on deposit with the U.S. Treasury that is immediately available to the Plan for benefits and other expenses. There are no restrictions or pledges over cash.

### NOTE 5 - INVESTMENTS

The following table presents the estimated fair value of Plan investments at September 30, 2006 and 2005 (in millions). Individual investments that represent five percent or more of the Plan's net assets are separately identified below. Other investments shown below are the aggregate of investments that represent less than five percent of the Plan's net assets.

| Coupon Rate              | Maturity Date | Face Value      |                 | Fair Value      |                 |
|--------------------------|---------------|-----------------|-----------------|-----------------|-----------------|
|                          |               | 2006            | 2005            | 2006            | 2005            |
| 3.460%                   | 10/03/2005    | -               | 5,251           | -               | 5,251           |
| 5.030%                   | 10/03/2006    | 6,158           | -               | 6,158           | -               |
| 3.500%                   | 08/15/2009    | 1,691           | 1,691           | 1,641           | 1,648           |
| 4.375%                   | 08/15/2012    | 1,332           | 1,332           | 1,319           | 1,340           |
| Other                    |               | 5,641           | 4,257           | 5,529           | 4,173           |
| <b>Total Investments</b> |               | <b>\$14,822</b> | <b>\$12,531</b> | <b>\$14,647</b> | <b>\$12,412</b> |

## NOTE 6 - BENEFITS PAID

This represents health benefits paid to or on behalf of retired participants only.

## NOTE 7 - CONCENTRATION OF VENDOR SERVICES

During fiscal years 2006 and 2005, approximately 71 percent and 69 percent of the Plan's benefits, respectively, were administered by contract with the Blue Cross and Blue Shield Association, an experience-rated carrier.

## NOTE 8 - PLAN TERMINATION

Since the Plan has been established by an act of Congress, it cannot be terminated unless legislation should be enacted to do so. As there is no anticipation that such legislation will be introduced or enacted, the Plan is expected to continue.

## NOTE 9 - CONTINGENCIES

**Health Benefits Program Carriers.** The Plan is a party to litigation in which certain Health Benefits Program carriers are seeking relief for alleged underpayments of premiums. Although OPM is contesting these allegations, any underpayments that have occurred will have stemmed from inaccuracies in the amount of contributions by and for participants remitted to OPM by employing agencies and retirement systems. OPM has recorded a liability of \$5 million and \$7 million at September 30, 2006 and September 30, 2005, respectively, for the estimated amount of losses it will probably incur from this litigation. In addition, OPM has determined that it is reasonably possible that an additional \$.3 million will result in losses. All losses involving this litigation will be paid from the Treasury Judgment Fund (TJF); the Plan, however, does not have the budgetary resources to and is precluded by law from reimbursing the TJF. Although it is impossible to ascertain the ultimate legal liability with respect to contingent liabilities, OPM believes that the outcome this litigation, both pending or known to be threatened, will not have a material adverse effect on the Plan's financial position or results of operations.

**Other Litigation.** OPM is often involved in other legal and administrative proceedings that arise in the ordinary course of business. OPM management, based upon the opinion of its General Counsel, believes that the combined outcome of all such proceedings, both pending or known to be threatened, will have no material adverse effect on the Plan's financial position or results of operations.

## NOTE 10 - TAX STATUS

The Plan is not subject to Federal income taxes by Federal statute.

## *Text of Independent Auditor's Report*

### **Independent Auditor's Report**

Director,  
U.S. Office of Personnel Management

We have audited the accompanying statements of net assets available for benefits and of benefit obligations of the Federal Employees Health Benefits Plan (the Plan), as administered by the United States Office of Personnel Management (OPM) as of September 30, 2006 and 2005, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2A, these financial statements were prepared in accordance with the Statement of Position 01-2, *Accounting and Reporting by Health and Welfare Benefit Plans*, issued by the American Institute of Certified Public Accountants. This basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Federal Employees Health Benefits Plan as of September 30, 2006 and 2005, and the changes in its financial status for the years then ended on the basis of accounting described in Note 2A.

KPMG LLP

March 23, 2007



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036

## **Independent Auditors' Report**

Director,  
U.S. Office of Personnel Management:

We have audited the accompanying statements of net assets available for benefits and of benefit obligations of the Federal Employees Health Benefits Plan (the Plan), as administered by the United States Office of Personnel Management (OPM) as of September 30, 2006 and 2005, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

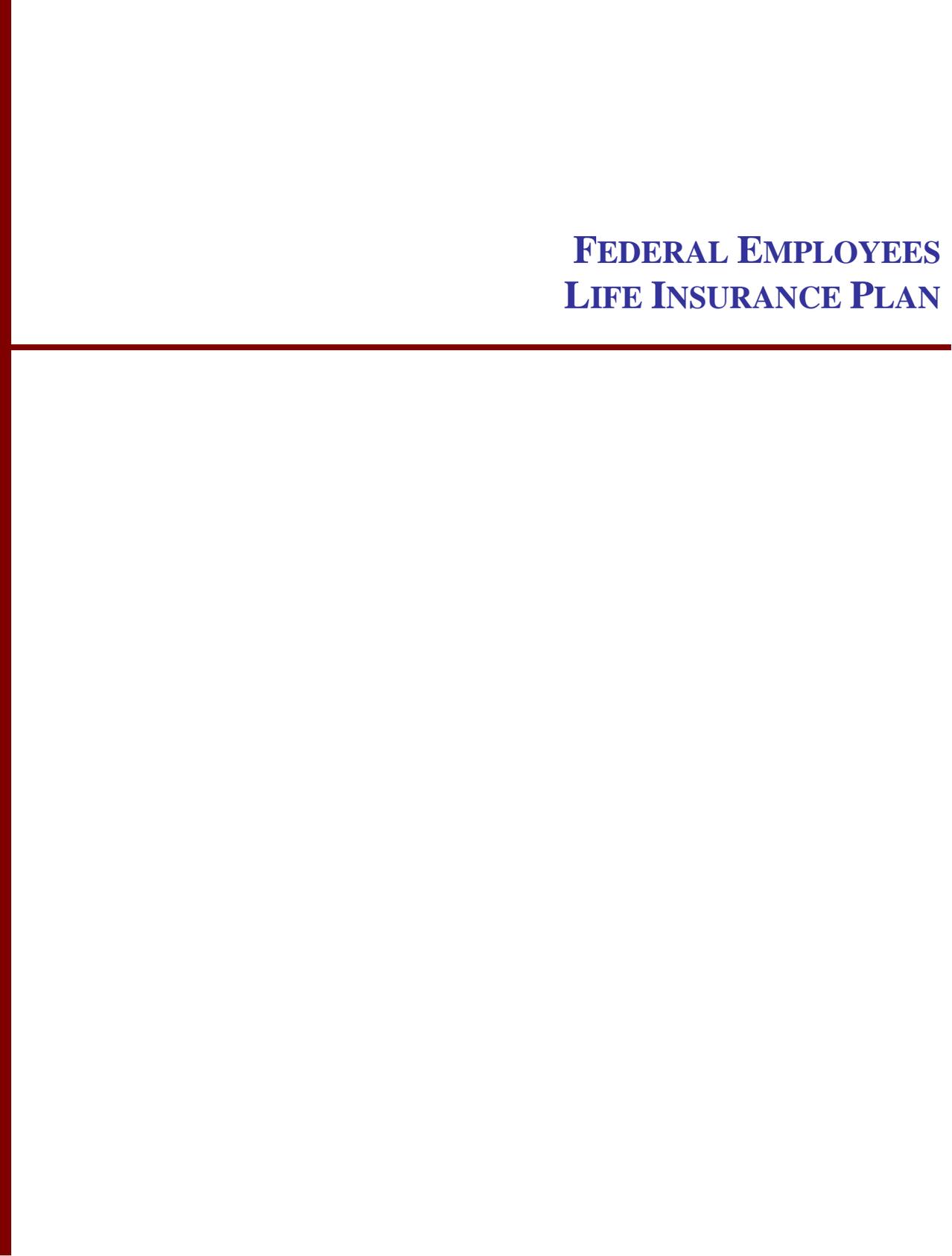
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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Federal Employees Health Benefits Plan as of September 30, 2006 and 2005, and the changes in its financial status for the years then ended on the basis of accounting described in Note 2A.

**KPMG LLP**

March 23, 2007



**FEDERAL EMPLOYEES  
LIFE INSURANCE PLAN**

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**FEDERAL EMPLOYEES LIFE INSURANCE PLAN**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**As of September 30, 2006 and 2005**  
*(In Millions)*

|                                                 | <b>2006</b>     | <b>2005</b>     |
|-------------------------------------------------|-----------------|-----------------|
| <b>Assets:</b>                                  |                 |                 |
| Investments, at fair value [Note 4]             | \$30,619        | \$29,102        |
| Receivables:                                    |                 |                 |
| Contributions by employers                      | 16              | 16              |
| Contributions by participants                   | 110             | 103             |
| Accrued interest on investments                 | <u>332</u>      | <u>295</u>      |
| Total receivables                               | 458             | 414             |
| Plan assets held by insurance carriers [Note 2] | 590             | 654             |
| Cash [Note 3]                                   | <u>6</u>        | <u>5</u>        |
| Total Assets                                    | <u>31,673</u>   | <u>30,175</u>   |
| <br><b>Liabilities:</b>                         |                 |                 |
| Accrued administrative and other expenses       | <u>3</u>        | <u>5</u>        |
| Total Liabilities                               | <u>3</u>        | <u>5</u>        |
| <b>Net Assets Available for Benefits</b>        | <u>\$31,670</u> | <u>\$30,170</u> |

The accompanying notes are an integral part of the financial statements.

**FEDERAL EMPLOYEES LIFE INSURANCE PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**AVAILABLE FOR BENEFITS**  
**For the Years Ended September 30, 2006 and 2005**  
*(In Millions)*

|                                                           | <b>2006</b>     | <b>2005</b>     |
|-----------------------------------------------------------|-----------------|-----------------|
| <b><i>Additions to Net Assets Attributable to:</i></b>    |                 |                 |
| Contributions:                                            |                 |                 |
| Employers                                                 | \$ 478          | \$ 457          |
| Participants                                              | <u>2,087</u>    | <u>1,906</u>    |
| Total contributions                                       | <u>2,565</u>    | <u>2,363</u>    |
| Investment income:                                        |                 |                 |
| Net depreciation in fair value of investments             | (87)            | (705)           |
| Interest                                                  | <u>1,205</u>    | <u>1,230</u>    |
| Total investment income                                   | <u>1,118</u>    | <u>525</u>      |
| Other                                                     | <u>1</u>        | <u>1</u>        |
| Total Additions to Net Assets                             | <u>3,684</u>    | <u>2,889</u>    |
| <b><i>Deductions from Net Assets Attributable to:</i></b> |                 |                 |
| Life insurance claims paid to participants                | 2,203           | 2,097           |
| Administrative and other expenses                         | <u>(19)</u>     | <u>35</u>       |
| Total Deductions from Net Assets                          | <u>2,184</u>    | <u>2,132</u>    |
| Net Increase in Net Assets                                | 1,500           | 757             |
| <b><i>Net Assets Available for Benefits:</i></b>          |                 |                 |
| Beginning of Year                                         | <u>30,170</u>   | <u>29,413</u>   |
| End of Year                                               | <u>\$31,670</u> | <u>\$30,170</u> |

The accompanying notes are an integral part of the financial statements.

# FEDERAL EMPLOYEES LIFE INSURANCE PLAN

## STATEMENTS OF PLAN'S BENEFIT OBLIGATIONS

As of September 30, 2006 and 2005

(In Millions)

|                                                                                | 2006                   | 2005                   |
|--------------------------------------------------------------------------------|------------------------|------------------------|
| <b><i>Amounts Currently Payable to or for Participants and Dependents:</i></b> |                        |                        |
| Life insurance claims payable                                                  | \$ 422                 | \$ 402                 |
| Claims incurred but not reported                                               | 260                    | 242                    |
| Total obligations other than postretirement benefits                           | 682                    | 644                    |
| <br><b><i>Postretirement Benefit Obligations:</i></b>                          |                        |                        |
| Current retirees                                                               | 9,649                  | 9,487                  |
| Other participants fully eligible for benefits                                 | 2,083                  | 2,046                  |
| Other participants not yet fully eligible for benefits                         | 6,089                  | 6,089                  |
| Total postretirement benefit obligations                                       | 17,821                 | 17,622                 |
| <b><i>Total Benefit Obligations</i></b>                                        | <b><i>\$18,503</i></b> | <b><i>\$18,266</i></b> |

The accompanying notes are an integral part of the financial statements.

**FEDERAL EMPLOYEES LIFE INSURANCE PLAN**  
**STATEMENTS OF CHANGES IN PLAN'S BENEFIT OBLIGATIONS**  
For the Years Ended September 30, 2006 and 2005  
*(In Millions)*

|                                                                                                      | <b>2006</b>            | <b>2005</b>            |
|------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b><i>Amounts Currently Payable to or for Participants and Dependents:</i></b>                       |                        |                        |
| Balance at beginning of year                                                                         | \$ 402                 | \$ 358                 |
| Claims reported and approved for payment                                                             | 2,223                  | 2,141                  |
| Claims paid                                                                                          | <u>(2,203)</u>         | <u>(2,097)</u>         |
| Balance at end of year                                                                               | <u>422</u>             | <u>402</u>             |
| <br>                                                                                                 |                        |                        |
| <b><i>Other Obligations for Current Benefit Coverage, at Present Value of Estimated Amounts:</i></b> |                        |                        |
| Balance at beginning of year                                                                         | 242                    | 266                    |
| Increase (decrease) claims incurred but not reported                                                 | <u>18</u>              | <u>(24)</u>            |
| Balance at end of year                                                                               | <u>260</u>             | <u>242</u>             |
| <br>                                                                                                 |                        |                        |
| Total obligations other than postretirement benefit obligations                                      | <u>682</u>             | <u>644</u>             |
| <br>                                                                                                 |                        |                        |
| <b><i>Postretirement Benefit Obligations:</i></b>                                                    |                        |                        |
| Balance at beginning of year                                                                         | 17,622                 | 16,934                 |
| Increase (decrease) during the year attributable to:                                                 |                        |                        |
| Benefits earned and other changes                                                                    | 419                    | 414                    |
| Interest cost                                                                                        | 1,071                  | 1,059                  |
| Claims paid [Note 5]                                                                                 | (769)                  | (738)                  |
| Actuarial gain                                                                                       | <u>(522)</u>           | <u>(47)</u>            |
| Balance at end of year                                                                               | <u>17,821</u>          | <u>17,622</u>          |
| <br>                                                                                                 |                        |                        |
| <b><i>Total Benefit Obligations at End of Year</i></b>                                               | <b><u>\$18,503</u></b> | <b><u>\$18,266</u></b> |

The accompanying notes are an integral part of the financial statements.

**FEDERAL EMPLOYEES LIFE INSURANCE PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006 AND 2005**

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**NOTE 1 - DESCRIPTION OF PLAN**

The following brief description of the Federal Employees Life Insurance Plan (the “Plan”) is provided for general information purposes only. Participants should refer to Title 5, United States Code, Chapter 87, for a complete description of the Plan’s provisions.

**A. General**

The Plan was established by the *Federal Employees Group Life Insurance Act of 1954*, (enacted August 17, 1954) and has been significantly amended several times. The purpose of the Plan is to provide life insurance benefits to active and retired civilian employees of the U.S. Government and their families. The Plan is administered by the U.S. Office of Personnel Management (OPM) and, as a government-sponsored employee benefits plan, is not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended.

The Plan covers approximately 90 percent of all eligible participants. There is no vesting requirement — participation is automatic on the date of eligibility. Most Federal employees, including part-time employees, are eligible to participate in the Plan. Retired employees may generally participate in the Plan if they have been continuously enrolled (or covered as a family member) for the five years of service immediately before their retirement. Family members who are eligible for coverage under the Plan generally are certain survivors of employees and retirees, spouses and unmarried dependent children under age 22.

Participation in the Plan ceases upon the earliest of: the date upon which participants separate from Federal service (unless they retire); the date upon which participants change to a position that is excluded from coverage; the date upon which participants cease to make contributions required under the Plan; the date as of which participants revoke their election to enroll in the Plan; or the effective date of the participants election not to re-enroll in the Plan. In addition, the participation in the Plan by family members will cease on the date upon which they are no longer an eligible family member.

**B. Benefits**

The Plan provides group term life insurance coverage — Basic life insurance and three types of optional coverage: Option A (“standard” insurance), Option B (“additional” insurance), and Option C (“family insurance”). Participants are not eligible for optional coverage unless they are enrolled in Basic Life Insurance coverage.

The amount of Basic life insurance coverage is based on the participant's annual rate of basic pay, rounded up to the next higher thousand, plus \$2,000. The Plan provides an extra benefit to employees under age 45, at no additional cost, that doubles the amount of coverage for those age 35 or younger. Thereafter, the extra benefit decreases 10 percent each year until, at age 45, there is no extra benefit. An additional death and dismemberment benefit is provided to employees that double the amount paid in case of accidental death and pays benefits in the event of the loss of hands, feet or sight.

Option A coverage is \$10,000. Option B may be elected in 1, 2, 3, 4, or 5 multiples of annual pay. Option C may also be elected in 1, 2, 3, 4 or 5 multiples of coverage, with each multiple being equal to \$5,000 for his or her spouse and \$2,500 for each eligible dependent child.

### **C. Contributions**

Both participants and their employers contribute to the Plan, based upon a formula established by Federal statute. Generally, participants (both employees and annuitants) pay two-thirds of the Basic life insurance premium and the entire cost of all optional insurance coverages. The employing agencies of participating employees generally contribute the remaining one-third of the Basic life insurance premium. The employer contribution for Federal retirees who participate in the Plan is funded by a Congressional appropriation.

## **NOTE 2 - SUMMARY OF ACCOUNTING POLICIES**

### **A. Basis of Accounting**

The accompanying financial statements of the Plan have been prepared in accordance with American Institute of Certified Public Accountants Statement of Position No. 01-2 (SOP 01-2) *Accounting and Reporting by Health and Welfare Benefit Plans* which establishes the accounting principles generally accepted in the United States of America (GAAP) for health and welfare plans. GAAP for Federal entities, however, is prescribed by the Federal Accounting Standards Advisory Board (FASAB). As a consequence, the accompanying statements are considered to have been prepared on a comprehensive basis of accounting other than GAAP.

The preparation of financial statements in accordance with SOP 01-2 requires the inclusion of financial statements and the disclosure of information that differ significantly from those required by FASAB standards. Moreover, the presentation of financial statements in accordance with SOP 01-2 requires departures from FASAB standards with regard to the disclosure of the Plan's postretirement benefit obligation and its investments. SOP 01-2 requires valuation of Plan investments at their fair value and the recognition of the change in that value during the reporting period; FASAB standards, on the other hand, require that investments be valued at their cost.

FASAB standards require the disclosure of an actuarial liability that reflects the Plan's full future obligation for both pre- and postretirement benefits. The postretirement benefit obligation computed under SOP 01-2, on the other hand, considers only the Plan's obligation for

postretirement benefits, reflecting the full future obligation for retired employees, and an allocation based on the service rendered to date for active employees.

The accompanying financial statements have been prepared under the accrual basis of accounting with the exception that SOP 01-2 requires that Life Insurance Claims Paid to Participants be reported on the cash basis of accounting in the Statements of Changes in Net Assets Available for Benefits.

## **B. Use of Estimates**

As part of the process of preparing financial statements on a comprehensive basis of accounting other than GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, claims incurred but not reported, eligibility credits, claims payable, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

## **C. Valuation of Investments**

The Plan invests all receipts in “market-based” U.S. Treasury securities that mirror the terms of marketable Treasury bills, fixed-principal notes and bonds, and inflation-indexed notes and bonds. Monies that are needed for immediate expenditure are invested in overnight market-based securities, whose interest rates are equal to an overnight repurchase agreement rate that is calculated by the Federal Reserve Bank of New York. The Plan’s investments are stated at fair value, which is determined by the market prices quoted for the securities upon which they are based.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

## **D. Postretirement Benefit Obligation**

The postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributable to employee service rendered to September 30. Postretirement benefits include future benefits expected to be paid for (1) currently retired employees and (2) active employees after retirement. Prior to attainment of full eligibility for retirement, an active employee’s postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee’s service rendered to the valuation date.

The postretirement benefit obligation is measured as of the first day of the year, with a "roll-forward" or projection to the end of the year. The "roll-forward" considers all major factors that affect the measurement occurring during the reporting year, including pay raises, and material changes in the numbers of covered employees.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims cost data to estimate future annual incurred claims costs per participant and to adjust such

estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death or withdrawal) between the valuation date and the expected date of payment.

For measurement purposes, the Plan’s actuary has applied economic assumptions to historical cost information in order to estimate the future cost of postretirement life insurance benefits for current and future retirees. This estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. All demographic assumptions, including mortality, were updated based on the recent experience of the Plan and the Civil Service Retirement and Disability Fund.

The following table presents the significant economic assumptions used to compute the postretirement benefit obligation at September 30, 2006 and 2005:

| Economic Assumption:                  | 2006 | 2005 |
|---------------------------------------|------|------|
| Interest rate (%)                     | 6.25 | 6.25 |
| Rate of annual increase in salary (%) | 4.25 | 4.00 |

The Board of Actuaries recommended that the rate of general salary increase be increased from 4.0 percent to 4.25 percent, for the FY 2006 actuarial valuation, which increased the FEGLI postretirement accumulated benefits by approximately \$0.2 million. They recommended that the long-term interest rate remain the same at 6.25 percent.

**E. Other Plan Benefits**

Plan obligations at September 30 for claims incurred but not reported at that date are estimated by the Plan’s actuary in accordance with accepted actuarial principles. Such estimated amounts are reported in the accompanying statements of the Plan’s benefit obligations, based on the significant economic assumptions presented in the table in Note 2.D.

**F. Plans Assets Held by Insurance Carriers**

This represents the amount held by the participating carriers, pending expenditure for authorized purposes.

**G. Risks and Uncertainties**

Contributions to the Plan and the actuarial present value of accumulated plan benefits are based on certain assumptions pertaining to interest rates, inflation rates, employee compensation and demographics. Due to the uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these assumptions in the near term could have a material effect on the financial statements.

**NOTE 3 - CASH**

Cash represents the amount on deposit with the U.S. Treasury that is immediately available to the Plan for benefits and other expenses. There are no restrictions or pledges over cash.

**NOTE 4 - INVESTMENTS**

The following table presents the estimated fair value of Plan investments at September 30, 2006 and 2005 (in millions). Individual investments that represent five percent or more of the Plan's net assets are separately identified below. Other investments shown below are the aggregate of investments that represent less than five percent of the Plan's net assets.

| Coupon Rate              | Maturity Date | Face Value      |                 | Fair Value      |                 |
|--------------------------|---------------|-----------------|-----------------|-----------------|-----------------|
|                          |               | 2006            | 2005            | 2006            | 2005            |
| 5.625%                   | 02/15/2006    | -               | \$1,902         | -               | \$1,914         |
| 3.500%                   | 11/15/2006    | 3,233           | 3,233           | \$3,227         | 3,210           |
| 3.500%                   | 11/15/2006    | 1,858           | 1,858           | 1,854           | 1,845           |
| 3.000%                   | 11/15/2007    | 1,808           | 1,808           | 1,773           | 1,767           |
| 3.250%                   | 08/15/2008    | 1,755           | 1,755           | 1,710           | 1,710           |
| 3.000%                   | 02/15/2009    | 3,011           | 3,011           | 2,901           | 2,898           |
| 3.875%                   | 05/15/2010    | 2,145           | 2,145           | 2,095           | 2,114           |
| 4.000%                   | 11/15/2012    | 2,249           | -               | 2,179           | -               |
| 4.000%                   | 11/15/2012    | 3,819           | -               | 3,699           | -               |
| Other                    |               | 11,404          | 13,773          | 11,181          | 13,644          |
| <b>Total Investments</b> |               | <b>\$31,282</b> | <b>\$29,485</b> | <b>\$30,619</b> | <b>\$29,102</b> |

**NOTE 5 - CLAIMS PAID**

This represents life insurance claims paid to the beneficiaries of retired participants only.

**NOTE 6 - CONCENTRATION OF VENDOR SERVICES**

Virtually all of the Plan's claims are administered by contract with the Metropolitan Life Insurance Company.

**NOTE 7 - PLAN TERMINATION**

Since it has been established by an act of Congress, the Plan cannot be terminated unless legislation should be enacted to do so. As there is no anticipation that such legislation will be introduced or enacted, the Plan is expected to continue.

### **C. NOTE 8 - CONTINGENCIES**

In the ordinary course of business, participants may bring actions against the Plan relating to the extent of benefits coverage. Management is aware of the existence of such potential cases. While it is possible that amounts claimed in these cases could be substantial, the ultimate liability cannot presently be determined because of the considerable uncertainties that exist. However, based on facts currently available, management believes that the disposition of the matters that are pending or asserted will not have a materially adverse effect on the Plan.

### **NOTE 9 - TAX STATUS**

The Plan is not subject to Federal income taxes by Federal statute.

## *Text of Independent Auditor's Report*

### **Independent Auditor's Report**

Director,  
U.S. Office of Personnel Management

We have audited the accompanying statements of net assets available for benefits and of benefit obligations of the Federal Employees Life Insurance Plan (the Plan), as administered by the United States Office of Personnel Management (OPM) as of September 30, 2006 and 2005, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Federal Employees Health Benefits Plan as of September 30, 2006 and 2005, and the changes in its financial status for the years then ended on the basis of accounting described in Note 2A.

KPMG LLP

March 23, 2007



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036

## **Independent Auditors' Report**

Director,  
U.S. Office of Personnel Management:

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Federal Employees Life Insurance Plan as of September 30, 2006 and 2005, and the changes in its financial status for the years then ended on the basis of accounting described in Note 2A.

**KPMG LLP**

March 23, 2007

## **OTHER INFORMATION — UNAUDITED**

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**GENERAL INFORMATION**  
**CIVIL SERVICE RETIREMENT & DISABILITY FUND**  
**REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

---

**1. Name of plan:**

The Civil Service Retirement and Disability Fund, consisting of two components: Civil Service Retirement System (CSRS) and Federal Employees' Retirement System (FERS).

**2. Name and address of plan sponsor:**

U.S. Office of Personnel Management  
 1900 E Street, NW  
 Washington, DC 20415-0001

**3. Type of plan entity:**

Single-employer plan.

**4. Date plans were established:**

CSRS was established on May 22, 1920; FERS, on June 6, 1986.

**5. Plan participants at beginning of fiscal year (9/30/2005):**

|                                                   | CSRS      | FERS      | Total     |
|---------------------------------------------------|-----------|-----------|-----------|
| Active employees*                                 | 650,000   | 2,014,000 | 2,664,000 |
| Separated employees entitled to deferred benefits | 21,000    | 20,000    | 41,000    |
| Annuitants:                                       |           |           |           |
| <i>Retirees</i>                                   | 1,597,000 | 233,000   | 1,830,000 |
| <i>Survivors</i>                                  | 610,000   | 22,600    | 632,600   |
| Total annuitants                                  | 2,207,000 | 255,600   | 2,462,600 |

*\*Number of employees determined on a full-time equivalent basis, includes those employees on leave without pay who retain coverage.*

**6. Type of plan:**

Defined benefit. FERS also has a defined contribution component (the Thrift Savings Plan), which is not part of the Civil Service Retirement and Disability Fund.

**7. Administrative costs:**

Administrative costs are borne by the Fund.

**8. In this plan year, was the plan merged or consolidated into another plan or were assets or liabilities transferred to another plan?**

No.

**9. Funding arrangement:**

Trust Fund.

**10. Date of most recent actuarial valuation:**

September 30, 2005

**11. Actuarial cost method used in completing tables:**

Actuarial valuations are performed under the oversight of the Board of Actuaries, established by 5 U.S.C. 8347(f), using an entry-age normal cost method. The current members of the Board are:

Douglas C. Borton, Chairman  
A. Norman Crowder, III  
Mary S. Riebold.

The Board's valuation method and assumed decrements were used in developing the values shown in this report.

**12. Actuarial assumptions:**

A. Economic:

1. Rate of return on Plan investments: 6.25 percent.
2. Ratio of salary expected at normal retirement (age 62 for this purpose) to salary at \*

|              |     |
|--------------|-----|
| Age 25 ..... | 9.7 |
| Age 40 ..... | 3.1 |
| Age 55 ..... | 1.4 |

\* The above amounts assume general salary increases of 4.25 percent per annum plus individual merit increases based on Plan experience.

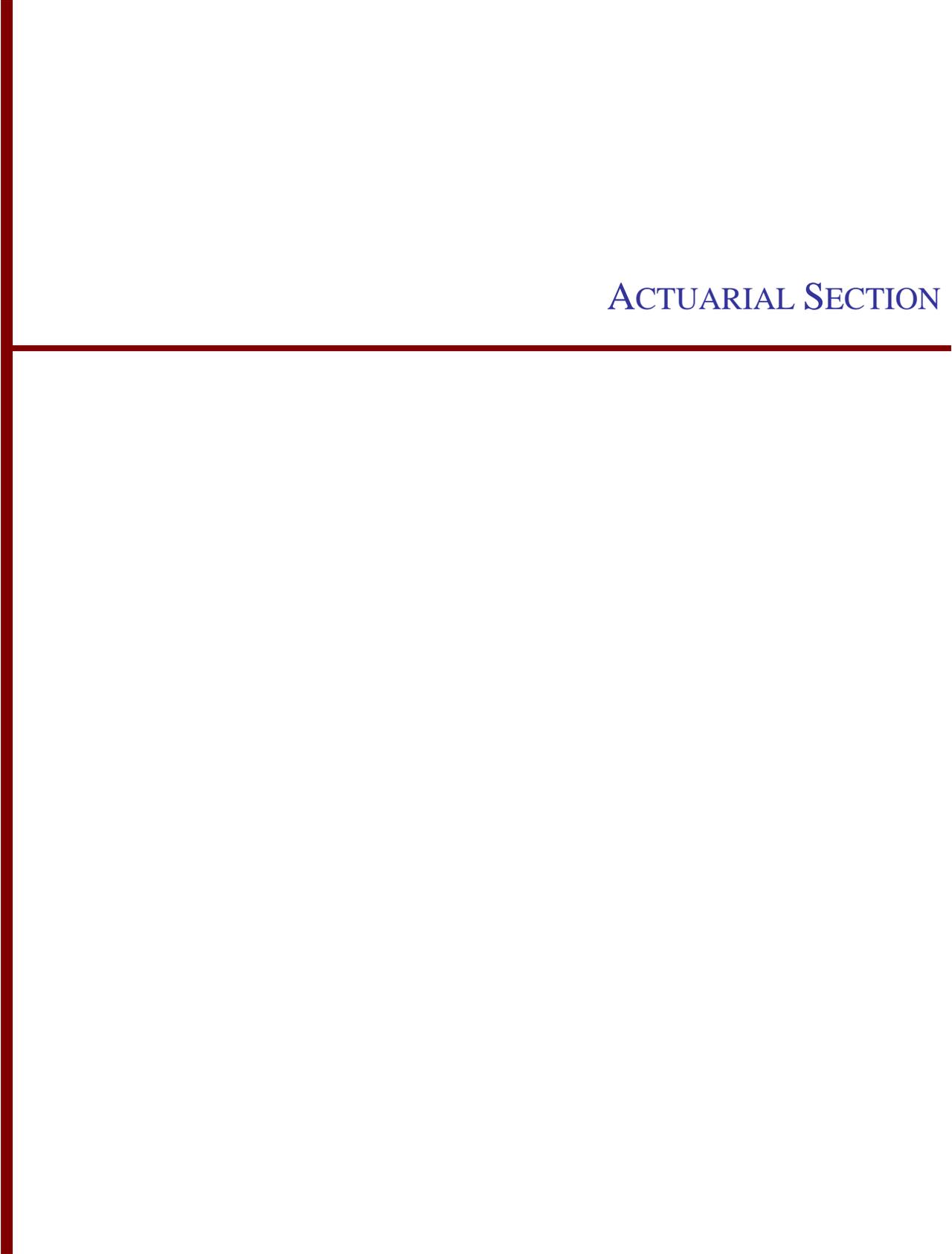
3. Inflation rate: 3.50 percent.

B. Decrement:

1. Basis of mortality assumptions: Plan experience
2. Retirement age:
  - a. Normal retirement age: 55 with 30 years of service\*  
60 with 20 years of service  
62 with 5 years of service

- b. Lowest age at which employee may voluntarily retire with full benefits: 55\*  
(certain special groups may retire at younger ages)
  - \* For employees covered by FERS, the minimum retirement age will move to age 57.
- 3. Basis of withdrawal assumptions: Plan experience.
- 4. Basis of disability assumption: Plan experience.

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## ACTUARIAL SECTION

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# ACTUARIAL VALUATION OF THE CIVIL SERVICE RETIREMENT & DISABILITY FUND

Since the Civil Service Retirement and Disability Fund (CSRDF) is available to pay both the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) benefits, it comprises a single retirement plan, even though there are two different benefit tiers and funding methods, and the activities associated with each tier are accounted for separately. The results of the actuarial valuation are shown for CSRS and FERS separately along with the results for both tiers combined in Tables 1-5.

## EMPLOYEE AND ANNUITANT POPULATION

Essentially, employees who have been hired since December 31, 1983, are covered under FERS. Those CSRS employees not automatically transferred to FERS were given an opportunity to elect FERS during an open enrollment period from July 1, 1987, through December 31, 1987, and during a second open enrollment period from July 1, 1998 through December 31, 1998.

The actuarial valuation of the CSRDF is based on the employee and annuitant populations as of September 30, 2005. There were a total of 2,664,000 employees as of this date, determined on a full-time equivalent basis, including 2,014,000 covered under FERS. The balance of 650,000 employees is covered under CSRS.

The inactive population as of September 30, 2005, includes: 1,830,000 retired employees; 510,400 survivors of annuitants; 96,100 survivors of employees; 26,100 child survivors; and 41,000 vested separated employees.

## ECONOMIC ASSUMPTIONS

The actuarial valuation presented in Table 1 is based on “dynamic” economic assumptions that explicitly take expected future inflation into account.

In June, 2006, the Board of Actuaries recommended a change in the demographic assumptions and the following changes in the dynamic economic assumptions: the long-term inflation rate was increased from 3.25 percent to 3.50 percent and the rate of general salary increases was increased from 4.0 percent to 4.25 percent, while the long-term interest rate remained the same at 6.25 percent. A higher inflation rate was assumed because rates of inflation have increased in recent years. The Board reduced the expected real interest rate on long-term Government securities from 3.0 percent to 2.75%, where the real interest rate is the difference between the nominal interest rate and the rate of inflation, because the real interest

rate has declined somewhat. These new economic assumptions went into effect starting with the actuarial valuation as of September 30, 2005.

The normal cost and actuarial liability of the retirement system depend primarily on the real interest rate and on the difference between the interest rate and the salary increase assumption. The assumption of a 4.25 percent annual general salary increase results in real salary increases of 0.75 percent, where real salary increases are the salary increases in excess of the rate of inflation.

## **DYNAMIC NORMAL COST**

The dynamic normal cost is the level percentage of pay which would have to be contributed for a typical group of new employees over their entire working careers in order to fully finance, with interest, all of their retirement benefits, based on dynamic economic assumptions. The Federal Employees' Retirement System (FERS) is funded under a dynamic entry age normal funding method as prescribed in Chapter 84 of Title 5, United States Code, and employees and agencies together contribute the full amount of the dynamic normal cost.

Under FERS, the dynamic normal cost currently is 12 percent of pay for regular employees. This rate did not change under the new economic and demographic assumptions that were adopted in June, 2006, and this rate has been in effect starting with the actuarial valuation as of September 30, 2002.

The dynamic normal cost for CSRS regular employees under the new economic and demographic assumptions is 25.2 percent of pay, and this rate has been in effect starting with the actuarial valuation as of September 30, 2005. Prior to this the CSRS normal cost rate was 25.0%. However, the Civil Service Retirement System has been financed under a statutory funding method that does not directly take into account the cost of benefit increases that are due to expected future inflation, and non-Postal employees and agencies each contribute 7 percent of pay.

## **UNFUNDED ACTUARIAL LIABILITY**

The unfunded actuarial liability is the amount which, if deposited in the Fund, would fully finance the total cost of the CSRS and FERS retirement benefits for the current, closed group of employees and annuitants, assuming that the full normal cost is contributed over the balance of the employees' working careers. As of September 30, 2005, the unfunded actuarial accrued liability amounted to \$554.3 billion. It represents the difference between the net assets on September 30, 2005, (\$665.9 billion) and that which would be the Fund's net assets had the full normal cost been contributed over the entire working careers of all current employees and annuitants.

In Table 1, the unfunded liability is expressed as:

- (1) the actuarial present value of future benefits;
- less* (2) the present value of future normal cost contributions;
- less* (3) the net assets in the fund.

The actuarial present value of future benefits is the value of plan benefits that are expected to be paid in the future to current employees and annuitants stated in today's dollars, i.e., future amounts discounted for the time value of money. It assumes that current employees will continue to earn benefits over their expected future working lives, and that their salaries will increase by the assumed salary increases, and that annuities will rise based on the assumed Cost of Living Allowances (COLAs).

The present value of future normal costs is the value, in today's dollars, of the future normal cost contributions to be made over the expected future working lifetimes of all current employees. In Table 1, the present value of future normal cost contributions is determined separately for CSRS and FERS. For CSRS, it is based on the CSRS dynamic normal cost of 25.2 percent, and for FERS, it is based on the FERS normal cost of 12.0 percent.

The actuarial liability includes a liability for extra benefits for special groups (e.g. Law enforcement), which is determined directly by means of separate valuations for each of these groups, for both CSRS and FERS. As of September 30, 2005, this extra liability amounted to \$2.8 billion for CSRS and \$11.2 billion for FERS.

## COMPARISON OF A FUNDING METHOD WITH ACTUAL CONTRIBUTIONS

The CSRS has been financed under a statutory funding method passed by Congress in 1969. This funding method is based on the "static" economic assumptions of no future inflation, no future general schedule salary increases, and a 5 percent interest rate.

However, new CSRS funding provisions for the Postal Service were enacted under the Postal Civil Service Retirement System Funding Reform Act (P. L. 108-18), which was amended by the Postal Civil Service Retirement and Health Benefits Funding Amendments of 2006. These amendments were included in the Postal Accountability and Enhancement Act and were signed by the President on December 20, 2006. Under this law, the assets and liabilities of the Postal Service under CSRS are accounted for separately, retroactive to July 1, 1971, which was the date the Postal Service became independent.

Under P.L. 108-18, the Postal Service was liable for the cost of all benefits attributable to post-1971 service, including benefits attributable to military service, and it was required to contribute the full dynamic normal cost for CSRS, and to finance any unfunded liabilities. Under the 2006 amendments, the liability for military service benefits was transferred to the Treasury, and the Postal Service share of the CSRS assets was defined to include all Postal Service contributions since June 30, 1971, less benefits paid to current and former Postal employees that are attributable to post-1971 civilian service, accumulated with interest at the

historical rates earned by the entire CSRS fund. Under these amendments, the assets attributable to the Postal Service as of September 30, 2006, are expected to exceed its liabilities, and the Postal Service agency contributions which had been scheduled under P.L. 108-18 are to be cancelled starting September 30, 2006. The Postal employees will continue to contribute 7 percent of pay. The remaining surplus as of September 30, 2006, which is currently estimated to be about \$17 billion for purposes of this report, is to be transferred to a Postal Health Benefits Fund by June 30, 2007, to help finance post-retirement health care benefits for Postal employees. Beginning in 2017, the Postal Service also is required to amortize any additional unfunded liabilities which may arise.

Under the static funding method, the Postal Service had been making 30-year amortization payments to cover the cost of salary increases for Postal employees, and 15-year amortization payments for the cost of COLAs paid to Postal annuitants. These 15-year and 30-year Postal amortization payments were cancelled under P.L. 108-18 starting in fiscal year 2003.

Under CSRS, regular employees contribute 7 percent of pay. Law enforcement officers and firefighters, and Congressional employees contribute an extra 0.5 percent of pay, and Members of Congress an extra 1.0 percent of pay. Non-Postal agencies match the employee contributions.

Also under the static funding method for CSRS, the Treasury pays interest on any static unfunded liabilities that are not being financed by the Postal Service. The Treasury also makes payments to amortize, over a 30-year period, any increases in the static unfunded liability due to salary increases for non-Postal employees that occurred during the year, and pays for the cost of any benefits attributable to military service for both Postal and non-Postal employees that were paid out during the year, with a retroactive payment in FY2007 to cover military service benefits that previously had been attributed to the Postal Service for FY2003 through FY2006 .

Under FERS, employees and agencies contribute the full dynamic normal cost which currently is 12.0 percent of pay. This normal cost is for the defined benefit plan only, and does not include the cost of Social Security or the Thrift Plan. FERS regular employees contribute a percentage of salary that is equal to the difference between the contribution rate for CSRS employees, as set forth above, and the tax rate under the Old Age, Survivors and Disability Insurance (OASDI) portion of Social Security, which currently is 6.2 percent of pay. Thus for regular employees in FERS, the contribution rate is 0.8 percent of the employee's total salary. An extra 0.5 percent of pay is contributed by law enforcement officers and firefighters, air traffic controllers, Congressional employees, and Members of Congress. Agencies contribute the normal cost of FERS, less the employee contributions. Thus, for regular employees, the agency contribution is the 12.0 percent normal cost rate, less the 0.8 percent employee contribution, or a total of 11.2 percent.

Also under FERS, any supplemental liabilities are amortized over 30 years. The payments on the initial supplemental liability as of September 30, 1988, began on September 30, 1989. Each year thereafter, any change in the supplemental liability is amortized by means of a new series of 30-year payments. Increases in liabilities attributable to non-Postal employees are

made by the Treasury. Any supplemental liabilities attributable to Postal employees are amortized by separate 30-year payments made by the Postal Service. In order to determine the value of FERS assets attributable to Postal employees, an account is maintained that is credited with net contributions for Postal employees and with interest at the same rate as is earned by the entire FERS fund.

There was a supplemental liability under FERS for non-Postal of \$3.2 billion as of September 30, 2005, which is to be amortized with 30-year payments of \$238.729 million per year starting on September 30, 2006.

In 1994, there was a change in the way that the 30-year amortization payments under FERS are determined. Prior to 1994, if the supplemental liability for a year was negative, it did not generate a new series of negative 30-year amortization payments. The Board of Actuaries decided that, beginning in 1994, a negative supplemental liability would generate negative amortization payments, except that these negative payments could only be used to offset any positive payments that had already been scheduled. Any excess of negative payments over positive payments could not be used to offset normal cost payments and could not result in a payment from the fund to the Treasury or the Postal Service. In this case, the excess assets would remain in the fund where they would tend to reduce future liabilities. The Board also decided that if the net assets ever exceeded the actuarial liability, all remaining amortization payments would be cancelled.

Table 2 presents the results of a funding method that would fully finance the retirement benefits for all current employees and annuitants over 40 years, for CSRS and FERS combined. The actuarial status information and methodology presented in Table 1 of each year forms the basis for the data shown in Table 2. For each year that is displayed, the table shows the initial contributions that would be required under this method if it were first adopted in that year. For years prior to 2005, the table shows the initial contributions based on the valuation performed in that year (as reported in Table 1 in the annual report for that year) in order to show historical trends. The years for which the assumptions are the same are grouped together, and these assumptions are displayed in the technical notes to Tables 2 and 2A.

The total contribution under this method is \$61.1 billion for fiscal year 2005, which is 40.5 percent of payroll. The total contribution includes a level-dollar amortization over 40 years of the unfunded liability amounting to \$37.2 billion per year and a normal cost contribution of \$23.9 billion. These contributions are also compared with the actual contribution to the Civil Service Retirement and Disability Fund (CSRDF) for fiscal year 2005, which amounted to \$47.3 billion.

The actual contributions as a percentage of the total contributions required under this method has gradually increased over the years, from 38.2 percent in fiscal year 1979 to 77.4 percent in fiscal year 2005. This is attributable, in part, to: the adoption of FERS, which is fully funded; to changes in the dynamic economic assumptions which resulted in lower dynamic normal costs over this period; and, to earnings by the fund (CSRDF) in excess of assumptions. There was a small decrease in FY2005 due to the change in assumptions.

## PROJECTED FLOW OF PLAN ASSETS

Tables 3 and 3A show a 75-year projection of the actual funding for the Civil Service Retirement and Disability Fund (CSRDF) under conditions of expected future inflation. A sufficient number of new employees are assumed to be hired each year so that the total employee population remains constant. There are separate tables for the Federal Employees' Retirement System (FERS) (Tables 4 and 4A) and for the Civil Service Retirement System (CSRS) (Tables 5 and 5A) along with the consolidated statement for the entire CSRDF.

These projections include the effect of the new funding provisions for the Postal Service under the Postal Civil Service Retirement System Funding Reform Act (P.L.108-18) as amended by the Postal Civil Service Retirement and Health Benefits Funding Amendments of 2006. Under this law, the Postal Service agency contributions after September 30, 2006, are to be canceled. Postal employees will continue to contribute 7 percent of pay. The surplus in the Postal fund, currently estimated, for purposes of this report, to be about \$17 billion as of September 30, 2006, will be transferred to a Postal Health Benefits Fund. The 30-year and 15-year Postal Service amortization payments that had previously been scheduled under the static funding provisions were cancelled under P.L. 108-18.

This projection shows the total CSRS assets, including both the Postal and non-Postal share. Because the Postal share is fully funded, the Postal share of the assets will not be depleted until all annuities to Postal annuitants have been paid. In this projection, the CSRS assets attributable to non-Postal employees are depleted in the year 2021. Since the CSRS benefits continue to be paid from the assets of the CSRDF, the assets attributable to non-Postal FERS employees will be reduced each year by the amount that the non-Postal CSRS benefits exceed the non-Postal CSRS contributions. This will cause an increase in the supplemental liability under FERS each year, which must then be amortized by a new series of 30-year payments under FERS to be made by the Treasury. The total assets of the CSRDF, including both CSRS and FERS, continue to grow throughout the term of the projection, and ultimately reach a level of about 4.0 times payroll, or about 19 times the level of annual benefit outlays.

These tables also include a projection of the dynamic unfunded actuarial accrued liability under CSRS and FERS. These liabilities are defined the same in Table 1, but they apply to future years. There is no unfunded liability under FERS until the year 2022, when the non-Postal CSRS account runs out of money, and the transfers from the FERS account to the CSRS account begin. These transfers create unfunded liabilities under FERS which are then amortized by means of thirty-year payments made by the Treasury.

The total unfunded actuarial accrued liability is shown in Tables 3 and 3A. Table 3A expresses this liability as a percentage of the total payroll, and this percentage declines uniformly over the term of the projection, and approaches zero after 75 years.

**OPINION OF THE ENROLLED ACTUARY****CIVIL SERVICE RETIREMENT  
AND DISABILITY FUND****Actuarial Valuation of the Civil Service Retirement and Disability Fund as of September 30, 2005**

This statement has been prepared in accordance with generally accepted principles and practices, and to the best of my knowledge, fairly reflects the results of the actuarial valuation of the Civil Service Retirement and Disability Fund (CSRDF), which includes both the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The date of the actuarial valuation has been changed from the end of the fiscal year to the beginning, starting in fiscal year 1995. Thus, the actuarial liabilities reported for fiscal year 2006 are determined as of September 30, 2005. This change was necessary to achieve consistency with other financial reports and to meet the associated reporting deadlines. In preparing this statement, I relied on the financial information provided by the Financial Reporting & Policy Group.

In June, 2006, the Board of Actuaries recommended a change in the demographic assumptions, along with the following changes in the economic assumptions: the long-term inflation rate was increased from 3.25 percent to 3.50 percent, the rate of general salary increases was increased from 4.0 percent to 4.25 percent, and the long-term interest rate remained the same at 6.25 percent. A higher inflation rate was assumed because rates of inflation have increased in recent years. The Board changed the expected real interest rate on long-term Government securities from 3.0 percent to 2.75%, where the real interest rate is the difference between the nominal interest rate and the rate of inflation, because the real interest rate has declined somewhat. These new economic and demographic assumptions went into effect starting with the actuarial valuation as of September 30, 2005.

In my opinion, the present values in the actuarial tables in this report have been estimated on the basis of actuarial assumptions which are reasonable in the aggregate, and reflect my best estimate of anticipated experience under the plan (both the CSRS and the FERS) based on provisions of the Plan in effect at the beginning of fiscal year 2006, and including the effect of the Postal Civil Service Retirement and Health Benefits Funding Amendments of 2006. To the best of my knowledge, the report is complete and accurate.

by:

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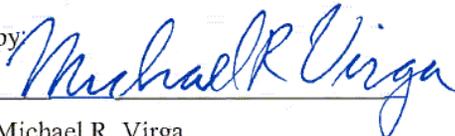
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**OPINION OF THE ENROLLED ACTUARY****CIVIL SERVICE RETIREMENT  
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In my opinion, the present values in the actuarial tables in this report have been estimated on the basis of actuarial assumptions which are reasonable in the aggregate, and reflect my best estimate of anticipated experience under the plan (both the CSRS and the FERS) based on provisions of the Plan in effect at the beginning of fiscal year 2006, and including the effect of the Postal Civil Service Retirement and Health Benefits Funding Amendments of 2006. To the best of my knowledge, the report is complete and accurate.

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**TABLE 1** Actuarial Status Information as of Beginning of Plan Year  
(Dollars in Billions)

**Unfunded Actuarial Accrued Liability – September 30, 2005**

|                                                 | CSRS    | FERS    | Total    |
|-------------------------------------------------|---------|---------|----------|
| 1. Actuarial Present Value of Future Benefits   |         |         |          |
| (a) Annuitants on roll                          | \$669.2 | \$38.4  | \$ 707.6 |
| (b) Separated Employees                         | 2.5     | 0.7     | 3.2      |
| (c) Active Employees                            | 412.2   | 364.0   | 776.2    |
| Total                                           | 1083.9  | 403.1   | 1487.0   |
| 2. Less: Present Value of Future Contributions: | 64.8    | 180.2   | 245.0    |
| 3. Actuarial Accrued Liability                  | 1019.1  | 222.9   | 1242.0   |
| 4. Less: Assets in Fund                         | 437.8   | 228.1   | 665.9    |
| 5. Unfunded Liability                           | \$581.3 | \$(5.3) | \$576.1  |

# Net Assets are defined as the net assets available for benefits, which total \$670.7 billion, less liabilities for benefits payable, which total \$4.8 billion.

|                                                    |              |
|----------------------------------------------------|--------------|
| 6. Normal Cost as a Percentage of Covered Payroll: |              |
| (a) Employee-CSRS**                                | 7.0%         |
| (b) Employer-CSRS                                  | <u>18.2%</u> |
| (c) Total-CSRS*                                    | <u>25.2%</u> |
| (d) Employee-FERS**                                | 0.8%         |
| (e) Employer-FERS                                  | <u>11.2%</u> |
| (f) Total-FERS*                                    | <u>12.0%</u> |

\* Different rates are applicable for special groups.

\*\* See Technical Notes.

|                                                                                                                                   |                                    |                          |                            |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------|----------------------------|
| 7. Ratio of Assets in Fund to Present Value of Future Benefits for Annuitants now On Roll plus Accumulated Employee Contributions |                                    |                          |                            |
| (a)                                                                                                                               | (b)                                | (c)                      | (d)                        |
| Value in line 1(a) plus accumulated employee contributions***                                                                     | Assets in fund divided by col. (a) | Col. (b) ratio last year | Col. (b) ratio 2 years ago |
| \$ 763.0                                                                                                                          | <u>87%</u>                         | <u>91%</u>               | <u>90%</u>                 |

\*\*\*Includes employee contributions of terminated employees entitled to a deferred vested benefit.

**TABLE 1****Technical Notes**

The valuation of the Civil Service Retirement and Disability Fund (CSRDF) as of September 30, 2005, is based on the employee and annuitant populations as of that date. Of a total of 2,664,000 active employees as of September 30, 2005, 2,014,000 were assumed to be covered by the Federal Employees' Retirement System (FERS). The balance of 650,000 employees covered by the Civil Service Retirement System (CSRS) includes 53,000 CSRS offset employees.

The present value of future benefits and contributions as of September 30, 2005, as well as the normal cost, are based on demographic assumptions and on economic assumptions of 3.50 percent inflation, 4.25 percent annual general schedule salary increases, and 6.25 percent interest, that were adopted by the Board of Actuaries in June, 2006. The FERS normal cost is 12.0 percent under these assumptions, and the CSRS normal cost is 25.2 percent.

The CSRS normal cost is defined as the level percentage of pay necessary to fully fund all retirement benefits for a typical group of new Federal employees who are assumed to be covered under CSRS, even though all new Federal employees are now actually covered under FERS. The normal cost for CSRS is used in determining the actuarial accrued liability.

FERS employees contribute a percentage of salary that is equal to the difference between the contribution rate for CSRS employees, as set forth above, and the tax rate under the Old Age, Survivors and Disability Insurance (OASDI) portion of Social Security, which currently is 6.2 percent of pay. Thus for regular employees in FERS, the contribution rate is 0.8 percent of the employee's total salary. For regular employees, the agency contribution is 12.0 percent less the 0.8 percent employee contribution, or a total of 11.2 percent

Item 7, the percent of retiree benefits that are covered by assets, shows a continued improvement over the past 26 years, except for a small decline this year due to the change in economic and demographic assumptions. This item is a measure of benefit security.

The initial supplemental liability under FERS as of September 30, 1988, and any subsequent changes in supplemental liability, are to be amortized by 30-year payments to be made by the Treasury for non-Postal employees, and by the Postal Service for Postal employees. The change in supplemental liability is determined by subtracting the present value of any remaining 30-year payments that have already been scheduled from the amount of the unfunded liability. As of September 30, 2005, there was a supplemental liability for non-Postal employees of \$3.2 billion which resulted in a 30-year amortization payment of \$239 million starting on September 30, 2006.

**TABLE 2****Comparison of a funding method whereby the unfunded liability is amortized in level dollar amounts over 40 years with actual contributions***(Dollars in Billions)*

| Plan Year | Normal Cost | 40-year Level Amortization of Unfunded Liability | Total Contributions (Col. 2 plus Col. 3) | Total Contributions to Plan from All Sources | Differences Between Total Contribution (Col. 4) and Actual Contributions (Col. 5) | Actual Contributions as a Percentage of Total Contribution (Col. 5 Divided by Col. 4) |
|-----------|-------------|--------------------------------------------------|------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| 1979      | \$17.4      | \$25.3                                           | \$42.7                                   | \$16.3                                       | \$26.4                                                                            | 38.2%                                                                                 |
| 1980      | 18.8        | 29.4                                             | 48.2                                     | 19.2                                         | 29.0                                                                              | 39.8                                                                                  |
| 1981      | 19.9        | 31.3                                             | 51.2                                     | 22.2                                         | 29.0                                                                              | 43.4                                                                                  |
| 1982      | 21.3        | 32.3                                             | 53.6                                     | 23.6                                         | 30.0                                                                              | 44.0                                                                                  |
| 1983      | 21.5        | 34.7                                             | 56.2                                     | 25.0                                         | 31.2                                                                              | 44.5                                                                                  |
| 1984      | 22.4        | 36.0                                             | 58.4                                     | 25.5                                         | 32.9                                                                              | 43.7                                                                                  |
| 1985      | 24.2        | 36.1                                             | 60.3                                     | 27.0                                         | 33.3                                                                              | 44.8                                                                                  |
| 1986      | 25.8        | 36.1                                             | 61.9                                     | 27.7                                         | 34.2                                                                              | 44.7                                                                                  |
| 1987      | 19.8        | 34.1                                             | 53.9                                     | 27.8                                         | 26.1                                                                              | 51.6                                                                                  |
| 1988      | 20.2        | 35.6                                             | 55.8                                     | 28.8                                         | 27.0                                                                              | 51.6                                                                                  |
| 1989      | 20.2        | 38.4                                             | 58.6                                     | 29.9                                         | 28.7                                                                              | 51.0                                                                                  |
| 1990      | 20.9        | 39.9                                             | 60.8                                     | 31.9                                         | 28.9                                                                              | 52.5                                                                                  |
| 1991      | 21.3        | 41.6                                             | 62.9                                     | 34.1                                         | 28.8                                                                              | 54.2                                                                                  |
| 1992      | 22.2        | 42.0                                             | 64.3                                     | 35.8                                         | 28.5                                                                              | 55.6                                                                                  |
| 1993      | 19.9        | 37.9                                             | 57.8                                     | 37.4                                         | 20.4                                                                              | 64.7                                                                                  |
| 1994      | 20.1        | 37.9                                             | 58.0                                     | 37.5                                         | 20.5                                                                              | 64.7                                                                                  |
| 1995      | 20.1        | 37.9                                             | 58.0                                     | 37.2                                         | 20.8                                                                              | 64.2                                                                                  |
| 1996      | 19.4        | 35.9                                             | 55.3                                     | 38.0                                         | 17.3                                                                              | 68.7                                                                                  |
| 1997      | 19.5        | 35.5                                             | 55.0                                     | 39.5                                         | 15.5                                                                              | 71.9                                                                                  |
| 1998      | 19.4        | 34.8                                             | 54.1                                     | 40.2                                         | 13.9                                                                              | 74.4                                                                                  |
| 1999      | 19.9        | 35.5                                             | 55.4                                     | 41.0                                         | 14.4                                                                              | 74.0                                                                                  |
| 2000      | 20.2        | 34.8                                             | 55.0                                     | 42.2                                         | 12.8                                                                              | 76.7                                                                                  |
| 2001      | 20.8        | 34.9                                             | 55.7                                     | 42.6                                         | 13.1                                                                              | 76.5                                                                                  |
| 2002      | 23.7        | 33.8                                             | 57.5                                     | 44.0                                         | 13.5                                                                              | 76.5                                                                                  |
| 2003      | 24.5        | 34.0                                             | 58.5                                     | 40.8                                         | 17.7                                                                              | 69.8                                                                                  |
| 2004      | 24.7        | 34.5                                             | 59.2                                     | 46.3                                         | 12.9                                                                              | 78.2                                                                                  |
| 2005      | 23.9        | 37.2                                             | 61.1                                     | 47.3                                         | 13.8                                                                              | 77.4                                                                                  |

**TABLE 2A****Comparison of a funding method whereby the unfunded liability is amortized in level dollar amounts over 40 years with actual contributions***(Percentage of Payroll)*

| Plan Year | Normal Cost | 40-year Level Amortization of Unfunded Liability | Total Contributions (Col. 2 plus Col. 3) | Total Contributions to Plan from All Sources | Total Contribution* (Col. 4) less Actual Contributions (Col. 5) as a Percentage of Payroll |
|-----------|-------------|--------------------------------------------------|------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------|
| 1979      | 36.8%       | 53.3%                                            | 90.1%                                    | 34.4%                                        | 55.7%                                                                                      |
| 1980      | 36.7        | 57.4                                             | 94.1                                     | 37.7                                         | 56.4                                                                                       |
| 1981      | 35.8        | 56.3                                             | 92.1                                     | 39.9                                         | 52.2                                                                                       |
| 1982      | 36.5        | 55.4                                             | 91.9                                     | 40.5                                         | 51.4                                                                                       |
| 1983      | 34.9        | 56.3                                             | 91.2                                     | 40.6                                         | 50.6                                                                                       |
| 1984      | 34.9        | 56.1                                             | 91.0                                     | 39.7                                         | 51.3                                                                                       |
| 1985      | 34.9        | 52.1                                             | 87.0                                     | 38.9                                         | 48.1                                                                                       |
| 1986      | 34.8        | 48.8                                             | 83.6                                     | 37.4                                         | 46.2                                                                                       |
| 1987      | 26.6        | 45.7                                             | 72.3                                     | 37.3                                         | 35.0                                                                                       |
| 1988      | 25.4        | 44.7                                             | 70.2                                     | 36.2                                         | 34.0                                                                                       |
| 1989      | 24.3        | 46.1                                             | 70.4                                     | 35.8                                         | 34.6                                                                                       |
| 1990      | 23.8        | 45.5                                             | 69.3                                     | 36.4                                         | 33.0                                                                                       |
| 1991      | 23.0        | 45.1                                             | 68.1                                     | 36.9                                         | 31.2                                                                                       |
| 1992      | 22.7        | 42.9                                             | 65.6                                     | 36.5                                         | 29.1                                                                                       |
| 1993      | 19.9        | 37.8                                             | 57.7                                     | 37.3                                         | 20.4                                                                                       |
| 1994      | 19.6        | 36.8                                             | 56.4                                     | 36.5                                         | 19.9                                                                                       |
| 1995      | 19.2        | 36.1                                             | 55.3                                     | 35.5                                         | 19.8                                                                                       |
| 1996      | 18.0        | 33.3                                             | 51.3                                     | 35.3                                         | 16.0                                                                                       |
| 1997      | 17.9        | 32.5                                             | 50.4                                     | 36.2                                         | 14.2                                                                                       |
| 1998      | 17.7        | 31.7                                             | 49.4                                     | 36.7                                         | 12.7                                                                                       |
| 1999      | 17.2        | 30.7                                             | 47.9                                     | 35.5                                         | 12.4                                                                                       |
| 2000      | 16.8        | 28.8                                             | 45.6                                     | 35.0                                         | 10.6                                                                                       |
| 2001      | 16.7        | 27.8                                             | 44.5                                     | 34.1                                         | 10.4                                                                                       |
| 2002      | 18.1        | 25.7                                             | 43.8                                     | 33.5                                         | 10.3                                                                                       |
| 2003      | 17.6        | 24.4                                             | 42.0                                     | 29.3                                         | 12.7                                                                                       |
| 2004      | 17.0        | 23.7                                             | 40.7                                     | 31.8                                         | 8.9                                                                                        |
| 2005      | 15.9        | 24.6                                             | 40.5                                     | 31.3                                         | 9.2                                                                                        |

## TABLES 2 AND 2A

## Technical Notes

Tables 2 and 2(A) present a funding method that would fully finance the retirement benefits for all current employees and annuitants in 40 years. The total contribution is \$61.1 billion for fiscal year 2005, which is 40.5 percent of payroll. These contributions would be sufficient to pay for the benefits of all current employees and annuitants, assuming no new employees were covered under the system, and thus, there were no additional contributions for new employees. The total contribution includes a level dollar amortization over 40 years of the unfunded liability amounting to \$37.2 billion and normal cost contributions of \$23.9 billion.

Tables 2 and 2A use the economic assumptions and normal costs shown in the chart below:

| Effective Date                | 10/1/79           | 10/1/83*          | 10/1/87           | 4/1/89*           | 12/31/92          | 2/11/97*          | 3/16/01*          | 5/8/03            | 6/8/06    |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------|
| Effective for Valuation Dates | 9/30/79 - 9/30/82 | 9/30/83 - 9/30/86 | 9/30/87 - 9/30/88 | 9/30/89 - 9/30/92 | 9/30/93 - 9/30/95 | 9/30/96 - 9/30/99 | 9/30/00 - 9/30/01 | 9/30/02 - 9/30/04 | 9/30/05 - |
| Inflation                     | 5.0%              | 5.0%              | 5.0%              | 5.0%              | 4.5%              | 4.0%              | 3.75%             | 3.25%             | 3.5%      |
| Interest                      | 6.0%              | 6.5%              | 7.0%              | 7.0%              | 7.0%              | 7.0%              | 6.75%             | 6.25%             | 6.25%     |
| Salary Growth                 | 5.5%              | 5.5%              | 5.0%              | 5.0%              | 4.5%              | 4.25%             | 4.25%             | 4.00%             | 4.25%     |
| Normal Cost                   |                   |                   |                   |                   |                   |                   |                   |                   |           |
| CSRS                          | 36.81%            | 34.84%            | 28.86%            | 28.29%            | 25.14%            | 24.2%             | 24.4%             | 25.0%             | 25.2%     |
| FERS                          | N/A               | 16.1%             | 13.8%             | 13.7%             | 12.2%             | 11.5%             | 11.5%             | 12.0%             | 12.0%     |

\* Change in demographic assumptions.

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**TABLE 3** **PAST AND PROJECTED FLOW OF PLAN ASSETS (COMBINED CSRS AND FERS SYSTEMS)***(Dollars in Billions)*

| Fiscal Year      | Employee Contributions | Agency Contributions | Other Government Contributions | Investment Income | Total Income | Total Expense | Net Assets End of Year | Dynamic Total UAL EOY | Combined Payroll |
|------------------|------------------------|----------------------|--------------------------------|-------------------|--------------|---------------|------------------------|-----------------------|------------------|
| <b>PAST FLOW</b> |                        |                      |                                |                   |              |               |                        |                       |                  |
| 1979             | \$3.4                  | \$3.4                | \$9.5                          | \$3.8             | \$20.1       | \$12.6        | \$63.9                 | \$403.1               | \$47.4           |
| 1980             | 3.7                    | 3.6                  | 12.0                           | 4.8               | 24.1         | 15.0          | 73.0                   | 469.5                 | 51.2             |
| 1981             | 4.0                    | 3.9                  | 14.2                           | 6.0               | 28.2         | 17.8          | 83.4                   | 498.9                 | 55.6             |
| 1982             | 4.2                    | 4.1                  | 15.4                           | 8.7               | 32.4         | 19.7          | 96.4                   | 514.8                 | 58.3             |
| 1983             | 4.5                    | 4.3                  | 16.3                           | 9.8               | 34.8         | 20.9          | 110.0                  | 528.1                 | 61.6             |
| 1984             | 4.6                    | 4.6                  | 16.3                           | 11.3              | 36.7         | 22.0          | 124.7                  | 542.1                 | 64.2             |
| 1985             | 5.0                    | 4.8                  | 17.2                           | 13.8              | 40.8         | 23.2          | 142.3                  | 544.4                 | 69.3             |
| 1986             | 5.2                    | 5.1                  | 17.5                           | 15.5              | 43.2         | 24.7          | 160.9                  | 543.5                 | 72.4             |
| 1987             | 4.8                    | 5.9                  | 17.0                           | 15.9              | 43.6         | 25.8          | 178.7                  | 486.0                 | 74.2             |
| 1988             | 4.5                    | 6.7                  | 17.5                           | 17.9              | 46.7         | 28.3          | 197.1                  | 508.3                 | 79.6             |
| 1989             | 4.5                    | 7.3                  | 18.1                           | 19.4              | 49.3         | 29.7          | 216.7                  | 548.3                 | 83.4             |
| 1990             | 4.5                    | 7.9                  | 19.4                           | 20.8              | 52.7         | 31.4          | 238.0                  | 568.7                 | 87.6             |
| 1991             | 4.6                    | 8.5                  | 21.0                           | 22.7              | 56.8         | 33.2          | 261.6                  | 593.8                 | 92.3             |
| 1992             | 4.7                    | 9.3                  | 21.8                           | 24.2              | 60.0         | 33.2          | 288.4                  | 599.7                 | 98.0             |
| 1993             | 4.7                    | 9.7                  | 23.0                           | 25.5              | 62.9         | 35.1          | 317.4                  | 540.1                 | 100.1            |
| 1994             | 4.6                    | 10.1                 | 22.7                           | 26.3              | 63.8         | 36.5          | 344.3                  | 540.6                 | 102.8            |
| 1995             | 4.5                    | 9.9                  | 23.2                           | 28.5              | 66.1         | 38.6          | 371.3                  | 545.8                 | 104.9            |
| 1996             | 4.4                    | 10.4                 | 23.4                           | 29.5              | 67.7         | 39.9          | 398.9                  | 512.4                 | 107.8            |
| 1997             | 4.4                    | 10.7                 | 24.5                           | 30.9              | 70.4         | 41.8          | 427.5                  | 505.6                 | 109.1            |
| 1998             | 4.3                    | 11.3                 | 24.7                           | 32.5              | 72.8         | 43.2          | 457.1                  | 496.1                 | 109.6            |
| 1999             | 4.3                    | 11.9                 | 24.8                           | 32.6              | 73.7         | 44.0          | 486.8                  | 506.6                 | 115.7            |
| 2000             | 4.7                    | 12.4                 | 25.1                           | 33.8              | 76.0         | 45.2          | 521.5                  | 509.5                 | 120.8            |
| 2001             | 4.4                    | 12.9                 | 25.4                           | 35.2              | 77.9         | 47.1          | 548.2                  | 510.9                 | 125.2            |
| 2002             | 4.3                    | 13.7                 | 26.0                           | 36.1              | 80.1         | 48.7          | 579.5                  | 523.6                 | 131.3            |
| 2003             | 4.3                    | 14.6                 | 21.9                           | 37.0              | 77.8         | 50.0          | 607.1                  | 527.1                 | 139.3            |
| 2004             | 4.2                    | 16.2                 | 25.9                           | 35.8              | 82.1         | 52.0          | 637.1                  | 534.8                 | 145.6            |
| 2005             | 4.1                    | 17.2                 | 25.9                           | 36.3              | 83.5         | 55.4          | 665.9                  | 576.1                 | 151.0            |

**TABLE 3** PAST AND PROJECTED FLOW OF PLAN ASSETS (COMBINED CSRS AND FERS SYSTEMS)

*(Dollars in Billions)*

| Fiscal Year           | Employee Contributions | Agency Contributions | Other Government Contributions | Investment Income | Total Income | Total Expense | Net Assets End of Year | Dynamic Total UAL EOY | Combined Payroll |
|-----------------------|------------------------|----------------------|--------------------------------|-------------------|--------------|---------------|------------------------|-----------------------|------------------|
| <b>PROJECTED FLOW</b> |                        |                      |                                |                   |              |               |                        |                       |                  |
| 2006                  | 3.8                    | 18.1                 | 27.4                           | 37.2              | 86.5         | 57.1          | 698.5                  | 578.8                 | 156.2            |
| 2007                  | 3.7                    | 17.5                 | 31.0                           | 41.2              | 93.4         | 60.2          | 711.7                  | 607.0                 | 162.9            |
| 2008                  | 3.6                    | 18.6                 | 29.4                           | 43.2              | 94.9         | 63.4          | 743.3                  | 620.0                 | 170.4            |
| 2009                  | 3.5                    | 19.8                 | 30.3                           | 45.1              | 98.8         | 66.7          | 775.4                  | 632.6                 | 178.1            |
| 2010                  | 3.4                    | 21.0                 | 31.1                           | 47.1              | 102.6        | 70.2          | 807.7                  | 644.8                 | 186.2            |
| 2011                  | 3.3                    | 22.3                 | 31.7                           | 49.0              | 106.3        | 73.8          | 840.2                  | 656.8                 | 194.6            |
| 2012                  | 3.2                    | 23.6                 | 32.5                           | 50.9              | 110.2        | 77.6          | 872.8                  | 668.2                 | 203.5            |
| 2013                  | 3.2                    | 24.9                 | 33.3                           | 52.9              | 114.3        | 81.4          | 905.8                  | 679.2                 | 212.7            |
| 2014                  | 3.1                    | 26.3                 | 34.2                           | 54.9              | 118.5        | 85.3          | 939.0                  | 689.5                 | 222.4            |
| 2015                  | 3.0                    | 27.8                 | 35.0                           | 56.9              | 122.7        | 89.2          | 972.4                  | 699.4                 | 232.6            |
| 2016                  | 3.0                    | 29.3                 | 36.1                           | 58.9              | 127.2        | 93.2          | 1006.4                 | 708.4                 | 243.3            |
| 2017                  | 2.9                    | 30.8                 | 36.9                           | 61.0              | 131.6        | 97.1          | 1041.0                 | 716.9                 | 254.5            |
| 2018                  | 2.9                    | 32.4                 | 37.8                           | 63.0              | 136.2        | 100.9         | 1076.3                 | 724.7                 | 266.1            |
| 2019                  | 3.0                    | 34.0                 | 38.6                           | 65.2              | 140.7        | 104.8         | 1112.2                 | 732.1                 | 278.3            |
| 2020                  | 3.0                    | 35.7                 | 39.3                           | 67.4              | 145.3        | 108.7         | 1148.8                 | 739.0                 | 291.0            |
| 2025                  | 3.4                    | 44.8                 | 42.4                           | 80.9              | 171.5        | 128.4         | 1342.0                 | 770.2                 | 362.2            |
| 2030                  | 4.1                    | 55.8                 | 48.6                           | 95.0              | 203.4        | 147.1         | 1585.0                 | 780.3                 | 449.9            |
| 2035                  | 5.0                    | 69.2                 | 53.2                           | 113.9             | 241.2        | 164.8         | 1914.2                 | 764.0                 | 557.6            |
| 2040                  | 6.1                    | 85.5                 | 56.3                           | 140.2             | 288.1        | 182.9         | 2371.5                 | 721.1                 | 688.8            |
| 2045                  | 7.5                    | 105.3                | 58.4                           | 176.8             | 347.9        | 204.8         | 3002.7                 | 649.1                 | 848.2            |
| 2050                  | 9.3                    | 129.5                | 59.5                           | 226.3             | 424.6        | 235.5         | 3850.5                 | 543.5                 | 1043.9           |
| 2055                  | 11.4                   | 159.4                | 55.7                           | 291.0             | 517.6        | 279.6         | 4945.2                 | 403.4                 | 1284.8           |
| 2060                  | 14.0                   | 196.3                | 43.4                           | 370.2             | 623.9        | 340.1         | 6270.3                 | 270.4                 | 1581.7           |
| 2065                  | 17.3                   | 241.7                | 30.6                           | 464.2             | 753.8        | 418.3         | 7841.3                 | 162.0                 | 1947.6           |
| 2070                  | 21.3                   | 297.6                | 19.1                           | 575.4             | 913.3        | 515.5         | 9700.6                 | 84.4                  | 2398.3           |
| 2075                  | 26.2                   | 366.4                | 10.0                           | 707.6             | 1110.2       | 634.8         | 11915.4                | 37.3                  | 2952.9           |

**TABLE 3A PAST AND PROJECTED FLOW OF PLAN ASSETS (COMBINED CSRS AND FERS SYSTEMS)**

| <i>{Percentage of Total Payroll (CSRS &amp; FERS)}</i> |                        |                      |                                |                   |              |               |                        |                       |                  |
|--------------------------------------------------------|------------------------|----------------------|--------------------------------|-------------------|--------------|---------------|------------------------|-----------------------|------------------|
| Fiscal Year                                            | Employee Contributions | Agency Contributions | Other Government Contributions | Investment Income | Total Income | Total Expense | Net Assets End of Year | Dynamic Total UAL EOY | Combined Payroll |
| <b>PAST FLOW</b>                                       |                        |                      |                                |                   |              |               |                        |                       |                  |
| 1979                                                   | 7.2%                   | 7.2%                 | 20.0%                          | 8.0%              | 42.4%        | 26.6%         | 134.8%                 | 850.4%                | 100.0%           |
| 1980                                                   | 7.2                    | 7.0                  | 23.4                           | 9.4               | 47.1         | 29.3          | 142.6                  | 917.0                 | 100.0            |
| 1981                                                   | 7.2                    | 7.0                  | 25.7                           | 10.8              | 50.7         | 32.0          | 150.0                  | 897.3                 | 100.0            |
| 1982                                                   | 7.2                    | 7.0                  | 26.4                           | 14.9              | 55.6         | 33.8          | 164.8                  | 883.0                 | 100.0            |
| 1983                                                   | 7.3                    | 7.0                  | 26.5                           | 15.9              | 56.5         | 33.9          | 179.6                  | 857.3                 | 100.0            |
| 1984                                                   | 7.2                    | 7.2                  | 25.3                           | 17.6              | 57.2         | 34.3          | 194.2                  | 844.4                 | 100.0            |
| 1985                                                   | 7.2                    | 7.0                  | 24.8                           | 19.9              | 58.9         | 33.5          | 205.3                  | 785.6                 | 100.0            |
| 1986                                                   | 7.2                    | 7.0                  | 24.1                           | 21.4              | 59.7         | 34.1          | 222.3                  | 750.7                 | 100.0            |
| 1987                                                   | 6.5                    | 8.0                  | 22.9                           | 21.4              | 58.8         | 34.7          | 240.9                  | 655.0                 | 100.0            |
| 1988                                                   | 5.7                    | 8.5                  | 22.0                           | 22.5              | 58.7         | 35.6          | 247.7                  | 638.6                 | 100.0            |
| 1989                                                   | 5.4                    | 8.7                  | 21.7                           | 23.3              | 59.1         | 35.6          | 259.8                  | 657.4                 | 100.0            |
| 1990                                                   | 5.1                    | 9.0                  | 22.2                           | 23.8              | 60.1         | 35.9          | 271.7                  | 649.2                 | 100.0            |
| 1991                                                   | 4.9                    | 9.3                  | 22.7                           | 24.7              | 61.6         | 36.0          | 283.5                  | 643.3                 | 100.0            |
| 1992                                                   | 4.8                    | 9.4                  | 22.3                           | 24.7              | 61.2         | 33.9          | 294.3                  | 611.9                 | 100.0            |
| 1993                                                   | 4.7                    | 9.6                  | 23.0                           | 25.5              | 62.8         | 35.1          | 316.9                  | 539.6                 | 100.0            |
| 1994                                                   | 4.5                    | 9.8                  | 22.1                           | 25.6              | 62.1         | 35.5          | 335.0                  | 525.9                 | 100.0            |
| 1995                                                   | 4.3                    | 9.5                  | 22.1                           | 27.1              | 63.0         | 36.8          | 354.0                  | 520.3                 | 100.0            |
| 1996                                                   | 4.1                    | 9.6                  | 21.7                           | 27.4              | 62.8         | 37.0          | 370.2                  | 475.3                 | 100.0            |
| 1997                                                   | 4.0                    | 9.8                  | 22.4                           | 28.3              | 64.5         | 38.3          | 392.0                  | 463.6                 | 100.0            |
| 1998                                                   | 3.9                    | 10.3                 | 22.5                           | 29.7              | 66.4         | 39.4          | 417.1                  | 452.7                 | 100.0            |
| 1999                                                   | 3.7                    | 10.3                 | 21.5                           | 28.2              | 63.7         | 38.0          | 420.9                  | 438.0                 | 100.0            |
| 2000                                                   | 3.9                    | 10.2                 | 20.8                           | 28.0              | 62.9         | 37.4          | 431.8                  | 421.9                 | 100.0            |
| 2001                                                   | 3.5                    | 10.3                 | 20.3                           | 28.1              | 62.2         | 37.6          | 437.8                  | 408.1                 | 100.0            |
| 2002                                                   | 3.2                    | 10.5                 | 19.8                           | 27.5              | 61.0         | 37.1          | 441.4                  | 398.8                 | 100.0            |
| 2003                                                   | 3.1                    | 10.5                 | 15.7                           | 26.6              | 55.9         | 35.9          | 435.9                  | 378.5                 | 100.0            |
| 2004                                                   | 2.9                    | 11.1                 | 17.8                           | 24.6              | 56.4         | 35.7          | 437.6                  | 367.3                 | 100.0            |
| 2005                                                   | 2.7                    | 11.4                 | 17.2                           | 24.0              | 55.3         | 36.7          | 441.0                  | 381.5                 | 100.0            |

**TABLE 3A PAST AND PROJECTED FLOW OF PLAN ASSETS (COMBINED CSRS AND FERS SYSTEMS)**

| <i>{Percentage of Total Payroll (CSRS &amp; FERS)}</i> |                        |                      |                                |                   |              |               |                        |                       |                  |
|--------------------------------------------------------|------------------------|----------------------|--------------------------------|-------------------|--------------|---------------|------------------------|-----------------------|------------------|
| Fiscal Year                                            | Employee Contributions | Agency Contributions | Other Government Contributions | Investment Income | Total Income | Total Expense | Net Assets End of Year | Dynamic Total UAL EOY | Combined Payroll |
| <b>PROJECTED FLOW</b>                                  |                        |                      |                                |                   |              |               |                        |                       |                  |
| 2006                                                   | 2.4                    | 11.6                 | 17.5                           | 23.8              | 55.3         | 36.6          | 445.1                  | 370.4                 | 100.0            |
| 2007                                                   | 2.3                    | 10.8                 | 19.0                           | 25.3              | 57.3         | 37.0          | 436.8                  | 372.5                 | 100.0            |
| 2008                                                   | 2.1                    | 10.9                 | 17.3                           | 25.4              | 55.7         | 37.2          | 436.3                  | 363.9                 | 100.0            |
| 2009                                                   | 2.0                    | 11.1                 | 17.0                           | 25.3              | 55.5         | 37.5          | 435.4                  | 355.2                 | 100.0            |
| 2010                                                   | 1.9                    | 11.3                 | 16.7                           | 25.3              | 55.1         | 37.7          | 433.9                  | 346.4                 | 100.0            |
| 2011                                                   | 1.7                    | 11.4                 | 16.3                           | 25.2              | 54.6         | 37.9          | 431.7                  | 337.5                 | 100.0            |
| 2012                                                   | 1.6                    | 11.6                 | 16.0                           | 25.0              | 54.2         | 38.1          | 429.0                  | 328.4                 | 100.0            |
| 2013                                                   | 1.5                    | 11.7                 | 15.7                           | 24.9              | 53.7         | 38.3          | 425.8                  | 319.3                 | 100.0            |
| 2014                                                   | 1.4                    | 11.8                 | 15.4                           | 24.7              | 53.3         | 38.3          | 422.1                  | 310.0                 | 100.0            |
| 2015                                                   | 1.3                    | 11.9                 | 15.0                           | 24.5              | 52.7         | 38.4          | 418.0                  | 300.6                 | 100.0            |
| 2016                                                   | 1.2                    | 12.0                 | 14.8                           | 24.2              | 52.3         | 38.3          | 413.7                  | 291.2                 | 100.0            |
| 2017                                                   | 1.2                    | 12.1                 | 14.5                           | 24.0              | 51.7         | 38.1          | 409.1                  | 281.7                 | 100.0            |
| 2018                                                   | 1.1                    | 12.2                 | 14.2                           | 23.7              | 51.2         | 37.9          | 404.4                  | 272.3                 | 100.0            |
| 2019                                                   | 1.1                    | 12.2                 | 13.9                           | 23.4              | 50.6         | 37.7          | 399.6                  | 263.1                 | 100.0            |
| 2020                                                   | 1.0                    | 12.3                 | 13.5                           | 23.1              | 49.9         | 37.4          | 394.8                  | 254.0                 | 100.0            |
| 2025                                                   | 0.9                    | 12.4                 | 11.7                           | 22.3              | 47.4         | 35.5          | 370.6                  | 212.7                 | 100.0            |
| 2030                                                   | 0.9                    | 12.4                 | 10.8                           | 21.1              | 45.2         | 32.7          | 352.3                  | 173.4                 | 100.0            |
| 2035                                                   | 0.9                    | 12.4                 | 9.5                            | 20.4              | 43.3         | 29.6          | 343.3                  | 137.0                 | 100.0            |
| 2040                                                   | 0.9                    | 12.4                 | 8.2                            | 20.4              | 42.9         | 26.6          | 344.3                  | 104.7                 | 100.0            |
| 2045                                                   | 0.9                    | 12.4                 | 6.9                            | 20.8              | 41.0         | 24.1          | 354.0                  | 76.5                  | 100.0            |
| 2050                                                   | 0.9                    | 12.4                 | 5.7                            | 21.7              | 40.7         | 22.6          | 368.8                  | 52.1                  | 100.0            |
| 2055                                                   | 0.9                    | 12.4                 | 4.3                            | 22.7              | 40.3         | 21.8          | 384.9                  | 31.4                  | 100.0            |
| 2060                                                   | 0.9                    | 12.4                 | 2.7                            | 23.4              | 39.4         | 21.5          | 396.4                  | 17.1                  | 100.0            |
| 2065                                                   | 0.9                    | 12.4                 | 1.6                            | 23.8              | 38.7         | 21.5          | 402.6                  | 8.3                   | 100.0            |
| 2070                                                   | 0.9                    | 12.4                 | 0.8                            | 24.0              | 38.1         | 21.5          | 404.5                  | 3.5                   | 100.0            |
| 2075                                                   | 0.9                    | 12.4                 | 0.3                            | 24.0              | 37.6         | 21.5          | 403.5                  | 1.3                   | 100.0            |

| <b>TABLE 4</b>               |                          | <b>PAST AND PROJECTED FLOW OF PLAN ASSETS (FERS)</b> |                          |                             |                          |                     |                             |                                |                |                              |                              |                     |
|------------------------------|--------------------------|------------------------------------------------------|--------------------------|-----------------------------|--------------------------|---------------------|-----------------------------|--------------------------------|----------------|------------------------------|------------------------------|---------------------|
| <i>(Dollars in Billions)</i> |                          |                                                      |                          |                             |                          |                     |                             |                                |                |                              |                              |                     |
| <b>Fiscal Year</b>           | <b>Employee Contrib.</b> | <b>Agency Contrib.</b>                               | <b>Amortized Payment</b> | <b>Total Govt. Contrib.</b> | <b>Investment Income</b> | <b>Total Income</b> | <b>FERS Benefit Payment</b> | <b>Transfer to (from) CSRS</b> | <b>Expense</b> | <b>Net Assets Total Year</b> | <b>Dynamic Total UAL EOY</b> | <b>FERS Payroll</b> |
| PAST FLOW                    |                          |                                                      |                          |                             |                          |                     |                             |                                |                |                              |                              |                     |
| 1987                         | \$0.3                    | \$1.5                                                | \$0.0                    | \$1.5                       | \$0.2                    | \$2.0               | \$0.0                       | **\$(1.8)                      | \$(1.8)        | \$3.8                        | \$4.4                        | \$11.0              |
| 1988                         | 0.2                      | 2.4                                                  | 0.0                      | 2.4                         | 0.4                      | 3.0                 | 0.2                         | *(1.3)                         | (1.1)          | 8.0                          | 5.6                          | 18.1                |
| 1989                         | 0.2                      | 3.0                                                  | 0.5                      | 3.5                         | 0.8                      | 4.5                 | 0.2                         | 0.0                            | 0.2            | 12.3                         | 5.5                          | 23.0                |
| 1990                         | 0.2                      | 3.7                                                  | 0.5                      | 4.1                         | 1.3                      | 5.6                 | 0.2                         | 0.0                            | 0.2            | 17.7                         | 5.6                          | 26.7                |
| 1991                         | 0.3                      | 4.3                                                  | 0.5                      | 4.8                         | 1.7                      | 6.8                 | 0.2                         | 0.0                            | 0.2            | 24.3                         | 6.1                          | 31.2                |
| 1992                         | 0.3                      | 4.9                                                  | 0.5                      | 5.7                         | 2.3                      | 8.0                 | 0.3                         | 0.0                            | 0.3            | 32.0                         | 4.7                          | 35.5                |
| 1993                         | 0.3                      | 5.4                                                  | 0.5                      | 5.9                         | 2.8                      | 9.0                 | 0.3                         | 0.0                            | 0.3            | 40.7                         | 1.8                          | 38.9                |
| 1994                         | 0.4                      | 5.8                                                  | 0.2                      | 6.0                         | 3.4                      | 9.8                 | 0.4                         | 0.0                            | 0.4            | 50.0                         | (0.1)                        | 42.2                |
| 1995                         | 0.4                      | 5.7                                                  | 0.2                      | 6.0                         | 4.1                      | 10.5                | 0.6                         | 0.0                            | 0.6            | 9.9                          | (0.6)                        | 46.4                |
| 1996                         | 0.5                      | 6.3                                                  | 0.0                      | 6.3                         | 3.9                      | 10.7                | 0.6                         | 0.0                            | 0.6            | 69.9                         | (5.8)                        | 50.2                |
| 1997                         | 0.5                      | 6.6                                                  | 0.0                      | 6.6                         | 7.2                      | 14.3                | 0.8                         | 0.0                            | 0.8            | 83.4                         | (9.6)                        | 53.0                |
| 1998                         | 0.5                      | 6.7                                                  | 0.0                      | 6.7                         | 6.8                      | 14.0                | 0.9                         | 0.0                            | 0.9            | 96.5                         | (7.9)                        | 54.4                |
| 1999                         | 0.6                      | 7.4                                                  | 0.0                      | 7.4                         | 7.3                      | 15.3                | 1.0                         | 0.0                            | 1.0            | 110.8                        | (6.3)                        | 62.6                |
| 2000                         | 0.9                      | 8.0                                                  | 0.0                      | 8.0                         | 8.2                      | 17.1                | 1.2                         | 0.0                            | 1.2            | 126.8                        | (11.3)                       | 68.1                |
| 2001                         | 0.7                      | 8.7                                                  | 0.0                      | 8.7                         | 9.1                      | 18.5                | 1.4                         | 0.0                            | 1.4            | 143.8                        | (14.9)                       | 73.9                |
| 2002                         | 0.7                      | 9.6                                                  | 0.0                      | 9.6                         | 9.9                      | 20.2                | 1.6                         | 0.0                            | 1.6            | 162.4                        | (9.3)                        | 80.4                |
| 2003                         | 0.8                      | 10.6                                                 | 0.0                      | 10.6                        | 10.6                     | 22.0                | 1.8                         | 0.0                            | 1.8            | 182.6                        | (11.7)                       | 89.5                |
| 2004                         | 0.9                      | 11.6                                                 | 0.0                      | 11.6                        | 11.3                     | 23.8                | 2.1                         | 0.0                            | 2.1            | 204.3                        | (12.1)                       | 97.6                |
| 2005                         | 1.0                      | 13.2                                                 | 0.0                      | 13.2                        | 12.2                     | 26.4                | 2.5                         | 0.0                            | 2.5            | 228.1                        | (5.2)                        | 105.7               |

**TABLE 4** PAST AND PROJECTED FLOW OF PLAN ASSETS (FERS)

*(Dollars in Billions)*

| Fiscal Year           | Employee Contrib. | Agency Contrib. | Amortized Payment | Total Govt. Contrib. | Investment Income | Total Income | FERS Benefit Payment | Transfer to (from) CSRS | Expense | Net Assets Total Year | Dynamic Total UAL EOY | FERS Payroll |
|-----------------------|-------------------|-----------------|-------------------|----------------------|-------------------|--------------|----------------------|-------------------------|---------|-----------------------|-----------------------|--------------|
| <b>PROJECTED FLOW</b> |                   |                 |                   |                      |                   |              |                      |                         |         |                       |                       |              |
| 2006                  | 1.0               | 14.2            | 0.2               | 14.4                 | 13.4              | 28.9         | 3.0                  | 0.0                     | 3.0     | 254.0                 | (5.8)                 | 114.3        |
| 2007                  | 1.1               | 15.3            | 0.2               | 15.6                 | 16.3              | 32.9         | 3.6                  | 0.0                     | 3.6     | 283.3                 | (6.4)                 | 123.5        |
| 2008                  | 1.2               | 16.6            | 0.2               | 16.8                 | 18.1              | 36.2         | 4.2                  | 0.0                     | 42.2    | 315.3                 | (7.1)                 | 133.7        |
| 2009                  | 1.3               | 17.9            | 0.2               | 18.2                 | 20.1              | 39.6         | 5.0                  | 0.0                     | 5.0     | 349.9                 | (7.8)                 | 144.3        |
| 2010                  | 1.4               | 19.3            | 0.2               | 19.5                 | 22.3              | 43.3         | 5.9                  | 0.0                     | 5.9     | 387.3                 | (8.5)                 | 155.5        |
| 2011                  | 1.5               | 20.7            | 0.2               | 21.0                 | 24.7              | 47.2         | 6.9                  | 0.0                     | 6.9     | 427.5                 | (9.2)                 | 167.0        |
| 2012                  | 1.6               | 22.2            | 0.2               | 22.4                 | 27.2              | 51.3         | 8.1                  | 0.0                     | 8.1     | 470.7                 | (10.1)                | 179.0        |
| 2013                  | 1.7               | 23.7            | 0.2               | 24.0                 | 29.9              | 55.9         | 9.5                  | 0.0                     | 9.5     | 516.8                 | (10.9)                | 191.3        |
| 2014                  | 1.8               | 25.3            | 0.2               | 25.5                 | 32.8              | 60.2         | 11.1                 | 0.0                     | 11.1    | 565.9                 | (11.9)                | 203.9        |
| 2015                  | 2.0               | 26.9            | 0.2               | 27.1                 | 35.9              | 65.0         | 12.9                 | 0.0                     | 12.9    | 617.9                 | (12.8)                | 216.8        |
| 2016                  | 2.1               | 28.5            | 0.2               | 28.8                 | 39.1              | 69.9         | 15.0                 | 0.0                     | 15.0    | 672.8                 | (13.9)                | 229.9        |
| 2017                  | 2.2               | 30.2            | 0.2               | 30.4                 | 42.5              | 75.1         | 17.2                 | 0.0                     | 17.2    | 730.7                 | (15.0)                | 243.2        |
| 2018                  | 2.3               | 31.9            | 0.2               | 32.1                 | 46.1              | 80.5         | 19.7                 | 0.0                     | 19.7    | 791.5                 | (16.2)                | 256.7        |
| 2019                  | 2.4               | 33.6            | 0.2               | 33.8                 | 49.9              | 86.1         | 22.4                 | 0.0                     | 22.4    | 855.3                 | (17.4)                | 270.5        |
| 2020                  | 2.6               | 3.5             | 0.2               | 35.5                 | 53.8              | 91.9         | 25.4                 | 0.0                     | 25.4    | 921.8                 | (18.7)                | 284.5        |
| 2025                  | 3.2               | 44.7            | 4.4               | 49.1                 | 70.9              | 123.2        | 44.2                 | 32.2                    | 76.4    | 1178.9                | 88.9                  | 359.9        |
| 2030                  | 4.0               | 55.8            | 16.8              | 72.6                 | 86.8              | 163.4        | 67.8                 | 34.3                    | 102.1   | 1454.7                | 245.8                 | 449.3        |
| 2035                  | 5.0               | 69.2            | 29.5              | 98.7                 | 108.0             | 211.7        | 96.5                 | 33.0                    | 129.5   | 1820.7                | 388.0                 | 557.5        |
| 2040                  | 6.1               | 85.5            | 40.9              | 126.4                | 136.5             | 269.0        | 130.9                | 27.5                    | 158.4   | 2313.2                | 491.4                 | 688.8        |
| 2045                  | 7.5               | 105.3           | 49.9              | 155.2                | 174.8             | 337.5        | 171.4                | 19.0                    | 190.4   | 2972.6                | 531.6                 | 848.2        |
| 2050                  | 9.3               | 129.5           | 55.7              | 185.2                | 225.5             | 419.9        | 218.3                | 10.3                    | 228.6   | 3838.0                | 494.9                 | 1043.9       |
| 2055                  | 11.4              | 159.4           | 54.3              | 213.8                | 290.7             | 515.9        | 272.8                | 4.2                     | 277.0   | 4941.1                | 387.2                 | 1284.8       |
| 2060                  | 14.0              | 196.3           | 43.0              | 239.2                | 370.1             | 623.4        | 338.1                | 1.3                     | 339.3   | 6269.1                | 265.5                 | 1581.7       |
| 2065                  | 17.3              | 241.7           | 30.5              | 272.2                | 464.2             | 753.7        | 417.7                | 0.3                     | 418.0   | 7840.8                | 160.2                 | 1947.6       |
| 2070                  | 21.3              | 297.6           | 19.0              | 316.6                | 575.4             | 913.2        | 515.3                | 0.1                     | 515.4   | 9700.3                | 83.4                  | 2398.3       |
| 2075                  | 26.2              | 366.4           | 10.0              | 376.4                | 707.5             | 1110.1       | 634.6                | 0.1                     | 634.7   | 11915.2               | 36.6                  | 2952.9       |

\* Transfer of funds from CSRS to FERS for the individuals electing FERS coverage.

\*\*Transfer of funds from CSRS to FERS for the individuals who were automatically transferred to FERS on January 1, 1987.

**TABLE 4A PAST AND PROJECTED FLOW OF PLAN ASSETS (FERS)**

| <i>[Percentage of Total Payroll (CSRS &amp; FERS)]</i> |                   |                 |                   |                      |                   |              |                      |                         |         |                       |                       |              |
|--------------------------------------------------------|-------------------|-----------------|-------------------|----------------------|-------------------|--------------|----------------------|-------------------------|---------|-----------------------|-----------------------|--------------|
| Fiscal Year                                            | Employee Contrib. | Agency Contrib. | Amortized Payment | Total Govt. Contrib. | Investment Income | Total Income | FERS Benefit Payment | Transfer to (from) CSRS | Expense | Net Assets Total Year | Dynamic Total UAL EOY | FERS Payroll |
| <b>PAST FLOW</b>                                       |                   |                 |                   |                      |                   |              |                      |                         |         |                       |                       |              |
| 1987                                                   | 0.4%              | 2.0%            | 0.0%              | 2.0%                 | 0.3%              | 2.7%         | 0.0%                 | ** (2.4%)               | (2.4%)  | 5.2%                  | 5.9%                  | 14.8%        |
| 1988                                                   | 0.2               | 3.0             | 0.0               | 3.0                  | 0.6               | 3.8          | 0.2                  | * (1.6)                 | (1.4)   | 10.0                  | 7.2                   | 22.7         |
| 1989                                                   | 0.3               | 3.7             | 0.5               | 4.2                  | 0.9               | 5.4          | 0.2                  | 0.0                     | 0.2     | 14.8                  | 6.6                   | 27.6         |
| 1990                                                   | 0.3               | 4.2             | 0.5               | 4.7                  | 1.4               | 6.4          | 0.3                  | 0.0                     | 0.3     | 20.2                  | 6.4                   | 30.5         |
| 1991                                                   | 0.3               | 5.0             | 0.5               | 5.8                  | 2.3               | 8.1          | 0.3                  | 0.0                     | 0.3     | 32.6                  | 4.8                   | 36.3         |
| 1992                                                   | 0.3               | 5.0             | 0.5               | 5.8                  | 2.3               | 8.1          | 0.3                  | 0.0                     | 0.3     | 32.6                  | 4.8                   | 36.3         |
| 1993                                                   | 0.3               | 5.4             | 0.5               | 5.9                  | 2.8               | 9.0          | 0.3                  | 0.0                     | 0.3     | 40.6                  | 1.8                   | 38.8         |
| 1994                                                   | 0.3               | 5.7             | 0.2               | 5.9                  | 3.3               | 9.5          | 0.4                  | 0.0                     | 0.4     | 48.6                  | (0.1)                 | 41.1         |
| 1995                                                   | 0.4               | 5.5             | 0.2               | 5.7                  | 3.9               | 10.0         | 0.5                  | 0.0                     | 0.5     | 57.1                  | (0.6)                 | 44.2         |
| 1996                                                   | 0.4               | 5.8             | 0.0               | 5.8                  | 3.7               | 9.9          | 0.6                  | 0.0                     | 0.6     | 64.9                  | (5.4)                 | 46.6         |
| 1997                                                   | 0.4               | 6.1             | 0.0               | 6.1                  | 6.6               | 13.1         | 0.7                  | 0.0                     | 0.7     | 76.5                  | (8.8)                 | 48.6         |
| 1998                                                   | 0.5               | 6.1             | 0.0               | 6.1                  | 6.2               | 12.8         | 0.8                  | 0.0                     | 0.8     | 88.1                  | (7.2)                 | 49.6         |
| 1999                                                   | 0.6               | 6.4             | 0.0               | 6.4                  | 6.3               | 13.2         | 0.9                  | 0.0                     | 0.9     | 95.8                  | (5.4)                 | 54.1         |
| 2000                                                   | 0.7               | 6.6             | 0.0               | 6.6                  | 6.8               | 14.1         | 1.0                  | 0.0                     | 1.0     | 105.0                 | (9.4)                 | 56.4         |
| 2001                                                   | 0.6               | 6.9             | 0.0               | 3.9                  | 7.3               | 14.8         | 1.1                  | 0.0                     | 1.1     | 114.8                 | (11.9)                | 59.0         |
| 2002                                                   | 0.5               | 7.3             | 0.0               | 7.3                  | 7.6               | 15.4         | 1.2                  | 0.0                     | 1.2     | 123.7                 | (7.1)                 | 61.3         |
| 2003                                                   | 0.6               | 7.6             | 0.0               | 7.6                  | 7.6               | 15.8         | 1.3                  | 0.0                     | 1.3     | 131.1                 | (8.4)                 | 64.3         |
| 2004                                                   | 0.6               | 8.0             | 0.0               | 8.0                  | 7.7               | 16.3         | 1.4                  | 0.0                     | 1.3     | 140.3                 | (8.3)                 | 67.1         |
| 2005                                                   | 0.6               | 8.7             | 0.0               | 8.7                  | 8.1               | 17.5         | 1.7                  | 0.0                     | 1.7     | 151.1                 | (3.4)                 | 70.0         |

**TABLE 4A PAST AND PROJECTED FLOW OF PLAN ASSETS (FERS)**

| <i>[Percentage of Total Payroll (CSRS &amp; FERS)]</i> |                   |                 |                   |                      |                   |              |                      |                         |         |                       |                       |              |
|--------------------------------------------------------|-------------------|-----------------|-------------------|----------------------|-------------------|--------------|----------------------|-------------------------|---------|-----------------------|-----------------------|--------------|
| Fiscal Year                                            | Employee Contrib. | Agency Contrib. | Amortized Payment | Total Govt. Contrib. | Investment Income | Total Income | FERS Benefit Payment | Transfer to (from) CSRS | Expense | Net Assets Total Year | Dynamic Total UAL EOY | FERS Payroll |
| <b>PROJECTED FLOW</b>                                  |                   |                 |                   |                      |                   |              |                      |                         |         |                       |                       |              |
| 2006                                                   | 0.7               | 9.1             | 0.2               | 9.2                  | 8.6               | 18.5         | 1.9                  | 0.0                     | 1.9     | 162.5                 | (3.7)                 | 73.1         |
| 2007                                                   | 0.7               | 9.4             | 0.1               | 9.6                  | 10.0              | 20.2         | 2.2                  | 0.0                     | 2.2     | 173.9                 | (3.9)                 | 75.8         |
| 2008                                                   | 0.7               | 9.7             | 0.1               | 9.9                  | 10.6              | 21.2         | 2.5                  | 0.0                     | 2.5     | 185.1                 | (4.2)                 | 78.5         |
| 2009                                                   | 0.7               | 10.1            | 0.1               | 10.2                 | 11.3              | 22.2         | 2.8                  | 0.0                     | 2.8     | 196.5                 | (4.4)                 | 81.0         |
| 2010                                                   | 0.8               | 10.4            | 0.1               | 10.5                 | 12.0              | 23.2         | 3.1                  | 0.0                     | 3.1     | 208.0                 | (4.6)                 | 83.5         |
| 2011                                                   | 0.8               | 10.7            | 0.1               | 10.8                 | 12.7              | 24.2         | 3.5                  | 0.0                     | 3.5     | 219.7                 | (4.8)                 | 85.8         |
| 2012                                                   | 0.8               | 10.9            | 0.1               | 11.0                 | 13.4              | 25.2         | 4.0                  | 0.0                     | 4.0     | 231.3                 | (4.9)                 | 88.0         |
| 2013                                                   | 0.8               | 11.2            | 0.1               | 11.3                 | 14.1              | 26.1         | 4.5                  | 0.0                     | 4.5     | 242.9                 | (5.1)                 | 89.9         |
| 2014                                                   | 0.8               | 11.4            | 0.1               | 11.5                 | 14.7              | 27.1         | 5.0                  | 0.0                     | 5.0     | 254.4                 | (5.3)                 | 91.7         |
| 2015                                                   | 0.8               | 11.6            | 0.1               | 11.7                 | 15.4              | 27.9         | 5.6                  | 0.0                     | 5.6     | 265.6                 | (5.5)                 | 93.2         |
| 2016                                                   | 0.9               | 11.7            | 0.1               | 11.8                 | 16.1              | 28.7         | 6.2                  | 0.0                     | 6.2     | 276.5                 | (5.7)                 | 94.5         |
| 2017                                                   | 0.9               | 11.9            | 0.1               | 12.0                 | 16.7              | 29.5         | 6.8                  | 0.0                     | 6.8     | 287.2                 | (5.9)                 | 95.6         |
| 2018                                                   | 0.9               | 12.0            | 0.1               | 12.1                 | 17.3              | 30.3         | 7.4                  | 0.0                     | 7.4     | 297.4                 | (6.1)                 | 96.5         |
| 2019                                                   | 0.9               | 12.1            | 0.1               | 12.1                 | 17.9              | 31.0         | 8.1                  | 0.0                     | 8.1     | 307.3                 | (6.3)                 | 97.2         |
| 2020                                                   | 0.9               | 12.1            | 0.1               | 12.2                 | 18.5              | 31.6         | 8.7                  | 0.0                     | 8.7     | 316.8                 | (6.4)                 | 97.8         |
| 2025                                                   | 0.9               | 12.3            | 1.2               | 13.6                 | 19.6              | 34.0         | 12.2                 | 8.9                     | 21.1    | 325.5                 | 24.6                  | 99.4         |
| 2030                                                   | 0.9               | 12.4            | 3.7               | 16.1                 | 19.3              | 36.3         | 15.1                 | 7.6                     | 22.7    | 323.3                 | 54.6                  | 99.9         |
| 2035                                                   | 0.9               | 12.4            | 5.3               | 17.7                 | 19.4              | 38.0         | 17.3                 | 5.9                     | 23.2    | 326.5                 | 69.6                  | 100.0        |
| 2040                                                   | 0.9               | 12.4            | 5.9               | 18.3                 | 19.8              | 39.0         | 19.0                 | 4.0                     | 23.0    | 335.9                 | 71.4                  | 100.0        |
| 2045                                                   | 0.9               | 12.4            | 5.9               | 18.3                 | 20.6              | 39.8         | 20.2                 | 2.2                     | 22.4    | 350.4                 | 62.7                  | 100.0        |
| 2050                                                   | 0.9               | 12.4            | 5.3               | 17.7                 | 21.6              | 40.2         | 20.9                 | 1.0                     | 21.9    | 367.7                 | 47.4                  | 100.0        |
| 2055                                                   | 0.9               | 12.4            | 4.2               | 16.6                 | 22.6              | 40.2         | 21.2                 | 0.3                     | 21.6    | 384.6                 | 30.1                  | 100.0        |
| 2060                                                   | 0.9               | 12.4            | 2.7               | 15.1                 | 23.4              | 39.4         | 21.4                 | 0.1                     | 21.5    | 396.4                 | 16.8                  | 100.0        |
| 2065                                                   | 0.9               | 12.4            | 1.6               | 14.0                 | 23.8              | 38.7         | 21.4                 | 0.0                     | 21.5    | 402.6                 | 8.2                   | 100.0        |
| 2070                                                   | 0.9               | 12.4            | 0.8               | 13.2                 | 24.0              | 38.1         | 21.5                 | 0.0                     | 21.5    | 404.5                 | 3.5                   | 100.0        |
| 2075                                                   | 0.9               | 12.4            | 0.3               | 12.7                 | 24.0              | 37.6         | 21.5                 | 0.0                     | 21.5    | 403.5                 | 1.2                   | 100.0        |

\* Transfer of funds from CSRS to FERS for the individuals electing FERS coverage.

\*\*Transfer of funds from CSRS to FERS for the individuals who were automatically transferred to FERS on January 1, 1987.

**TABLE 5 PAST AND PROJECTED FLOW OF PLAN ASSETS (CSRS)**

| <i>(Dollars in Billions)</i> |                   |                 |             |                      |               |                          |                         |                             |        |              |               |                  |                      |              |
|------------------------------|-------------------|-----------------|-------------|----------------------|---------------|--------------------------|-------------------------|-----------------------------|--------|--------------|---------------|------------------|----------------------|--------------|
| Fiscal Year                  | Employee Contrib. | Agency Contrib. | 30-yr Paymt | Postal 15-year Paymt | Payment o UAL | Military Service Payment | Transfer from (to) FERS | Total Govt Invest. Contrib. | Income | Total Income | Total Outlays | Fund End of Year | Dynamic CSRS UAL EOY | CSRS Payroll |
| <b>PAST FLOW</b>             |                   |                 |             |                      |               |                          |                         |                             |        |              |               |                  |                      |              |
| 1979                         | \$3.4             | \$3.4           | \$3.1       | \$0.0                | \$5.6         | \$0.8                    | \$0.0                   | \$12.9                      | \$3.8  | \$20.1       | \$12.6        | \$63.9           | \$403.1              | \$47.4       |
| 1980                         | 3.7               | 3.6             | 3.5         | 0.0                  | 7.4           | 1.1                      | 0.0                     | 15.6                        | 4.8    | 24.1         | 15.0          | 73.0             | 469.5                | 51.2         |
| 1981                         | 4.0               | 3.9             | 4.0         | 0.0                  | 8.9           | 1.3                      | 0.0                     | 18.2                        | 6.0    | 28.2         | 17.8          | 83.4             | 498.9                | 55.6         |
| 1982                         | 4.2               | 4.1             | 4.5         | 0.0                  | 9.4           | 1.5                      | 0.0                     | 19.4                        | 8.7    | 32.4         | 19.7          | 96.1             | 514.8                | 58.3         |
| 1983                         | 4.5               | 4.3             | 4.9         | 0.0                  | 9.7           | 1.7                      | 0.0                     | 20.6                        | 9.8    | 34.8         | 20.9          | 110.0            | 528.1                | 61.6         |
| 1984                         | 4.6               | 4.6             | 5.1         | 0.0                  | 9.4           | 1.8                      | 0.0                     | 20.8                        | 11.3   | 36.7         | 22.0          | 124.7            | 542.1                | 64.2         |
| 1985                         | 5.0               | 4.8             | 5.8         | 0.0                  | 9.5           | 1.9                      | 0.0                     | 22.0                        | 13.8   | 40.8         | 23.2          | 142.3            | 544.4                | 69.3         |
| 1986                         | 5.2               | 5.1             | 5.8         | 0.0                  | 9.7           | 2.0                      | 0.0                     | 22.5                        | 15.5   | 43.2         | 24.7          | 160.9            | 543.5                | 72.4         |
| 1987                         | 4.5               | 4.4             | 6.0         | 0.0                  | 9.0           | 2.2                      | **(-1.8)                | 19.6                        | 15.6   | 39.8         | 25.7          | 174.9            | 481.6                | 63.2         |
| 1988                         | 4.3               | 4.3             | 6.3         | 0.0                  | 9.0           | 2.2                      | *(-1.3)                 | 20.6                        | 17.4   | 42.4         | 28.1          | 189.1            | 502.7                | 61.5         |
| 1989                         | 4.3               | 4.2             | 6.5         | 0.0                  | 8.8           | 2.3                      | 0.0                     | 21.9                        | 18.7   | 44.8         | 29.5          | 204.4            | 542.8                | 60.4         |
| 1990                         | 4.3               | 4.3             | 6.8         | 0.1                  | 9.5           | 2.5                      | 0.0                     | 23.2                        | 19.6   | 47.1         | 31.2          | 220.3            | 563.1                | 60.9         |
| 1991                         | 4.3               | 4.3             | 7.5         | 0.6                  | 9.7           | 2.6                      | 0.0                     | 24.7                        | 21.0   | 50.0         | 33.0          | 237.3            | 587.7                | 61.0         |
| 1992                         | 4.4               | 4.4             | 8.0         | 0.8                  | 9.8           | 2.8                      | 0.0                     | 25.8                        | 21.9   | 52.0         | 32.9          | 256.4            | 595.0                | 62.5         |
| 1993                         | 4.4               | 4.3             | 9.0         | 0.9                  | 9.7           | 2.9                      | 0.0                     | 26.8                        | 22.7   | 53.9         | 34.8          | 276.7            | 538.3                | 61.3         |
| 1994                         | 4.2               | 4.3             | 9.2         | 1.0                  | 9.3           | 3.0                      | 0.0                     | 26.8                        | 23.0   | 54.0         | 36.1          | 294.3            | 540.7                | 60.5         |
| 1995                         | 4.1               | 4.2             | 9.6         | 1.2                  | 9.1           | 3.1                      | 0.0                     | 27.2                        | 24.4   | 55.6         | 38.1          | 311.4            | 546.4                | 58.5         |
| 1996                         | 4.0               | 4.1             | 10.1        | 1.0                  | 9.1           | 3.2                      | 0.0                     | 27.5                        | 25.6   | 57.1         | 39.2          | 329.0            | 518.2                | 57.6         |
| 1997                         | 3.9               | 4.1             | 10.5        | 1.0                  | 9.8           | 3.4                      | 0.0                     | 28.6                        | 23.7   | 56.3         | 41.0          | 344.1            | 515.2                | 56.1         |
| 1998                         | 3.8               | 4.6             | 10.9        | 0.9                  | 9.4           | 3.4                      | 0.0                     | 29.2                        | 25.8   | 58.8         | 42.3          | 360.6            | 504.0                | 55.2         |
| 1999                         | 3.6               | 4.6             | 11.3        | 0.9                  | 9.2           | 3.5                      | 0.0                     | 29.4                        | 25.3   | 58.4         | 43.0          | 376.0            | 512.9                | 53.1         |
| 2000                         | 3.8               | 4.4             | 11.7        | 1.0                  | 9.0           | 3.5                      | 0.0                     | 29.5                        | 25.6   | 58.9         | 44.0          | 394.7            | 520.8                | 52.7         |
| 2001                         | 3.6               | 4.2             | 11.9        | 1.1                  | 8.7           | 3.7                      | 0.0                     | 29.6                        | 26.2   | 59.4         | 45.7          | 404.4            | 525.8                | 51.3         |
| 2002                         | 3.5               | 4.2             | 12.3        | 1.2                  | 8.8           | 3.7                      | 0.0                     | 30.2                        | 26.2   | 59.9         | 47.1          | 417.1            | 532.9                | 50.9         |
| 2003                         | 3.5               | 4.0             | 9.9         | 0.0                  | 8.8           | 3.2                      | 0.0                     | 25.9                        | 26.4   | 55.8         | 48.2          | 424.5            | 538.8                | 49.8         |
| 2004                         | 3.3               | 4.6             | 10.2        | 0.2                  | 12.2          | 3.3                      | 0.0                     | 30.5                        | 24.5   | 58.3         | 49.9          | 432.8            | 546.9                | 47.9         |
| 2005                         | 3.1               | 4.1             | 10.2        | 0.3                  | 12.1          | 3.2                      | 0.0                     | 30.0                        | 24.0   | 57.1         | 52.0          | 437.8            | 581.3                | 45.3         |

\* Transfer of funds from CSRS to FERS for the individuals electing FERS coverage.

\*\*Transfer of funds from CSRS to FERS for individuals who automatically transferred to FERS on January 1, 1987.

**TABLE 5 PAST AND PROJECTED FLOW OF PLAN ASSETS (CSRS)**

*(Dollars in Billions)*

| Fiscal Year           | Employee Contrib. | Agency Contrib. | 30-yr Paymt | Postal 15-year Paymt | Payment o UAL | Military Service Payment | Transfer from (to) FERS | Total Govt Invest. Contrib. | Income | Total Income | Total Outlays | Fund End of Year | Dynamic CSRS UAL EOY | CSRS Payroll |
|-----------------------|-------------------|-----------------|-------------|----------------------|---------------|--------------------------|-------------------------|-----------------------------|--------|--------------|---------------|------------------|----------------------|--------------|
| <b>PROJECTED FLOW</b> |                   |                 |             |                      |               |                          |                         |                             |        |              |               |                  |                      |              |
| 2006                  | 2.8               | 3.9             | 10.3        | 0.3                  | 13.0          | 3.9                      | 0.0                     | 31.3                        | 23.8   | 57.8         | 54.1          | 441.5            | 584.6                | 42.0         |
| 2007                  | 2.6               | 2.2             | 10.4        | 0.0                  | 14.1          | 6.2                      | 0.0                     | 32.9                        | 24.9   | 60.4         | 56.6          | 428.4            | 613.4                | 39.4         |
| 2008                  | 2.4               | 2.0             | 10.4        | 0.0                  | 14.6          | 4.1                      | 0.0                     | 31.2                        | 25.1   | 58.7         | 59.2          | 428.0            | 627.1                | 36.7         |
| 2009                  | 2.2               | 1.9             | 10.5        | 0.0                  | 15.3          | 4.2                      | 0.0                     | 31.9                        | 25.0   | 59.1         | 61.7          | 425.5            | 640.4                | 33.8         |
| 2010                  | 2.0               | 1.7             | 10.5        | 0.0                  | 16.0          | 4.3                      | 0.0                     | 32.5                        | 24.7   | 59.3         | 64.3          | 420.4            | 653.3                | 30.7         |
| 2011                  | 1.8               | 1.5             | 10.2        | 0.0                  | 16.8          | 4.4                      | 0.0                     | 33.0                        | 24.3   | 59.1         | 66.9          | 412.6            | 666.0                | 27.6         |
| 2012                  | 1.6               | 1.4             | 10.2        | 0.0                  | 17.6          | 4.5                      | 0.0                     | 33.6                        | 23.7   | 58.9         | 69.5          | 402.1            | 678.3                | 24.5         |
| 2013                  | 1.4               | 1.2             | 10.1        | 0.0                  | 18.5          | 4.5                      | 0.0                     | 34.3                        | 23.0   | 58.7         | 71.9          | 389.0            | 690.1                | 21.5         |
| 2014                  | 1.2               | 1.0             | 10.1        | 0.0                  | 19.4          | 4.5                      | 0.0                     | 35.0                        | 22.1   | 58.3         | 74.2          | 373.1            | 701.4                | 18.6         |
| 2015                  | 1.0               | 0.9             | 9.9         | 0.0                  | 20.3          | 4.5                      | 0.0                     | 35.6                        | 21.0   | 57.7         | 76.3          | 354.5            | 712.2                | 15.9         |
| 2016                  | 0.9               | 0.7             | 10.1        | 0.0                  | 21.2          | 4.5                      | 0.0                     | 36.6                        | 19.8   | 57.3         | 78.2          | 333.6            | 722.3                | 13.4         |
| 2017                  | 0.7               | 0.6             | 10.0        | 0.0                  | 22.2          | 4.5                      | 0.0                     | 37.3                        | 18.4   | 56.5         | 79.8          | 310.3            | 731.9                | 11.3         |
| 2018                  | 0.6               | 0.5             | 9.9         | 0.0                  | 23.2          | 4.5                      | 0.0                     | 38.1                        | 16.9   | 55.7         | 81.2          | 284.7            | 70.9                 | 9.4          |
| 2019                  | 0.5               | 0.4             | 9.7         | 0.0                  | 24.2          | 4.4                      | 0.0                     | 38.8                        | 15.3   | 54.5         | 82.4          | 256.9            | 749.5                | 7.8          |
| 2020                  | 0.4               | 0.4             | 9.4         | 1.1                  | 25.3          | 4.4                      | 0.0                     | 39.4                        | 13.5   | 53.4         | 83.3          | 227.0            | 757.7                | 6.4          |
| 2025                  | 0.1               | 0.1             | 7.7         | 0.0                  | 26.4          | 3.9                      | 32.2                    | 70.4                        | 10.1   | 80.6         | 84.2          | 163.1            | 681.2                | 2.2          |
| 2030                  | 0.0               | 0.0             | 5.9         | 0.0                  | 22.6          | 3.3                      | 34.3                    | 66.1                        | 8.1    | 74.2         | 79.3          | 130.3            | 534.6                | 0.6          |
| 2035                  | 0.0               | 0.0             | 3.7         | 0.0                  | 17.4          | 2.6                      | 33.0                    | 56.7                        | 5.9    | 62.6         | 68.4          | 93.5             | 376.1                | 0.1          |
| 2040                  | 0.0               | 0.0             | 1.9         | 0.0                  | 11.8          | 1.7                      | 27.5                    | 42.9                        | 3.7    | 46.7         | 52.0          | 58.2             | 229.7                | 0.0          |
| 2045                  | 0.0               | 0.0             | 0.8         | 0.0                  | 6.7           | 0.9                      | 19.0                    | 27.4                        | 2.0    | 29.4         | 33.4          | 30.2             | 117.5                | 0.0          |
| 2050                  | 0.0               | 0.0             | 0.3         | 0.0                  | 3.1           | 0.4                      | 10.3                    | 14.1                        | 0.8    | 14.9         | 17.2          | 12.5             | 48.7                 | 0.0          |
| 2055                  | 0.0               | 0.0             | 0.1         | 0.0                  | 1.1           | 0.2                      | 4.2                     | 5.5                         | 0.3    | 5.8          | 6.8           | 4.1              | 16.2                 | 0.0          |
| 2060                  | 0.0               | 0.0             | 0.0         | 0.0                  | 0.3           | 0.0                      | 1.3                     | 1.7                         | 0.1    | 1.8          | 2.0           | 1.2              | 4.8                  | 0.0          |
| 2065                  | 0.0               | 0.0             | 0.0         | 0.0                  | 0.1           | 0.0                      | 0.3                     | 0.4                         | 0.0    | 0.5          | 0.5           | 0.5              | 1.8                  | 0.0          |
| 2070                  | 0.0               | 0.0             | 0.0         | 0.0                  | 0.1           | 0.0                      | 0.1                     | 0.2                         | 0.0    | 0.2          | 0.2           | 0.3              | 1.0                  | 0.0          |
| 2075                  | 0.0               | 0.0             | 0.0         | 0.0                  | 0.0           | 0.0                      | 0.1                     | 0.1                         | 0.0    | 0.1          | 0.1           | 0.2              | 0.7                  | 0.0          |

**TABLE 5A PAST AND PROJECTED FLOW OF PLAN ASSETS (CSRS)**

| <i>[Percentage of Total Payroll (CSRS &amp; FERS)]</i> |                   |                 |             |                      |                |                          |                         |                     |                |              |               |                  |                      |              |
|--------------------------------------------------------|-------------------|-----------------|-------------|----------------------|----------------|--------------------------|-------------------------|---------------------|----------------|--------------|---------------|------------------|----------------------|--------------|
| Fiscal Year                                            | Employee Contrib. | Agency Contrib. | 30-yr Paymt | Postal 15-year Paymt | Payment on UAL | Military Service Payment | Transfer from (to) FERS | Total Govt Contrib. | Invest. Income | Total Income | Total Outlays | Fund End of Year | Dynamic CSRS UAL EOY | CSRS Payroll |
| <b>PAST FLOW</b>                                       |                   |                 |             |                      |                |                          |                         |                     |                |              |               |                  |                      |              |
| 1979                                                   | 7.2%              | 7.2%            | 6.5%        | 0.0%                 | 11.8%          | 1.7%                     | 0.0%                    | 27.2%               | 8.0%           | 42.4%        | 26.6%         | 134.8%           | 850.4%               | 100.0%       |
| 1980                                                   | 7.2               | 7.0             | 6.8         | 0.0                  | 14.5           | 2.1                      | 0.0                     | 30.5                | 9.4            | 47.1         | 29.3          | 142.6            | 917.0                | 100.0        |
| 1981                                                   | 7.2               | 7.0             | 7.2         | 0.0                  | 16.0           | 2.3                      | 0.0                     | 32.7                | 10.8           | 50.7         | 32.0          | 150.0            | 897.3                | 100.0        |
| 1982                                                   | 7.2               | 7.0             | 7.7         | 0.0                  | 16.1           | 2.6                      | 0.0                     | 33.3                | 14.9           | 55.6         | 33.8          | 164.8            | 883.0                | 100.0        |
| 1983                                                   | 7.2               | 7.0             | 8.0         | 0.0                  | 15.7           | 2.8                      | 0.0                     | 33.4                | 15.9           | 56.5         | 33.8          | 164.8            | 857.3                | 100.0        |
| 1984                                                   | 7.2               | 7.2             | 7.9         | 0.0                  | 14.6           | 2.8                      | 0.0                     | 32.4                | 17.6           | 57.2         | 34.3          | 194.2            | 844.4                | 100.0        |
| 1985                                                   | 7.2               | 7.0             | 8.3         | 0.0                  | 13.8           | 2.7                      | 0.0                     | 31.8                | 19.9           | 58.9         | 33.5          | 205.3            | 785.6                | 100.0        |
| 1986                                                   | 7.2               | 7.0             | 8.0         | 0.0                  | 13.4           | 2.7                      | 0.0                     | 31.1                | 21.4           | 59.7         | 34.1          | 222.3            | 750.7                | 100.0        |
| 1987                                                   | 6.1               | 6.6             | 8.0         | 0.0                  | 12.1           | 2.8                      | **(-2.4)                | 26.4                | 21.1           | 53.6         | 34.7          | 235.7            | 649.1                | 85.2         |
| 1988                                                   | 5.5               | 5.5             | 7.9         | 0.0                  | 11.4           | 2.7                      | *(-1.6)                 | 25.8                | 21.9           | 53.2         | 35.3          | 237.6            | 631.5                | 77.3         |
| 1989                                                   | 5.1               | 5.1             | 7.8         | 0.0                  | 10.6           | 2.8                      | 0.0                     | 26.2                | 22.4           | 53.7         | 35.4          | 245.1            | 650.8                | 72.4         |
| 1990                                                   | 4.9               | 4.9             | 7.8         | 0.1                  | 10.8           | 2.9                      | 0.0                     | 26.5                | 22.3           | 53.7         | 35.6          | 251.4            | 642.8                | 69.5         |
| 1991                                                   | 4.6               | 4.6             | 8.1         | 0.7                  | 10.5           | 2.9                      | 0.0                     | 26.8                | 22.8           | 54.2         | 35.8          | 257.2            | 636.7                | 66.2         |
| 1992                                                   | 4.5               | 4.5             | 8.1         | 0.8                  | 10.0           | 2.8                      | 0.0                     | 26.2                | 22.4           | 53.1         | 33.6          | 261.6            | 607.1                | 63.7         |
| 1993                                                   | 4.4               | 4.3             | 9.0         | 0.9                  | 9.7            | 2.9                      | 0.0                     | 26.8                | 22.6           | 53.8         | 34.7          | 276.3            | 537.8                | 61.2         |
| 1994                                                   | 4.1               | 4.2             | 8.9         | 1.0                  | 9.7            | 2.9                      | 0.0                     | 26.1                | 22.4           | 52.6         | 35.1          | 286.3            | 526.0                | 58.9         |
| 1995                                                   | 3.9               | 4.0             | 9.2         | 1.1                  | 8.7            | 2.9                      | 0.0                     | 25.9                | 23.2           | 53.0         | 36.3          | 296.9            | 520.9                | 55.8         |
| 1996                                                   | 3.7               | 3.8             | 9.4         | 0.9                  | 8.4            | 3.0                      | 0.0                     | 25.5                | 23.7           | 52.9         | 36.4          | 305.3            | 480.7                | 53.4         |
| 1997                                                   | 3.6               | 3.7             | 9.6         | 1.0                  | 9.0            | 3.1                      | 0.0                     | 26.2                | 21.7           | 51.7         | 37.6          | 315.5            | 472.4                | 51.4         |
| 1998                                                   | 3.5               | 4.2             | 9.9         | 0.8                  | 8.6            | 3.1                      | 0.0                     | 26.7                | 23.5           | 53.6         | 38.6          | 329.1            | 459.9                | 50.4         |
| 1999                                                   | 3.1               | 4.0             | 9.7         | 0.8                  | 7.9            | 3.0                      | 0.0                     | 25.4                | 21.9           | 50.5         | 37.2          | 325.1            | 443.4                | 45.9         |
| 2000                                                   | 3.2               | 3.6             | 9.7         | 0.8                  | 7.4            | 2.9                      | 0.0                     | 24.4                | 21.2           | 48.8         | 36.4          | 326.8            | 431.3                | 43.6         |
| 2001                                                   | 2.9               | 3.3             | 9.5         | 0.9                  | 6.9            | 3.0                      | 0.0                     | 23.6                | 20.9           | 47.4         | 36.5          | 323.0            | 420.0                | 41.0         |
| 2002                                                   | 2.7               | 3.2             | 9.3         | 1.0                  | 6.7            | 2.8                      | 0.0                     | 23.0                | 19.9           | 45.6         | 35.9          | 317.7            | 405.9                | 38.7         |
| 2003                                                   | 2.5               | 2.9             | 7.1         | 0.0                  | 6.3            | 2.3                      | 0.0                     | 18.6                | 19.0           | 40.1         | 34.6          | 304.8            | 386.9                | 35.7         |
| 2004                                                   | 2.3               | 3.2             | 7.0         | 0.2                  | 8.4            | 2.2                      | 0.0                     | 21.0                | 16.8           | 40.1         | 34.3          | 297.3            | 375.6                | 32.9         |
| 2005                                                   | 2.1               | 2.7             | 3.8         | 0.2                  | 8.1            | 2.1                      | 0.0                     | 19.9                | 15.9           | 37.8         | 34.4          | 290.0            | 385.0                | 30.0         |

\* Transfer of funds from CSRS to FERS for the individuals electing FERS coverage.

\*\*Transfer of funds from CSRS to FERS for individuals who automatically transferred to FERS on January 1, 1987.

**TABLE 5A PAST AND PROJECTED FLOW OF PLAN ASSETS (CSRS)**

| <i>[Percentage of Total Payroll (CSRS &amp; FERS)]</i> |                   |                 |             |                      |                |                          |                         |                     |                |              |               |                  |                      |              |
|--------------------------------------------------------|-------------------|-----------------|-------------|----------------------|----------------|--------------------------|-------------------------|---------------------|----------------|--------------|---------------|------------------|----------------------|--------------|
| Fiscal Year                                            | Employee Contrib. | Agency Contrib. | 30-yr Paymt | Postal 15-year Paymt | Payment on UAL | Military Service Payment | Transfer from (to) FERS | Total Govt Contrib. | Invest. Income | Total Income | Total Outlays | Fund End of Year | Dynamic CSRS UAL EOY | CSRS Payroll |
| <b>PROJECTED FLOW</b>                                  |                   |                 |             |                      |                |                          |                         |                     |                |              |               |                  |                      |              |
| 2006                                                   | 1.8               | 2.5             | 6.6         | 0.2                  | 8.3            | 2.5                      | 0.0                     | 20.0                | 15.2           | 37.0         | 34.6          | 282.6            | 374.2                | 26.9         |
| 2007                                                   | 1.6               | 1.3             | 6.4         | 0.0                  | 8.6            | 3.8                      | 0.0                     | 20.2                | 15.3           | 37.1         | 34.8          | 262.9            | 376.5                | 24.2         |
| 2008                                                   | 1.4               | 1.2             | 6.1         | 0.0                  | 8.6            | 2.4                      | 0.0                     | 18.3                | 14.7           | 34.5         | 34.7          | 251.3            | 368.1                | 21.5         |
| 2009                                                   | 1.2               | 1.1             | 5.9         | 0.0                  | 8.6            | 2.4                      | 0.0                     | 17.9                | 14.0           | 33.2         | 34.7          | 238.9            | 359.6                | 19.0         |
| 2010                                                   | 1.1               | 0.9             | 5.6         | 0.0                  | 8.6            | 2.3                      | 0.0                     | 17.5                | 13.3           | 31.8         | 34.6          | 225.8            | 350.9                | 16.5         |
| 2011                                                   | 0.9               | 0.8             | 5.3         | 0.0                  | 8.6            | 2.3                      | 0.0                     | 16.9                | 12.5           | 30.4         | 34.4          | 212.0            | 342.2                | 14.2         |
| 2012                                                   | 0.8               | 0.7             | 5.0         | 0.0                  | 8.7            | 2.2                      | 0.0                     | 16.5                | 11.7           | 29.0         | 34.1          | 197.6            | 333.4                | 12.0         |
| 2013                                                   | 0.7               | 0.6             | 4.8         | 0.0                  | 8.7            | 2.1                      | 0.0                     | 16.1                | 10.8           | 27.6         | 33.8          | 182.8            | 324.4                | 10.1         |
| 2014                                                   | 0.5               | 0.5             | 4.5         | 0.0                  | 8.7            | 2.0                      | 0.0                     | 15.7                | 9.9            | 26.2         | 33.3          | 167.7            | 315.3                | 8.3          |
| 2015                                                   | 0.4               | 0.4             | 4.3         | 0.0                  | 8.7            | 1.9                      | 0.0                     | 15.3                | 9.0            | 24.8         | 32.8          | 152.4            | 306.2                | 6.8          |
| 2016                                                   | 0.4               | 0.3             | 4.1         | 0.0                  | 8.7            | 1.9                      | 0.0                     | 15.0                | 8.1            | 23.5         | 32.1          | 137.1            | 296.9                | 5.5          |
| 2017                                                   | 0.3               | 0.2             | 3.9         | 0.0                  | 8.7            | 1.8                      | 0.0                     | 14.7                | 7.2            | 22.2         | 31.4          | 121.9            | 287.6                | 4.4          |
| 2018                                                   | 0.2               | 0.2             | 3.7         | 0.0                  | 8.7            | 1.7                      | 0.0                     | 14.3                | 6.4            | 20.9         | 30.5          | 107.0            | 278.4                | 3.5          |
| 2019                                                   | 0.2               | 0.2             | 3.5         | 0.0                  | 8.7            | 1.6                      | 0.0                     | 13.9                | 5.5            | 19.6         | 29.6          | 92.3             | 269.3                | 2.8          |
| 2020                                                   | 0.1               | 0.1             | 3.2         | 0.0                  | 8.7            | 1.5                      | 0.0                     | 13.5                | 4.6            | 18.3         | 28.6          | 78.0             | 260.4                | 2.2          |
| 2025                                                   | 0.0               | 0.0             | 2.1         | 0.0                  | 7.3            | 1.1                      | 8.9                     | 19.4                | 2.8            | 22.3         | 23.3          | 45.0             | 188.1                | 0.6          |
| 2030                                                   | 0.0               | 0.0             | 1.3         | 0.0                  | 5.0            | 0.7                      | 7.6                     | 14.7                | 1.8            | 16.5         | 17.6          | 29.0             | 118.8                | 0.1          |
| 2035                                                   | 0.0               | 0.0             | 0.7         | 0.0                  | 3.1            | 0.5                      | 5.9                     | 10.2                | 1.1            | 11.2         | 12.3          | 16.8             | 67.4                 | 0.0          |
| 2040                                                   | 0.0               | 0.0             | 0.3         | 0.0                  | 1.7            | 0.2                      | 4.0                     | 6.2                 | 0.5            | 6.8          | 7.6           | 8.5              | 33.4                 | 0.0          |
| 2045                                                   | 0.0               | 0.0             | 0.1         | 0.0                  | 0.8            | 0.1                      | 2.2                     | 3.2                 | 0.2            | 3.5          | 3.9           | 3.6              | 13.9                 | 0.0          |
| 2050                                                   | 0.0               | 0.0             | 0.0         | 0.0                  | 0.3            | 0.0                      | 1.0                     | 1.3                 | 0.1            | 1.4          | 1.6           | 1.2              | 4.7                  | 0.0          |
| 2055                                                   | 0.0               | 0.0             | 0.0         | 0.0                  | 0.1            | 0.0                      | 0.3                     | 0.4                 | 0.0            | 0.5          | 0.5           | 0.3              | 1.3                  | 0.0          |
| 2060                                                   | 0.0               | 0.0             | 0.0         | 0.0                  | 0.0            | 0.0                      | 0.1                     | 0.1                 | 0.0            | 0.1          | 0.1           | 0.1              | 0.3                  | 0.0          |
| 2065                                                   | 0.0               | 0.0             | 0.0         | 0.0                  | 0.0            | 0.0                      | 0.0                     | 0.0                 | 0.0            | 0.0          | 0.0           | 0.0              | 0.1                  | 0.0          |
| 2070                                                   | 0.0               | 0.0             | 0.0         | 0.0                  | 0.0            | 0.0                      | 0.0                     | 0.0                 | 0.0            | 0.0          | 0.0           | 0.0              | 0.0                  | 0.0          |
| 2075                                                   | 0.0               | 0.0             | 0.0         | 0.0                  | 0.0            | 0.0                      | 0.0                     | 0.0                 | 0.0            | 0.0          | 0.0           | 0.0              | 0.0                  | 0.0          |

|                                      |                        |
|--------------------------------------|------------------------|
| <b>TABLES 3, 3A, 4, 4A, 5 AND 5A</b> | <b>TECHNICAL NOTES</b> |
|--------------------------------------|------------------------|

The projected flow of plan assets calculated in Tables 3, 3A, 4, 4A, 5 and 5A is based on the following economic assumptions:\*

| <b>Cost of<br/>Living Adjustments</b> | <b>General Schedule<br/>Increases*</b> |                             |
|---------------------------------------|----------------------------------------|-----------------------------|
| 12/05. . . . . 3.10%                  | 1/06. . . . . 4.10%**                  | 6/06. . . . . 5.733%        |
| 12/06. . . . . 3.50%                  | 1/07. . . . . 4.25%                    | 6/07. . . . . 6.250%        |
| 12/07. . . . . 3.50%                  | 1/08. . . . . 4.25%                    | 6/08. . . . . 6.250%        |
| 12/08. . . . . 3.50%                  | 1/09. . . . . 4.25%                    |                             |
| 12/09. . . . . 3.50%                  | 1/10. . . . . 4.25%                    | 6/10. . . . . 6.250%        |
| 12/10. . . . . 3.50%                  | 1/11. . . . . 4.25%                    |                             |
| <i>Future Years: 3.50%</i>            | <i>Future Years: 4.25%</i>             | <i>Future Years: 6.250%</i> |

\* The non-level projected general schedule increase consists of a General Schedule pay raise component and a locality pay differential component.

\*\* The pay raise for Postal employees for FY2006 was assumed to be 2.816%.

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