

April 13, 2007

The Retirement Board
City of Taylor Police and Fire Retirement System
Taylor, Michigan

Dear Board Members:

The purpose of the annual actuarial valuation of the City of Taylor Police and Fire Retirement System as of June 30, 2006 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members of the Retirement System,
- Compare accrued assets with accrued liabilities to assess the funded condition of the Retirement System, and
- Compute the City's recommended contribution rate for the Fiscal Year beginning July 1, 2007.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. Data concerning active members, retirees, beneficiaries and assets was provided by your staff. This data has been reviewed for reasonableness, but no attempt has been made to audit such information. The valuation was based on the provisions of the Retirement System as amended through June 30, 2006. The actuarial assumptions used in this valuation represent reasonable expectations of future experience under the System.

Respectfully submitted,



Sandra W. Rodwan, M.A.A.A

City of Taylor
Police and Fire Retirement System

Actuarial Valuation as of June 30, 2006

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Section One:
Valuation Summary



Purpose of Valuation

The purpose of the annual actuarial valuation of the City of Taylor Police and Fire Retirement System as of June 30, 2006 is to:

- ❖ Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members of the Retirement System,
- ❖ Compare accrued assets with accrued liabilities to assess the funded condition of the Retirement System, and
- ❖ Compute the City's recommended contribution rate for the Fiscal Year beginning July 1, 2007.

Liabilities and Funded Condition of Retirement System

Accrued liabilities of the Retirement System as of June 30, 2006 were computed to be \$132,777,933. The funding value of accrued assets was \$100,038,258. The ratio of the funding value of accrued assets to accrued liabilities was 75.3%.

Funding Value of Assets

A smoothed market value of assets was used for the June 30, 2006 valuation. This method, which spreads the difference between actual and expected investment return over four years, is the same as the method used for last year's valuation.

Computed City's Contribution Rate

The City's normal cost contribution rate was computed to be 21.90% of member payroll.

The City's total contribution rate was computed to be 35.18%. This includes a credit of 9.31% based on 10 year amortization of activity prior to June 30, 2002, and a contribution of 22.59% for amortization of remaining unfunded actuarial accrued liabilities over periods ranging from 15 to 22 years. Board policy adopted October 9, 2002 provides that actuarial (gains)/losses be amortized over 20 years.

Retirement System Experience

Overall experience of the Retirement System during the year ending June 30, 2006 was less favorable than assumed. The primary sources of unfavorable experience were i) the recognized rate of investment return which is based on the smoothed market value of assets, ii) salary increases and iii) retirements during the year, including the effect of lump sum buyouts on Average Final Compensation.

Assumption and Method Changes

The annual actuarial valuation includes these changes in assumptions, as adopted by the Retirement Board on April 12, 2006, following the experience study for the 5 year period ending June 30, 2004:

- The mortality table was changed to the RP2000 Healthy Annuitant Table from the 1983 Group Annuity Mortality Table.
- Rates of retirement were increased at certain levels of service.

There were no changes in actuarial cost methods.

Benefit Provision Change

There were no changes in benefits used for the valuation.

Participant Data

| | <u>06/30/2006</u> | <u>06/30/2005</u> |
|-----------------------------|-------------------|-------------------|
| Active Members | 159 | 157 |
| Active Member Payroll | \$13,476,011 | \$12,606,578 |
| Retirees and Beneficiaries* | 190** | 184* |
| Annual Pensions | \$8,283,847 | \$7,881,237 |
| Inactive Vested Members | 2 | 2 |
| Estimated Annual Pensions | \$35,176 | \$35,176 |

*Including 12 alternate payees receiving benefits totaling \$226,269 pursuant to Eligible Domestic Relations Orders.

**Including 14 alternate payees receiving benefits totaling \$258,034 pursuant to Eligible Domestic Relations Orders.

Financial Data

| | <u>06/30/2006</u> | <u>06/30/2005</u> |
|---------------------------|-------------------|-------------------|
| Smoothed Valuation Assets | \$100,038,258 | \$98,951,961 |
| Market Value of Assets | 99,023,750 | 97,451,415 |



Section Two:

***Actuarial Calculations –
Funding***



Computed Contribution Rates for The Year Beginning July 1, 2007

The contribution rates shown below are expressed as level percents of active member payroll.

The normal cost can be viewed as the long-term on-going cost of the Retirement System. The City’s total contribution rate has been computed to be 35.18% for the year beginning July 1, 2007.

| | <u>Percents of Payroll</u> |
|---|-----------------------------------|
| Normal Cost | |
| Regular Retirement | 24.53% |
| Pre-retirement Death | 0.53 |
| Disability | 1.01 |
| Withdrawal | <u>0.83</u> |
| Total Normal Cost | 26.90% |
| Member Portion | 5.00 |
| City’s Computed Normal Cost | 21.90% |
| Unfunded Actuarial Accrued Liability (18-25 Yr. Closed Amortization) | 22.59 |
| Credit for Activity Prior to Plan Yr. Ended 6/30/2002 (10 Yr. Open Amortization) | (9.31) |
| City’s Total Contribution Rate | 35.18% |
| City’s Dollar Contribution* | \$4,977,904 |

*Based on projected payroll.

Unfunded Actuarial Accrued Liability

| | <u>June 30, 2006</u> | <u>June 30, 2005</u> |
|---|-----------------------------|-----------------------------|
| Actuarial Accrued Liabilities | \$132,777,933 | \$123,358,784 |
| Assets Allocated to Funding | <u>100,038,258</u> | <u>98,951,961</u> |
| Unfunded Actuarial Accrued Liabilities | \$32,739,675 | \$24,406,823 |

Computed City Contributions

| Valuation Date June 30 | Fiscal Year Beginning July 1 | Recommended Dollar Contributions* | Percent of Valuation Payroll |
|-----------------------------------|---|--|---|
| 1995 | 1996 | \$886,000 | 11.45% |
| 1996# | 1997 | 966,424 | 10.55 |
| 1997# @ | 1998 | 1,099,141 | 10.19 |
| 1998# | 1999 | 590,214 | 3.67 |
| 1999# | 2000 | 1,018,067 | 7.78 |
| 2000# @ | 2001 | 792,263 | 5.94 |
| 2001@ | 2002 | 1,258,709 | 12.20 |
| 2002@ | 2003 | 2,000,194 | 16.11 |
| 2003#@ | 2004 | 2,497,495 | 20.32 |
| 2004# | 2005 | 2,943,025 | 24.94 |
| 2005 | 2006 | 4,023,065 | 29.95 |
| 2006+ | 2007 | 4,820,841 | 34.07 |
| 2006@ | 2007 | 4,977,904 | 35.18 |

*Actual amounts for Fiscal Years beginning before July 1, 2005.

After changes in benefit provisions.

@ After changes in actuarial assumptions or methods.

+Before changes in actuarial assumptions.

Note: Results shown throughout this report for years prior to 2004 were prepared by the previous actuarial firm.

History of Assets and Accrued Liabilities

| Valuation Date June 30 | Valuation Assets | Actuarial Accrued Liabilities | Funded Ratio | Unfunded Actuarial Accrued Liabilities |
|------------------------|--------------------|-------------------------------|--------------|--|
| 1986@ | \$29,032,053 | \$30,445,103 | 95.4% | \$1,413,050 |
| 1987 | 35,044,194 | 36,474,114 | 96.1 | 1,429,920 |
| 1988 | 38,765,420 | 38,867,633 | 99.7 | 99,213 |
| 1989 | 42,512,992 | 41,626,330 | 102.1 | (886,662) |
| 1990 | 46,063,061 | 43,922,543 | 104.9 | (2,140,518) |
| 1991 | 49,737,330 | 47,178,973 | 105.4 | (2,558,357) |
| 1992 | 53,556,305 | 50,247,014 | 106.6 | (3,309,291) |
| 1993 | 58,155,660 | 56,081,864 | 103.7 | (2,073,796) |
| 1994 | 62,741,421 | 59,670,974 | 105.1 | (3,070,447) |
| 1995 | 66,738,487 | 64,413,553 | 103.6 | (2,324,934) |
| 1996@ | 72,893,834 | 69,575,148 | 104.8 | (3,318,686) |
| 1997#@ | 80,642,072 | 77,075,797 | 104.6 | (3,566,275) |
| 1998# | 90,246,507 | 80,253,845 | 112.5 | (9,992,662) |
| 1999# | 100,539,640 | 95,699,572 | 105.1 | (4,840,068) |
| 2000#@ | 106,949,853 | 100,490,847 | 106.4 | (6,459,006) |
| 2001@ | 109,890,095 | 106,771,235 | 102.9 | (3,118,860) |
| 2002@ | 108,014,638 | 110,532,059 | 97.7 | 2,517,421 |
| 2003#@ | 103,993,810 | 113,029,146 | 92.0 | 9,035,336 |
| 2004# | 100,385,111 | 117,089,217 | 85.7 | 16,704,106 |
| 2005 | 98,951,961 | 123,358,784 | 80.2 | 24,406,823 |
| 2006* | 100,038,258 | 130,920,662 | 76.4 | 30,882,404 |
| 2006@ | 100,038,258 | 132,777,933 | 75.3 | 32,739,675 |

After changes in benefit provisions.

@ After changes in actuarial assumptions or methods.

*Before changes in actuarial assumptions.

Note: Results shown throughout this report for years prior to 2004 were prepared by the previous actuarial firm.

Aggregate Gain/Loss - Year Ended June 30, 2006

| | |
|--|--------------|
| (1) UAAL ^a at start of year | \$24,406,823 |
| (2) Employer normal cost | 2,871,891 |
| (3) Interest accrual | 1,852,216 |
| (4) Employer contributions | 2,943,025 |
| (5) Expected UAAL before changes | None |
| (6) Change from amendments | None |
| (7) Change from assumption revision | 1,857,271 |
| (8) Expected UAAL after changes | 28,045,176 |
| (9) Actual UAAL | 32,739,675 |
| (10) Gain(Loss) | (4,694,499) |
| (11) Percent of AAL ^b | (3.81)% |

^a Unfunded Actuarial Accrued Liability.

^b Actuarial Accrued Liability at beginning of year \$123,358,784.

Comments and Recommendations

Comment 1: The overall experience of the Retirement System during the year ended June 30, 2006 was less favorable than long-term assumptions. The primary sources of unfavorable experience were the recognized rate of investment return based on the smoothed market value of assets, salary increases and retirements during the year, including the effect of lump sum buyouts on Average Final Compensation.

Comment 2: The annual actuarial valuation as of June 30, 2006 includes the assumption changes adopted by the Retirement Board last year following the experience study. The mortality table was revised to the RP 2000 Healthy Annuitant Table and retirement rates were increased at 21 to 24 years of service for Non-Command members and at 30 years for Command.

Comment 3: The decrease in the funded ratio to 75.3% from 80.2% and the increase in the City’s computed contribution rate to 35.18% from 29.95% reflect the unfavorable experience and assumption changes.

Recommendation 1: Retired life liabilities as of June 30, 2006 were computed to be \$90,795,403, and the Reserve for Retired Benefit Payments was reported to be \$81,153,468. The following transfer from the Reserve for Employer Contributions to the Reserve for Retired Benefit Payments is recommended in order to fully cover the retired life liabilities as of June 30, 2006.

| Recommended Transfer | |
|---|---|
| To Reserve for Retired Benefit Payments | From Reserve for Employer Contributions |
| \$9,641,935* | \$(9,641,935) |

*\$797,455 of this amount was attributable to the change in the assumed mortality rates.

Recommendation 2: Currently, changes in unfunded actuarial accrued liability due to benefit changes and experience gains (losses) are being amortized over 20 years, and the credit for activity prior to the plan year ended June 30, 2002 is being amortized over an open period of 10 years.

We recommend that this method be changed for future valuations to one which amortizes the total amount of unfunded actuarial accrued liabilities computed in the annual actuarial valuation over a period adopted by the Retirement Board, such as 25 or 20 years. This method is the one most commonly used by public employee retirement systems in the state. It produces a contribution rate which is likely to be more level than the current method and less likely to spread payment of unfunded actuarial accrued liability beyond the working lifetimes of the active employees.

The current method produces an amortization payment which is equivalent to approximately 25 year amortization. Using the recommended method and 25 year amortization of unfunded actuarial accrued liability, the City’s computed contribution rate would have been slightly lower by approximately 0.29% of payroll (34.89% v 35.18%). Twenty year amortization would have produced a 37.26% contribution. Rate.

Section Three:

***Retirement System
Benefit Provisions***



Benefit Provision Summary

Service Retirement

Eligibility:

Corporal/Patrol and Fire: Any age with 20 or more years of service or age 60 regardless of service.

Police Command: Any age with 25 or more years of service or age 60 regardless of service.

Annual Benefit:

Corporal/Patrol:

Straight life pension equals 2.8% of average final compensation (AFC) times first 25 years of service, maximum of 70% of AFC.

Police Command and Fire:

Straight life pension equals 2.8% of average final compensation (AFC) times first 25 years of service plus 1.0% of AFC times years of service in excess of 25 years to a maximum of 75% of AFC.

Average Final Compensation:

Highest 3 years out of last 10.

Deferred Retirement

Eligibility:

10 or more years of service.

Annual Benefit:

Computed as service retirement but based upon service, AFC and benefit provisions in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Duty Disability Retirement

Eligibility:

Payable upon the total and permanent disability of a member in the line of duty.

Annual Benefit:

To age 55: 50% of AFC.

At age 55: Same as Service Retirement Pension with service credit from date of disability to age 55.

Non-Duty Disability

Eligibility:

Payable upon the total and permanent disability of a member with 5 or more years of service

Annual Benefit:

To Age 55: 1.5% of AFC times years of service.
At Age 55: Same as Service Retirement Pension.

Duty Death in Service Survivor's Pension

Eligibility:

Payable upon the expiration of a worker's compensation to the survivors of a member who died in the line of duty.

Annual Benefit:

Same amount that was paid by worker's compensation.

Non-Duty Death in Service Survivor's Pension

Eligibility:

Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.

Annual Benefit:

Accrued straight life pension actuarially reduced in accordance with an Option I election.

Death After Retirement Survivor's Pension

Eligibility:

Payable to an eligible surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.

Annual Benefit:

Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.

Member Contributions

5% of pay.

Section Four:

***Actuarial Assumptions
And Methods***



Actuarial Assumptions

Economic Assumptions

(i) **Interest Rate** 7.6% (net of expenses)

(ii) **Salary Increases**

Across-the-Board 5.0%
 Merit and Longevity Age-related rates

Sample Annual Rates of Salary Increase

| Age | Inflation | Merit and Longevity | Total |
|------------|------------------|----------------------------|--------------|
| 20 | 5.0% | 3.0% | 8.0% |
| 25 | 5.0% | 3.0 | 8.0 |
| 30 | 5.0% | 2.6 | 7.6 |
| 35 | 5.0% | 1.1 | 6.1 |
| 40 | 5.0% | 0.2 | 5.2 |
| 45 | 5.0% | 0.2 | 5.2 |
| 50 | 5.0% | 0.2 | 5.2 |
| 55 | 5.0% | 0.1 | 5.1 |
| 60 | 5.0% | - | 5.0 |

Demographic Assumptions

(i) Mortality

RP2000 Healthy Annuitant Mortality Table

| Sample Ages | Future Life Expectancy (Years) | |
|-------------|--------------------------------|-------|
| | Men | Women |
| 50 | 30.1 | 33.3 |
| 55 | 25.9 | 28.7 |
| 60 | 21.6 | 24.3 |
| 65 | 17.6 | 20.1 |
| 70 | 13.9 | 16.3 |
| 75 | 10.6 | 12.8 |
| 80 | 7.8 | 9.7 |

Note: The valuation process uses mortality rates at each future age for an individual in order to determine the present value of future benefits. Life expectancy is shown to illustrate the mortality table but is not used in the valuation process.

(ii) Disability

| Sample Ages | Percent Becoming Disabled Within Next Year | |
|-------------|--|-------|
| | Men | Women |
| 20 | 0.07% | 0.03% |
| 25 | 0.09 | 0.05 |
| 30 | 0.10 | 0.07 |
| 35 | 0.14 | 0.13 |
| 40 | 0.21 | 0.19 |
| 45 | 0.32 | 0.28 |
| 50 | 0.52 | 0.45 |
| 55 | 0.92 | 0.76 |

(iii) Termination of Employment

Service related rates for first 5 years of employment. Age related rates after first 5 years of employment

| Sample Ages | Years of Service | Percent Terminating | |
|-------------|------------------|---------------------|-------|
| | | Police | Fire |
| All | 0 | 10.00% | 8.00% |
| | 1 | 8.00 | 6.00 |
| | 2 | 6.00 | 4.50 |
| | 3 | 4.00 | 3.00 |
| | 4 | 3.00 | 2.00 |
| 25 | 5 & Over | 2.97 | 2.00 |
| 30 | | 2.57 | 1.65 |
| 35 | | 1.52 | 0.86 |
| 40 | | 0.59 | 0.34 |
| 45 | | 0.33 | 0.29 |
| 50 | | 0.33 | 0.29 |
| 55 | | 0.33 | 0.29 |
| 60 | 0.33 | 0.29 | |

(iv) Retirement Rates

**Active Members Retiring within Year
Following Attainment of Indicated Retirement Age**

| Years of Service | Percent of Active Members Retiring Within Next Year | | | Retirement Age | Percent of Active Members Retiring Within Next Year | |
|------------------|---|---------|------|----------------|---|------|
| | Police | | | | Police | Fire |
| | Corp/Patrol | Command | Fire | | | |
| 20 | 50% | | 50% | 60 | 100% | 100% |
| 21 | 20 | | 20 | | | |
| 22 | 20 | | 20 | | | |
| 23 | 20 | | 20 | | | |
| 24 | 20 | | 20 | | | |
| 25 | 50 | 50% | 50 | | | |
| 26 | 50 | 40 | 50 | | | |
| 27 | 50 | 40 | 50 | | | |
| 28 | 50 | 40 | 50 | | | |
| 29 | 50 | 40 | 50 | | | |
| 30 | 100 | 90 | 100 | | | |
| 31 | | 40 | | | | |
| 32 | | 100 | | | | |

Corporal/Patrol and Fire members are eligible for retirement with 20 years of service or after attaining age 60. All others are eligible for retirement with 25 years of service or after attaining age 60.

Lump sum factors: 17% of active member normal retirement liabilities for Police and 10% of active member normal retirement liabilities for Fire. These loads may need to be increased in the future based on emerging experience which would further increase liabilities and computed contribution rates.

Actuarial Method Used for the Valuation

Normal Cost. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

- ❖ The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- ❖ Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Financing of Unfunded Actuarial Accrued Liability. For June 30, 2006, unfunded actuarial accrued liability was amortized over periods from 10 to 22 years, in continuation of prior practice.

| | Unfunded Actuarial Accrued Liability | Amortization Period |
|------------------------|---|----------------------------|
| | \$ (1,109,322) | 22 Yrs. |
| | (353,379) | 21 |
| | 2,133,151 | 20 |
| | 1,046,661 | 19 |
| | 5,956,048 | 18 |
| | 7,752,796 | 17 |
| | 7,502,614 | 16 |
| | 1,024,601 | 15 |
| | (12,788,298) | 10 |
| 2004 Benefit Change | 583,770 | 18 |
| 2004 (Gain)/Loss | 6,284,092 | 18 |
| 2005 (Gain)/Loss | 6,491,619 | 19 |
| 2006 (Gain)/Loss | 4,694,499 | 20 |
| 2006 Assumption Change | 1,857,271 | 20 |
| | \$31,076,123 | |

Active member payroll was assumed to increase 5.0% a year for the purpose of determining the level percent of payroll amortization payments (credits).



Section Five:
Valuation Data



Asset Summary

As of June 30, 2006 the market value of assets was reported to be \$99,023,750. The funding value of assets (smoothed market value) was computed to be \$100,038,258.

Funding Value of Assets

| | |
|--|---------------|
| A. Funding Value Beginning of Year | \$98,951,961 |
| B. Market Value End of Year | 99,023,750 |
| C. Market Value Beginning of Year | 97,451,415 |
| D. Non-Investment Net Cash Flow | (4,701,953) |
| E. Investment Income | |
| E1. Market Total B-C-D | 6,274,288 |
| E2. Amount for Immediate Recognition (7.6%) | 7,341,675 |
| E3. Amount for Phased-In Recognition E1-E2 | (1,067,387) |
| F. Phased-In Recognition of Investment Income | |
| F1. Current Year 0.25 x E3 | (266,847) |
| F2. First Prior Year | (288,489) |
| F3. Second Prior Year | 363,009 |
| F4. Third Prior Year | (1,361,098) |
| F5. Total Phased-In Amount | (1,553,425) |
| G. Funding Value End of Year A+D+E2+F5 | 100,038,258 |
| H. Difference Between Market and Funding Value | \$(1,014,508) |
| I. Nominal Rate of Return | 6.0% |
| J. Ratio of Funding Value to Market Value | 101.0% |

Participant Summary

Retirees and Beneficiaries Included in the Valuation

There were 190 retirees and beneficiaries included in the valuation, with annual pensions totaling \$8,283,847. Included in this total are 14 alternate payees receiving benefits totaling \$258,034.

There were 4 new age and service retirements with pensions totaling \$426,681 and 3 new beneficiaries added and 3 retirees removed in 2006.

Pensions Being Paid Historical Schedule

| Valuation Date June 30 | No. | Annual Pensions | Average Pension | Discounted Value of Pensions | |
|------------------------------|------------|--------------------|--------------------|------------------------------|----------------|
| | | | | Total | Average |
| 1990 | 47 | \$1,429,038 | \$30,405 | \$16,224,469 | \$345,201 |
| 1991 | 51 | 1,590,003 | 31,177 | 17,980,820 | 352,565 |
| 1992 | 54 | 1,737,581 | 32,177 | 19,528,728 | 361,643 |
| 1993 | 60 | 1,953,824 | 32,564 | 21,903,662 | 365,061 |
| 1994 | 68 | 2,298,910 | 33,808 | 25,819,707 | 379,702 |
| 1995 | 83 | 2,844,663 | 34,273 | 31,974,175 | 385,231 |
| 1996 | 90 | 3,078,874 | 34,210 | 35,204,091 | 391,157 |
| 1997 | 104 | 3,576,801 | 34,392 | 39,994,818 | 384,566 |
| 1998 | 112 | 3,943,015 | 35,205 | 43,660,477 | 346,512 |
| 1999 | 126 | 4,671,551 | 37,076 | 51,973,507 | 412,488 |
| 2000 | 149 | 6,085,866 | 40,845 | 68,126,791 | 457,227 |
| 2001 | 156 | 6,442,233 | 41,296 | 71,745,841 | 459,909 |
| 2002 | 163 | 6,707,742 | 41,152 | 74,134,281 | 454,812 |
| 2003 | 181 | 7,645,268 | 42,239 | 85,119,435 | 470,273 |
| 2004 | 181 | 7,700,045 | 42,542 | 85,195,935 | 470,696 |
| 2005 | 184 | 7,881,237 | 42,833 | 86,107,080 | 467,973 |
| 2006 | 190 | 8,283,847 | 43,599 | 90,795,403 | 477,871 |

Retirees and Beneficiaries - June 30, 2006
Age Distribution (Including Alternate Payees)

| | | Retirees | | Disability | | Totals | |
|------------------|------------|--------------------|----------|--------------------|------------|--------------------|--|
| Attained Ages | No. | Annual Pensions | No. | Annual Pensions | No. | Annual Pensions | |
| 40-44 | 6 | \$335,655 | | \$ - | 6 | \$335,655 | |
| 45-49 | 14 | 765,493 | | | 14 | 765,493 | |
| 50-54 | 33 | 1,631,279 | | | 33 | 1,631,279 | |
| 55-59 | 37 | 1,878,077 | 1 | 61,288 | 38 | 1,939,365 | |
| 60 | 10 | 547,266 | | | 10 | 547,266 | |
| 61 | 7 | 263,953 | | | 7 | 263,953 | |
| 62 | 9 | 224,206 | | | 9 | 224,206 | |
| 63 | 12 | 543,266 | | | 12 | 543,266 | |
| 64 | 11 | 425,971 | | | 11 | 425,971 | |
| 65 | 3 | 106,989 | | | 3 | 106,989 | |
| 66 | 3 | 137,616 | | | 3 | 137,616 | |
| 67 | 2 | 59,401 | 1 | 20,600 | 3 | 80,001 | |
| 68 | 7 | 287,586 | | | 7 | 287,586 | |
| 69 | 5 | 160,799 | | | 5 | 160,799 | |
| 70 | 3 | 56,317 | | | 3 | 56,317 | |
| 71 | 1 | 44,354 | | | 1 | 44,354 | |
| 72 | 4 | 144,480 | | | 4 | 144,480 | |
| 73 | 6 | 201,133 | | | 6 | 201,133 | |
| 74 | 4 | 105,909 | | | 4 | 105,909 | |
| 75 | 1 | 35,597 | | | 1 | 35,597 | |
| 77 | 3 | 92,765 | | | 3 | 92,765 | |
| 78 | 3 | 94,566 | | | 3 | 94,566 | |
| 80 | 1 | 17,060 | | | 1 | 17,060 | |
| 81 | 1 | 10,589 | | | 1 | 10,589 | |
| 82 | 1 | 24,205 | | | 1 | 24,205 | |
| 84 | 1 | 7,427 | | | 1 | 7,427 | |
| Totals | 188 | \$8,201,959 | 2 | \$81,888 | 190 | \$8,283,847 | |

Active Members as of June 30, 2006
Age and Service Distribution

| Attained Age | Service | | | | | | | No. | Totals Payroll |
|-----------------|-----------|-----------|-----------|-----------|----------|-------|---------|------------|---------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | Over 30 | | |
| 25-29 | 17 | 15 | | | | | | 32 | \$2,325,174 |
| 30-34 | 4 | 33 | 5 | | | | | 42 | 3,475,808 |
| 35-39 | 1 | 25 | 13 | 4 | 1 | | | 44 | 3,795,465 |
| 40-44 | | 4 | 7 | 13 | 3 | | | 27 | 2,456,176 |
| 45-49 | | 1 | 3 | 3 | 1 | | | 8 | 798,743 |
| 50-54 | | 1 | | 2 | 2 | | | 5 | 489,754 |
| 55-59 | | | 1 | | | | | 1 | 134,891 |
| Totals | 22 | 79 | 29 | 22 | 7 | | | 159 | \$13,476,011 |

Group Averages:

Age: 36.0 years
Service: 9.8 years
Annual Pay: \$84,755

Active Members – Three-Year Summary

| | 2006 | 2005 | 2004 |
|------------------------|--------------|--------------|--------------|
| Active Members | 159 | 157 | 158 |
| Valuation Payroll | \$13,476,011 | \$12,606,578 | \$11,166,056 |
| Average Compensation | \$84,755 | \$80,297 | \$70,671 |
| Average Age (yrs.) | 36.0 | 35.3 | 34.2 |
| Average Service (yrs.) | 9.8 | 9.3 | 8.6 |



Section Six:
Accounting Disclosures



GASB Statement No. 25 Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---------------------------------|---|
| Valuation Date: | June 30, 2006 |
| Actuarial Cost Method: | Individual Entry Age |
| Amortization method: | Level percent of payroll, closed |
| Remaining amortization periods: | 10 years for pre 7/1/02 credit 15-22 years for other bases |
| Asset valuation method: | 4-year smoothed market value |
| Actuarial assumptions: | |
| Investment rate of return | 7.6% |
| Projected salary increases | 0.1% - 3.0% |
| Includes inflation at | 5.0% |

Membership data as of June 30, 2006, indicated in Section Five of this report.

Analysis of Funding Progress

| Valuation Date June 30 | (1) Funding Value of Assets | (2) Actuarial Accrued Liability | (3) Percent Funded (1)/(2) | (4) Unfunded AAL (2)-(1) | (5) Annual Covered Payroll | (6) UAAL As a % Of Covered Payroll |
|---------------------------|-----------------------------------|--|-------------------------------------|-----------------------------------|-------------------------------------|---|
| 1994 | \$62,741,421 | \$59,670,974 | 105.1% | \$(3,070,447) | \$8,010,185 | -% |
| 1995 | 66,738,487 | 64,413,553 | 103.6 | (2,324,934) | 7,737,010 | - |
| 1996# | 72,893,834 | 69,575,148 | 104.8 | (3,318,686) | 7,831,295 | - |
| 1997# | 80,642,072 | 77,075,797 | 104.6 | (3,566,275) | 8,547,862 | - |
| 1998# | 90,246,507 | 80,253,845 | 112.5 | (9,992,662) | 8,616,996 | - |
| 1999# | 100,539,640 | 95,699,572 | 105.1 | (4,840,068) | 9,711,972 | - |
| 2000# | 106,949,853 | 100,490,847 | 106.4 | (6,459,006) | 9,060,243 | - |
| 2001# | 109,890,095 | 106,771,235 | 102.9 | (3,118,860) | 9,589,184 | - |
| 2002# | 108,014,638 | 110,532,059 | 97.7 | 2,517,421 | 10,645,413 | 23.6 |
| 2003# | 103,993,810 | 113,029,146 | 92.0 | 9,035,336 | 10,621,521 | 85.1 |
| 2004# | 100,385,111 | 117,089,217 | 85.7 | 16,704,106 | 11,166,056 | 149.6 |
| 2005 | 98,951,961 | 123,358,784 | 80.2 | 24,406,823 | 12,606,578 | 193.6 |
| 2006# | 100,038,258 | 132,777,933 | 75.3 | 32,739,675 | 13,476,011 | 242.9 |

After changes in benefit provisions and/or actuarial assumptions or cost method.

Note: Results shown throughout this report for years prior to 2004 were prepared by the previous actuarial firm.

**Required Supplementary Information
Schedule of Employer Contributions**

| Valuation Date June 30 | Fiscal Year Beginning July 1 | Computed Rates as Percents of Valuation Payroll | Actual Annual Contributions |
|-----------------------------------|---|--|--|
| 1994 | 1995 | 10.80% | \$1,007,624 |
| 1995 | 1996 | 11.45 | 886,000 |
| 1996 | 1997 | 10.55 | 966,424 |
| 1997 | 1998 | 10.19 | 1,099,144 |
| 1998 | 1999 | 3.67 | 590,214 |
| 1999 | 2000 | 7.78 | 1,018,067 |
| 2000 | 2001 | 5.94 | 792,263 |
| 2001 | 2002 | 12.20 | 1,258,709 |
| 2002 | 2003 | 16.11 | 2,000,194 |
| 2003 | 2004 | 20.32 | 2,497,495 |
| 2004 | 2005 | 24.94 | 2,943,025 |
| 2005 | 2006 | 29.95 | |
| 2006 | 2007 | 35.18 | |