City of Chattanooga
General Pension Plan

Actuarial Valuation as of January 1, 2007

Prepared on
April 13, 2007

EFI* Actuaries • EFI Asset/Liability Management Services, Inc.
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Summary of Results

Introduction

This Report presents the results of an actuarial valuation of the City of Chattanooga General Pension Plan as of January 1, 2007. The purposes of this actuarial analysis are:

- To perform the annual actuarial valuation in accordance with the provisions of Subsection (2) of Section 3.39 of the Chattanooga City Charter,
- To compute the annual contribution rate required to fund the Plan in accordance with actuarial principles for the 2007-2008 year, and
- To present those items required for disclosure under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Organization of the Report

This Report is organized in five sections:

- This Summary presents the conclusions of the Report and discusses the reasons for changes since the last valuation.
- Section 1 below contains an outline of the Plan provisions on which our calculations are based, statistical data concerning Plan participants, and a summary of the actuarial assumptions employed to compute liabilities and costs.
- Section 2 presents information concerning Plan assets, including balance sheets, income statements and the calculation of the Actuarial Value of Assets from January 1, 2006 to December 31, 2006.
- Section 3 contains the actuarial calculation of liabilities and Plan cost.
- Section 4 contains pension plan information required under Statement No. 25 of the Governmental Accounting Standards Board.

Plan Cost

Since the last actuarial valuation was performed as of January 1, 2006, the Plan cost has decreased in dollar terms and as a percentage of active members' payroll. The table below shows a brief summary.

	Cost in Dollars	% of Payroll
January 1, 2006 (Plan Year 2006-2007 Contribution)	$3,810,139	6.97%
January 1, 2007 (Plan Year 2007-2008 Contribution)	$3,466,650	6.36%

The reasons for the decrease in Plan cost included demographic gains and the impact of the additional assets received as part of a legal settlement. These and other factors will be discussed in detail below.

Change in Plan Cost from January 1, 2006 to January 1, 2007

The table below shows the breakdown of the change in Plan cost from January 1, 2006 to January 1, 2007.

	Cost as % of Projected Payroll
January 1, 2006 (Section 3.1)	6.97%
Change in cost due to demographic (gains)/losses	(0.54%)
Change in cost due to salary (gains)/losses	(0.45%)
Change in cost due to new entrants	0.41%
Change in cost due to investment (gains)/losses	(0.03%)
January 1, 2007 (Section 3.2)	6.36%

The computations above are based on the Plan provisions and on the current actuarial assumptions as of January 1, 2007, shown in section 1.3 The above costs are also based on the actuarial value of Plan assets, which is developed from a five-year asset value smoothing method.

Among the causes of the cost changes were the following:

- Actual demographic experience was slightly better than the expected behavior in aggregate, resulting in a decrease in Plan cost of 0.54% of pay. Demographic gains and losses occur because of status changes within the Plan: retirements, deaths, disabilities, and terminations.

- Salary increases below those assumed caused a cost reduction of 0.45%. According to City officials, one of the causes of this salary gain was a continuation of a policy goal of reduced use of overtime. The actual payroll was about $0.9 million less than expected.

- The addition of new Plan members resulted in a cost increase of 0.41%.

  Overall active participation in the Plan has decreased in the past year: There were 1,534 active members on January 1, 2006, and there are 1,520 in this year's valuation. However, new members are still entering the Plan to replace those who leave. The current City cost is below the long-term City Normal Cost (currently 7.30% of payroll), because the Plan's funding ratio is greater than 100% on an accrued liability basis. When new members enter the Plan, they immediately add to the Normal Cost of the Plan, but have only a minor impact on the Unfunded or Surplus. Therefore, new entrants tend to drive the overall cost closer to the long-term Normal Cost, which in this case results in an increase in the City contribution.

- A very small portion of the decrease in Plan cost as a percentage of payroll – 0.03% – was due to an actuarial gain from Plan investments: Plan assets returned 7.85% on an actuarial basis (and approximately 14.0% on a market basis), resulting in an actuarial gain of about $0.2 million. Some of this gain was due to the receipt of the proceeds from a prior legal action. The return on the actuarial value of the assets is lower than the return on the market basis because some of the gains from the current year are being deferred due to the smoothing method.

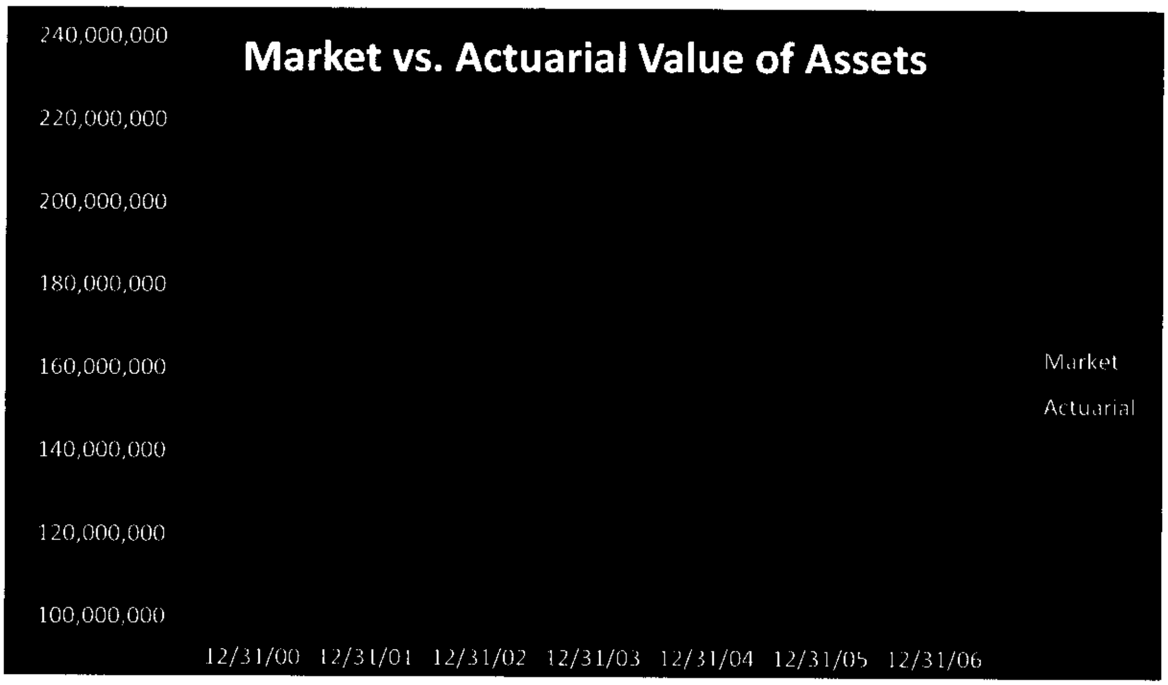
Calculation of City Contributions

The annual cost of $3,466,650 is calculated based on the projected payroll of $54,545,300 for calendar year 2007. The dollar cost calculation is presented for budgeting purposes only; the actual City contributions are based on the percentage of pay (6.36%) and are made on a monthly basis. Interest is applied to the required contribution to bring it to the middle of the year (July 1).

Actuarial Smoothing of Plan Assets

The figures above have been computed by valuing the Plan's assets at actuarial value, as do most other defined benefit pension plans. The actuarial value of Plan assets is computed in a manner designed to smooth fluctuations in the market value of Plan assets. The additional stability in the value of Plan assets translates to more predictable pension plan costs that are easier to budget.

The cost of the Plan has been computedusing a five-year asset value smoothing method. The smoothing method spreads the recognition of investment gains and losses over five years.



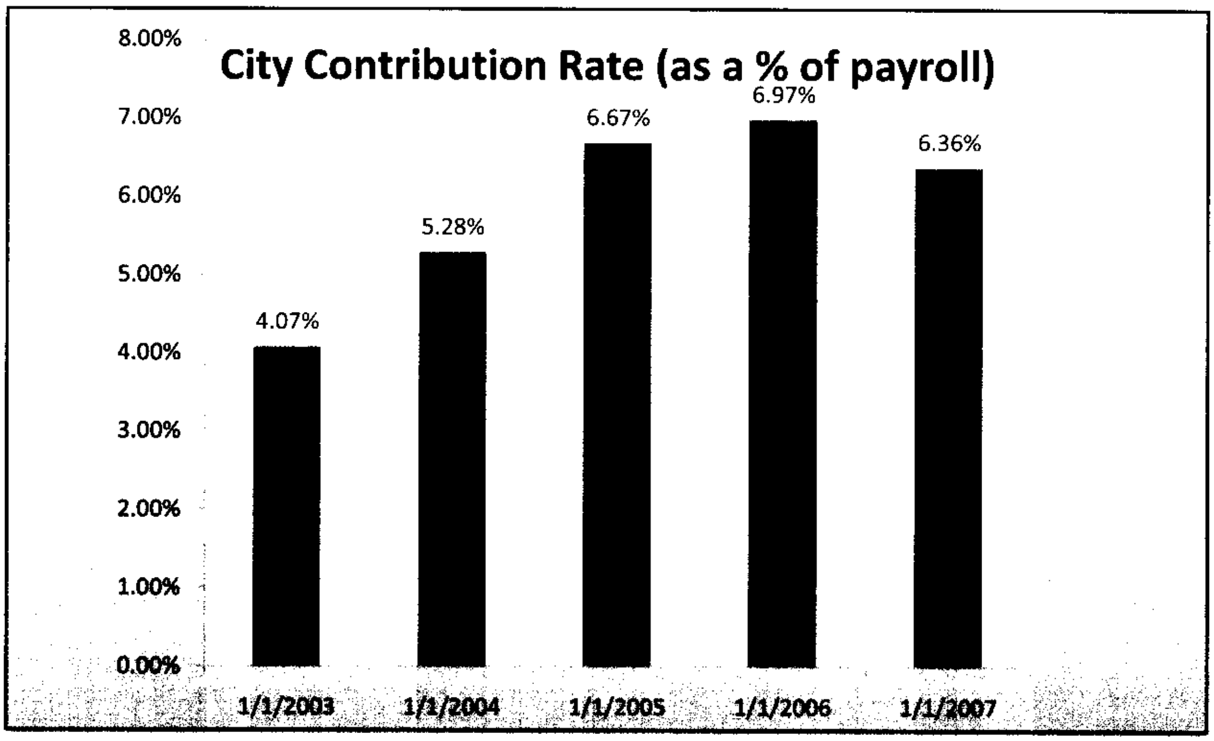
The chart above compares market value and actuarial value of assets since 2000. The investment return on Plan assets was assumed to be 7.75% in 2006. We note that the smoothing method has the desired effect: the actuarial value line in the chart has smaller year-to-year changes than the market value, on average.

Currently, the actuarial value of assets is in close agreement with the market value. When an asset smoothing method is in place, the actuarial value of assets will be above and below market value about an equal amount of the time, so that the Plan costs using the smoothed value will be below or above those using market value about 50% of the time. Over time, the differences will average out. If the valuation were to be completed using the market value of assets, the calculated cost would be 6.22% of payroll, or $3.4 million for the current year.

There is often a corridor limitation on the actuarial value of assets when smoothing is used. Generally, the actuarial value of assets is not allowed to exceed 120% or drop below 80% of the market value. Last year, the corridor was plus or minus 25% (for a 75%/125% corridor), but this has narrowed to an 80%/120% corridor in the current valuation. Regardless, the use of a different corridor would not have an impact on this year's valuation, as the actuarial value of assets is very close to the market value.

Conclusion

The chart below shows the history of the City's actuarially determined contribution rates over the past several years.



This report has been prepared using generally accepted actuarial methods and assumptions. If there are any questions about this report, please feel free to contact us. We enjoy being of service to you and we look forward to doing so in the future.

Respectfully submitted,

Graham Schmidt

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Section 1

Summary of Plan Provisions, Member Statistics, and Actuarial Assumptions

1.1: Brief Outline of Plan Provisions

Definitions

Average Compensation

A Participant's Average Compensation is the arithmetic average using the Participant's highest paid three full calendar years of service or, if less than three years of Credited Service have been completed, the average is calculated using the number of years and months actually completed by the Participant.

Credited Service

The length of time a person participated in the Plan or any former plan prior to the date as of which Credited Service is being determined, expressed in years and completed calendar months.

Appointed charter officials, elected City Council members, and appointed judgeship officials earn Credited Service for the Plan in the amount of 1.5 years for each single year they are employed by the City.

Plan Year

July 1 – June 30

Participation

Employees of the City of Chattanooga, including elected officials, join the Plan on the date they become a permanent employee with the following exceptions:

- Seasonal and temporary employees;
- Firefighters and police officers;
- Persons rendering a service under contract.

Each employee hired after February 1, 1979, shall be a participant of this Plan as a condition of employment. Each such employee's participation shall commence with the first payroll period.

Normal Retirement Benefit

Eligibility

Participants are eligible for normal retirement on the first day of the month after reaching age 62 or upon satisfying the Rule of 80.

Benefit Amount

The total annual benefit under normal retirement is calculated using one of the following formulas:

1. 2% of Average Compensation multiplied by the number of full years of Credited Service (up to 20 years and 40% maximum), plus 1% of Average Compensation multiplied by each additional full year of Credited Service beyond 20 years; or

2. 60% of Average Compensation, less 50% of the primary Social Security amount payable at age 62 (PIA), plus 1% of Average Compensation for each full year in excess of 25, multiplied by a fraction, the numerator of which is equal to Credited Service not in excess of 25, and the denominator of which is equal to 25.

Formula 2 only applies to employees hired prior to January 1, 1985. Participants with 10 or more years of Credited Service on December 31, 1994 will receive the larger benefit from Formula 1 or Formula 2. All other participants will have their benefits calculated using Formula 1.

<u>Form of Benefit</u>

The normal form of payment is a straight life annuity option that pays the monthly benefit to the participant until his death. The beneficiary receives no payments after the participant's death under this payment method.

Early Retirement Benefit

<u>Eligibility</u>

Participants are eligible for early retirement on the first day of the month after reaching age 55 with 5 years of Credited Service.

<u>Benefit Amount</u>

A monthly deferred early retirement benefit is payable on the Participant's normal retirement date, provided he is then living, and computed in the manner set forth above for the normal retirement benefit.

Subject to the written approval of the Board, an immediate monthly life annuity shall be payable, the amount of which shall be the amount of the normal retirement benefit, reduced by 5/24 of 1% for each full month his early retirement date precedes his 62^{nd} birthday.

<u>Form of Benefit</u>

The normal form of payment is a straight life annuity option.

Disability Retirement Benefit

<u>Eligibility</u>

A participant is eligible for a disability retirement benefit if the participant becomes disabled in the line of duty or not in the line of duty. If a participant becomes disabled not in the line of duty after five years of service, or if he becomes disabled in the line of duty regardless of the number of years of service, he may retire and receive a disability pension.

Benefit Amount

The disability retirement benefit, payable to age 62, consist of 60% of earnings minus the primary Social Security disability benefit. Upon attainment of age 62, the employee becomes entitled to his regular pension as defined under normal retirement above, with full credit for the years of service during which he was disabled if totally disabled as a result of any injury in the line of duty.

Form of Benefit

The benefit form is the same as that for a normal service retirement benefit.

Pre-Retirement Death Benefit (Refund of Contributions)

Eligibility

Participants are eligible for a death benefit if the participant dies before he has completed 5 years of service and before he has attained age 62.

Benefit Amount

The beneficiary shall receive a refund of all the deceased participant's contributions to the Plan, without interest, payable within 15 days after the date of death.

Pre-Retirement Death Benefit (Monthly Benefit)

Eligibility

Participants are eligible for a death benefit if the participant dies after he has completed 5 years of service or after he has attained age 62.

Benefit Amount

Upon the death of a participant, any option he may have elected, in lieu of his otherwise retirement benefit, shall be payable as though he had been entitled to have such option benefit commence on his date of death; and in the event such a participant has not elected any option prior to his death, a benefit shall be payable to the deceased participant's surviving spouse, if any, as though he had elected a ten-year certain and life form of annuity.

If the death occurs in the line of duty, the participant's benefit shall be calculated using 25 years of Credited Service, if the participant had less than 25 years of Credited Service at the time of his death.

Termination Benefit

Eligibility

A participant is eligible for a refund of contributions if he terminated employment before becoming eligible for any other benefit.

Benefit Amount

The member will receive a refund of his contributions. If the employee has completed at least 5 years of Credited Service, he will receive interest on his contributions, at the rate of 6.0% per annum, from the date of termination to the date the refund is made.

Optional Benefit Forms

Prior to retirement, a member may elect to convert his retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below.

1. Option A – 120 Payments and Life Certain

   Option A provides a decreased pension benefit payable for life to the retired participant, with the first 120 payments (10 years) guaranteed. Any guaranteed payments due after the death of the retired participant are paid to the designated beneficiary, if any, who survives the retired participant.

2. Option B – Joint and Survivor

   Option B provides a reduced retirement benefit form payable to the retired participant for life. If the participant dies, a surviving beneficiary will continue to receive the identical benefit. All benefits end when both the participant and the beneficiary are deceased.

3. Option C – Modified Joint and Survivor

   Option C provides a reduced retirement benefit form payable to the retired participant for life. If the participant dies, a surviving beneficiary will continue to receive 50% of the retiree's benefit. All benefits end when both the participant and the beneficiary are deceased.

4. Option D – Modification of Option B (Pop-up)

   Option D provides a reduced retirement benefit form payable to the retired participant for life. If the participant predeceases his beneficiary, the identical benefit will continue for the life of the surviving beneficiary. If the beneficiary dies before the participant, the participant's benefit payment will be increased to the full monthly benefit payment as if the participant had elected the normal form (a straight annuity) of payment. This increased benefit will be paid to the participant until his death.

5. Option E – Modification of Option C (Pop-up)

   Option E provides a reduced retirement benefit form payable to the retired participant for life. If the participant predeceases his beneficiary, 50% of the benefit will continue for the life of the surviving beneficiary. If the beneficiary dies before the participant, the participant's benefit payment will be increased to the full monthly benefit payment as if the participant had elected the normal form (a straight annuity) of payment. This increased benefit will be paid to the participant until his death.

6. Deferred Retirement Option Provision (DROP)

   The Deferred Retirement Option Provision (DROP) offers a participant the option of receiving a portion of his total benefit as a lump-sum cash payment at the time he retires. When a participant elects the DROP, his monthly benefit payments are reduced.

   The DROP payment can be paid in annual installments up to three years, depending on the participant's total Credited Service. The participant must have 26 years of Credited Service to be eligible for a one-year DROP payment, 27 years of service to be eligible for a two-year DROP payment, and at least 28 years of service to be eligible for a three-year DROP payment.

Post Retirement Adjustments

An annual cost-of-living adjustment will be made to amounts paid to or on account of a retired participant each January 1. The adjustment shall be equal to 3%.

Funding

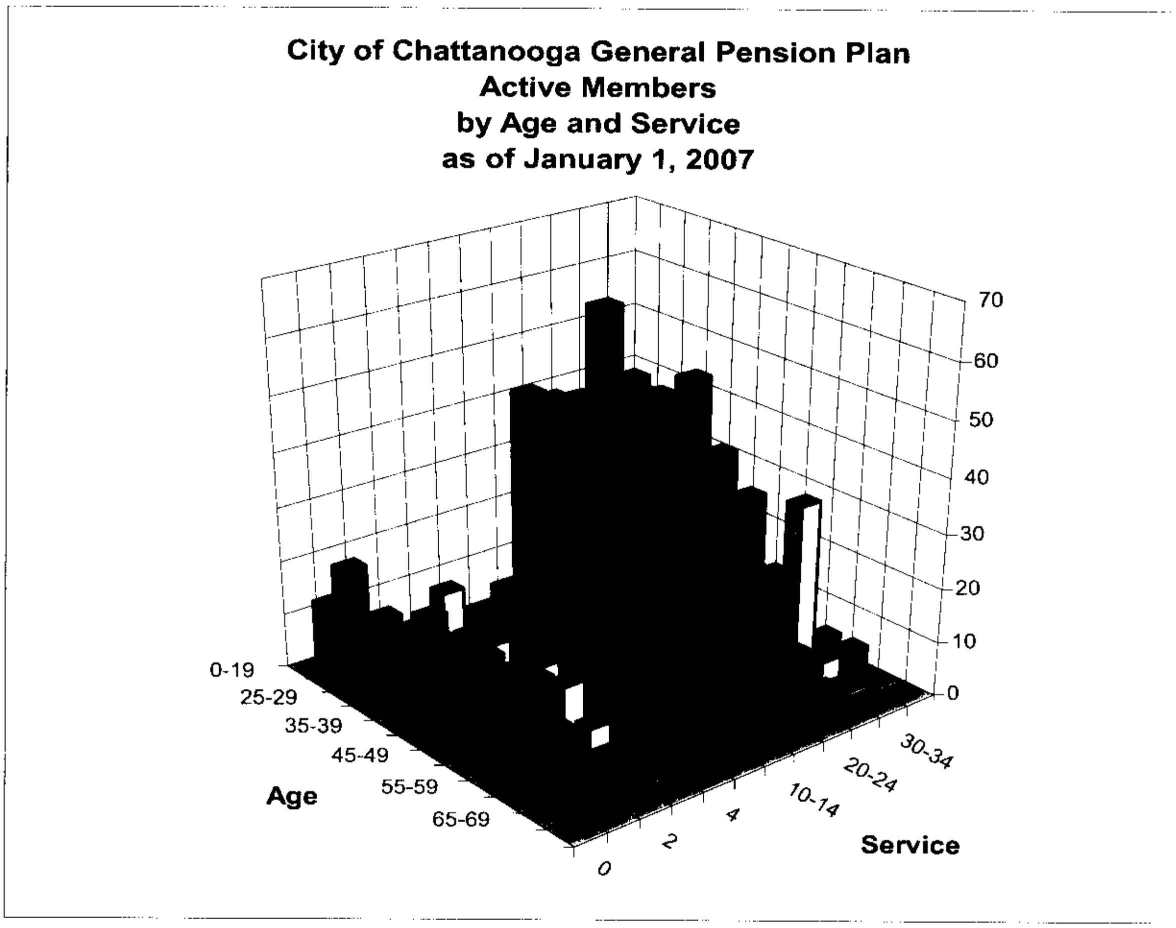
The City and the employees share in the cost of the Plan.

Each participant shall pay 2% of his compensation to the Plan through payroll deductions. An employee contribution is required for each payroll period a participant receives compensation.

The City contribution rate is determined on the basis of an actuarial valuation of the Plan made as of December 31 of the preceding Plan year.

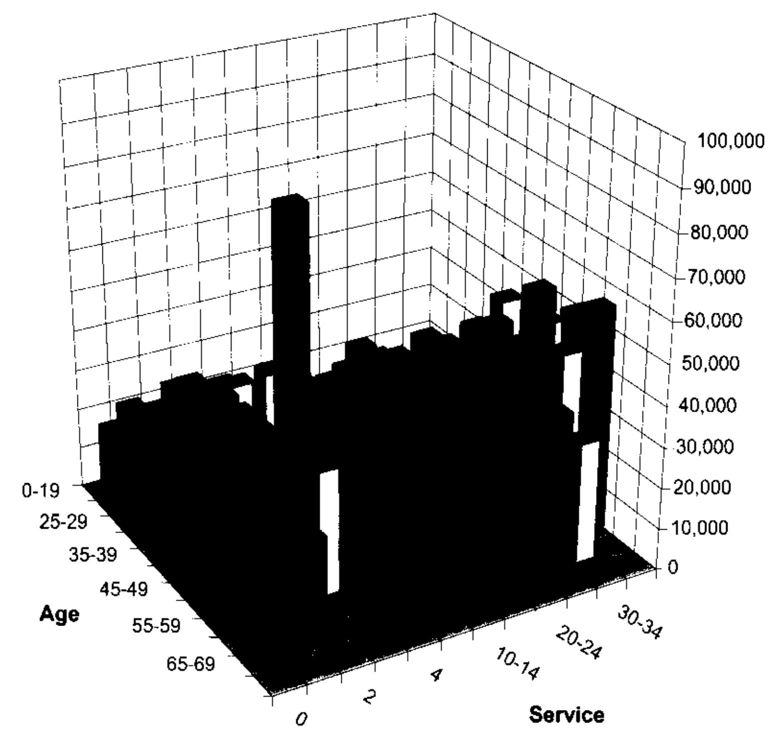
1.2: Participant Data

Active Participants	January 1, 2006	January 1, 2007
Number	1,534	1,520
Number Vested	1,098	1,102
Non-Vested	436	418
Average Age	46.86	47.35
Average Eligibility Service	11.11	11.49
Average Pay	$33,976	$34,233
Inactive Participants		
Number of Service Retired Participants	582	587
Average Age	71.15	71.12
Average Annual Benefit	$12,616	$13,097
Number of Beneficiaries	120	120
Average Age	63.19	63.93
Average Annual Benefit	$8,202	$8,687
Number of Disabled Participants	58	56
Average Age	58.86	59.06
Average Annual Benefit	$8,404	$8,682
Number of Terminated Vested Participants	73	77
Average Age	47.43	47.78
Average Annual Benefit	$7,966	$7,847



Service Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	1	0	0	0	0	0	0	0	0	0	0	1
20-24	15	9	4	2	0	0	0	0	0	0	0	0	30
25-29	24	13	9	14	5	11	0	0	0	0	0	0	76
30-34	7	11	9	8	7	49	10	2	0	0	0	0	103
35-39	14	18	11	9	11	50	32	14	0	0	0	0	159
40-44	13	15	11	6	6	52	45	50	15	0	0	0	213
45-49	20	12	9	10	9	69	46	45	23	20	1	0	264
50-54	16	15	12	9	13	59	34	56	24	32	11	0	281
55-59	7	3	5	4	7	58	39	45	33	20	31	4	256
60-64	1	4	1	0	5	17	16	22	12	7	4	4	93
65-69	1	2	0	0	0	7	7	6	3	3	1	0	30
70+	0	0	0	0	1	4	3	3	3	0	0	0	14
Total	118	103	71	62	64	376	232	243	113	82	48	8	1,520

City of Chattanooga General Pension Plan
Active Members
Payroll by Age and Service
as of January 1, 2007



Service Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	19,660	0	0	0	0	0	0	0	0	0	0	19,660
20-24	19,906	18,434	26,617	21,842	0	0	0	0	0	0	0	0	20,488
25-29	23,747	26,841	31,376	28,911	22,396	24,115	0	0	0	0	0	0	26,095
30-34	26,802	26,754	31,151	32,746	27,107	29,009	27,476	33,903	0	0	0	0	28,913
35-39	25,210	25,501	35,017	22,284	22,433	31,075	34,007	34,999	0	0	0	0	30,040
40-44	23,679	29,677	34,742	42,799	25,538	30,602	35,886	38,696	41,352	0	0	0	34,302
45-49	28,223	35,664	28,124	28,700	26,231	29,388	33,023	38,590	43,163	45,519	50,470	0	34,112
50-54	22,796	33,152	27,970	28,234	32,410	32,727	36,962	41,246	42,374	49,680	43,241	0	37,199
55-59	30,263	44,367	32,976	30,799	37,159	32,757	32,386	34,463	43,405	40,535	51,670	51,832	37,731
60-64	26,067	19,570	20,336	0	25,485	30,671	31,745	39,992	45,728	64,317	47,918	56,392	38,467
65-69	26,988	99,726	0	0	0	36,002	44,206	46,632	32,214	38,358	29,946	0	43,645
70+	0	0	0	0	25,406	21,479	20,820	25,820	33,630	0	0	0	25,152
Total	24,669	29,797	31,134	29,549	27,689	30,717	34,037	38,382	42,554	47,270	48,948	54,112	34,233

Service Retired Participants and Beneficiaries

Number of Participants by Age

0-29	4
30-34	1
35-39	8
40-44	2
45-49	8
50-54	16
55-59	69
60-64	118
65-69	135
70-74	115
75-79	104
80-84	74
85-89	29
90-94	16
95+	8
Total Participants	707

Average Monthly Benefit by Age

0-29	$	399
30-34		314
35-39		376
40-44		410
45-49		702
50-54		1,205
55-59		1,183
60-64		1,098
65-69		1,187
70-74		1,039
75-79		1,004
80-84		914
85-89		842
90-94		484
95+		218
Average Benefit	$	1,029

Disabled Participants

Number of Participants by Age

25-29	0
30-34	0
35-39	1
40-44	4
45-49	4
50-54	6
55-59	14
60-64	13
65-69	9
70-74	5
75-79	0
80-84	0
85-89	0
90-94	0
95+	0
Total Participants	56

Average Monthly Benefit by Age

25-29	$ 0
30-34	0
35-39	1,444
40-44	1,023
45-49	875
50-54	1,030
55-59	609
60-64	601
65-69	607
70-74	699
75-79	0
80-84	0
85-89	0
90-94	0
95+	0
Average Benefit	$ 724

Terminated Vested Participants

Number of Participants by Age

25-29	0
30-34	6
35-39	13
40-44	8
45-49	10
50-54	28
55-59	11
60-64	1
65-69	0
70-74	0
75-79	0
80-84	0
85-89	0
90-94	0
95+	0
Total Participants	77

Average Monthly Benefit by Age

25-29	$	0
30-34		394
35-39		355
40-44		454
45-49		659
50-54		928
55-59		618
60-64		365
65-69		0
70-74		0
75-79		0
80-84		0
85-89		0
90-94		0
95+		0
Average Benefit	$	654

Benefit Form Elections

Retired Participants	
Straight Life Annuity	301
10 Year Certain & Life	72
100% Joint & Survivor	87
50% Joint & Survivor	53
100% Joint & Survivor with PopUp	47
50% Joint & Survivor with PopUp	27
Total Retired Participants	587
Disabled Participants	
Straight Life Annuity	34
10 Year Certain & Life	4
100% Joint & Survivor	15
50% Joint & Survivor	0
100% Joint & Survivor with PopUp	2
50% Joint & Survivor with PopUp	1
Total Disabled Participants	56

Changes in Plan Membership

	Active	Vested Terminated	Disabled	Retired	Beneficiaries	Total Participants
Members on January 1, 2006	1,534	73	58	582	120	2,367
New January 2, 2006 through January 1, 2007	130	(1)				129
Terminated with Vested Benefits	(11)	11				0
Became Disabled	(1)		1			0
Retired	(34)	(4)		38		0
Died or Terminated without a Vested Benefit	(96)	(2)	(1)	(26)	(11)[1]	(136)
Died with Beneficiary Payable	(2)		(2)	(7)	11	0
QDRO Commenced						0
Miscellaneous Adjustments						0
Members on January 1, 2007	1,520	77	56	587	120	2,360

[1] Includes 4 beneficiaries with temporary payment forms whose benefits expired.

1.3: Actuarial Methods and Assumptions

Actuarial Method

The annual actuarial contribution to pay for the retirement benefits provided to retired employees of the City of Chattanooga is computed under the Entry Age Normal Actuarial Cost Method. Under this Cost Method:

- A Total Normal Cost for the plan is calculated as a dollar amount. The City Normal Cost is the Total Normal Cost minus the expected employee contributions to the Plan.
- The liability for all future pension benefits payable by the City to current and future retired employees is computed. This is called the Fully Projected Liability.
- A portion of this liability is assigned to service earned to the date of the valuation. This portion is called the Actuarial Accrued Liability. The difference between the Fully Projected Liability and the Actuarial Accrued Liability is to be funded by future Total Normal Costs.
- The actuarial value of the assets on hand to pay these benefits is subtracted from the Actuarial Accrued Liability, producing the Unfunded Actuarial Accrued Liability.
- The Unfunded Actuarial Accrued Liability is amortized in level dollar payments over a rolling 30-year period.

The City's contribution to the Plan is determined by adding the City Normal Cost as determined above to the amortization of the Unfunded Actuarial Accrued Liability. Interest on the required contribution is calculated as of the middle of the year.

Actuarial Assumptions

Valuation Date	All assets and liabilities are computed as of January 1, 2007.
Rate of Return	The annual rate of return (net of expenses) on the actuarial value of Plan assets is assumed to be 7.75%.
Contribution Earnings Rate	Employee contribution balances accumulate at an annual interest rate of 6.00%, from the time of termination to the time of payment, if the participant had at least 5 years of Credited Service at the time of termination.
Plan Expenses	Expenses are netted in the assumed rate of return.
Cost of Living	The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.00% per year.

Increases in Pay

Assumed pay increases for active Participants consist of increases due to cost of living adjustments and those due to longevity and promotion. The rates listed below include the general pay increase due to the cost of living of 3.00%

Rates of assumed annual rates of future pay increases among participants depend on service and are given by the following table.

Service	Annual Rate
0 – 5 years	5.50%
6 – 9 years	5.00%
10 and over	4.50%

Retired Employee Mortality

Rates of mortality for retired employees and their beneficiaries are based on the age and sex of the individual, and given by the 1951 Group Annuity Mortality Table Projected to 1980 (set back 5 years for females). Representative rates are as follows:

Age	Male	Female
45	0.249%	0.139%
50	0.450%	0.249%
55	0.725%	0.450%
60	1.080%	0.725%
65	1.696%	1.080%
70	2.729%	1.696%
75	4.664%	2.729%
80	8.210%	4.664%
85	13.330%	8.210%
90	20.059%	13.330%
95	26.802%	20.059%
100	36.546%	26.802%

Disabled Employee Mortality

Rates of mortality for all disabled employees are based on the age of the individual. Representative rates are as follows:

Age	Annual Rate
40	4.412%
50	4.864%
60	7.252%
70	10.363%
80	15.428%
90	24.150%
100	40.524%

Active Employee Mortality

Rates of mortality are based on the age and sex of the employee, and are given by the 1951 Group Annuity Mortality Table Projected to 1980 (set back 5 years for females). Representative rates have been given above.

Service Retirement

Rates of early and normal service retirement among employees eligible to retire are assumed to depend on age and sex and are given by the following table.

Age	Male	Female
Less than 55	0.00%	0.00%
55 - 61	4.00%	7.00%
62	50.00%	50.00%
63 - 64	25.00%	25.00%
65 and above	100.00%	100.00%

For ages 55 – 61, rates are multiplied by a factor of 5 if eligible for unreduced benefits under the "Rule of 80".

Disability

Rates of disability are based on the age of the employee, and are given by the 1965 Railroad Retirement Board Table. Representative rates are as follows:

Age	Annual Rate
25	0.000%
30	0.060%
35	0.080%
40	0.120%
45	0.230%
50	0.520%
55	1.070%
60	3.350%

Termination

Rates of termination for all employees from causes other than death, disability, and service retirement are based on the employee's age and service.

Representative rates of withdrawal are shown in the following table:

Age	0-1 Years	2-4 Years	5+ Years
Less than 30	16.0%	8.0%	8.0%
30 – 45	8.0%	4.0%	4.0%
46 and over	8.0%	4.0%	2.0%

Family Composition

85% of all Participants are assumed to be married. Male spouses are assumed to be four years older than their wives.

Actuarial Value of Plan Assets

The actuarial value is equal to the expected actuarial value, plus 20% of the difference between market value and expected actuarial value. The actuarial value is limited to market value +/- 20%.

Participant Data

Data on active and inactive Participants and their beneficiaries as of the valuation date was supplied by the Plan Administrator on electronic media. As is usual in studies of this type, Participant data was neither verified nor audited. However, various checks for reasonableness and consistency with the prior year's data were made.

Section 2

Asset Information

2.1: Income Statement
January 1, 2006 through December 31, 2006

		Actual Market Value		Expected Actuarial Value
Market / Actuarial Value at January 1, 2006	$	203,847,396	$	214,548,519
Contributions				
Employee Contributions	$	1,144,376	$	1,144,376
Employer Contributions		3,896,628		3,896,628
Other Receipts		61,394		61,394
Total Contributions	$	5,102,398	$	5,102,398
Investment Income				
Investment Income / Asset Appreciation	$	36,592,087	$	-
Other Investment Income		(7,491,482)		-
Investment Expenses		(853,605)		-
Total Investment Income	$	28,247,000	$	16,464,665
Disbursements				
Benefit Payments and Refunds		(9,253,045)		(9,253,045)
Expenses		(51,801)		(51,801)
Other Expenses		0		0
Total Disbursements	$	(9,304,846)	$	(9,304,846)
Market / Expected Value at December 31, 2006	$	227,891,948	$	226,810,736
Approximate Market / Assumed Return		14.00%		7.75%

2.2: Computation of Actuarial Value of Assets

(1) Actuarial Value 1/1/2006	214,548,519
(2) Cash Flow	
Contributions	5,102,398
Benefit Payments & Expenses	(9,304,846)
Net Cash Flow	(4,202,448)
(3) Assumed Income	16,464,665
(4) Expected Actuarial Value 12/31/2006	226,810,736
(5) Actual Market Value 12/31/2006	227,891,948
(6) Total Adjustment ((5) – (4)) x 20%	216,243
(7) Actuarial Value 12/31/2006 ((4) + (6), limited to 125% of (5))	227,026,979
Approximate Rate of Return based on Actuarial Value	7.85%
Ratio of Actuarial Value to Market Value	99.6%

Section 3

Actuarial Computations

3.1: Computation of Annual Contribution as of January 1, 2006

(1)	Employer Normal Cost	4,096,064
(2)	Active Present Value of Benefits	152,646,301
(3)	Inactive Present Value of Benefits	
	Retirees	78,288,229
	Beneficiaries	8,532,842
	Disabled	3,176,838
	Vested Deferred	2,794,353
	Total	92,792,262
(4)	Total Present Value of Benefits ((2)+(3))	245,438,562
(5)	Active Accrued Liability	116,850,769
(6)	Total Accrued Liability ((3)+(5))	209,643,031
(7)	Actuarial Value of Assets (Section 2.2)	214,548,519
(8)	Net Unfunded Liability (Surplus) ((6)-(7))	(4,905,488)
(9)	Amortization of Net Unfunded Liability (Surplus) Over 30 Years as a Level Dollar Amount	(425,505)
(10)	Annual Contribution ((1)+(9))	3,670,559
(11)	Annual Contribution with Interest	3,810,139
(12)	Projected Payroll	54,636,392
(13)	Total Cost as a Percentage of Projected Payroll ((11)÷(12))	6.97%

3.2: Computation of Annual Contribution as of January 1, 2007

(1)	Employer Normal Cost	3,983,372
(2)	Active Present Value of Benefits	155,711,160
(3)	Inactive Present Value of Benefits	
	Retirees	82,437,554
	Beneficiaries	8,851,274
	Disabled	3,297,223
	Vested Deferred	3,034,467
	Total	97,620,518
(4)	Total Present Value of Benefits ((2)+(3))	253,331,678
(5)	Active Accrued Liability	121,410,133
(6)	Total Accrued Liability ((3)+(5))	219,030,651
(7)	Actuarial Value of Assets (Section 2.2)	227,026,979
(8)	Net Unfunded Liability (Surplus) ((6)-(7))	(7,996,328)
(9)	Amortization of Net Unfunded Liability (Surplus) Over 30 Years as a Level Dollar Amount	(643,719)
(10)	Annual Contribution ((1)+(9))	3,339,653
(11)	Annual Contribution with Interest	3,466,650
(12)	Projected Payroll	54,545,300
(13)	Total Cost as a Percentage of Projected Payroll ((11)÷(12))	6.36%

Section 4

Disclosure Information

4.1: Schedules of Funding Status and Employer Contributions Required Under GASB Statements No. 25 and 27

The Governmental Accounting Standards Board (GASB) Statements No. 25 and 27 relate to the disclosure of pension liabilities on a public employer's financial statements. For accounting periods beginning after June 15, 1996, information required under these statements must be prepared for a public employer who seeks compliance with generally accepted accounting principles (GAAP) on behalf of its public employee retirement system.

GASB Statement No. 25 requires preparation of schedules of funding status and employer contributions, as well as the disclosure of plan provisions, actuarial assumptions, and other information.

The required schedules are shown below. In each case, we have relied upon information from our files and contained in the reports of prior actuaries employed by the City in completing the schedules. While we have no reason to believe the information in our files or in prior actuaries' reports is inaccurate, we strongly recommend that City personnel verify the schedules below before they are included in Plan or City financial statements.

Schedule of Funding Status

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
1/1/1997	$114,621,917	$99,328,522	($15,293,395)	115.4%	$39,136,370	-39.08%
1/1/1998	$129,592,442	$109,916,957	($19,675,485)	117.9%	$38,223,969	-51.47%
1/1/1999	$144,836,426	$116,471,155	($28,365,271)	124.4%	$43,969,283	-64.51%
1/1/2000	$209,084,823	$144,143,794	($64,941,029)	145.1%	$46,338,563	-140.14%
1/1/2001	$216,594,554	$154,893,409	($61,701,145)	139.8%	$47,490,020	-129.92%
1/1/2002	$219,767,852	$171,457,511	($48,310,341)	128.2%	$51,681,537	-93.48%
1/1/2003	$195,813,753	$167,271,964	($28,541,789)	117.1%	$53,221,374	-53.63%
1/1/2004	$200,844,363	$180,133,668	($20,710,695)	111.5%	$53,322,027	-38.84%
1/1/2005	$206,837,961	$198,874,444	($7,963,517)	104.0%	$53,531,483	-14.88%
1/1/2006	$214,548,519	$209,643,031	($4,905,488)	102.3%	$54,636,392	-8.98%
1/1/2007	$227,026,979	$219,030,651	($7,996,328)	103.7%	$54,545,300	-14.66%

Schedule of City Contributions

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net Pension Obligation/(Asset)
2005	$2,096,333	$2,146,352	102.39%	(4,343,073)
2006	$3,518,054	$3,518,054	100.00%	(4,255,701)
2007	$3,786,128	$3,786,128	100.00%	(4,216,376)

Determination of Annual Pension Cost / Net Pension Obligation/(Asset) as of December 31, 2006

Annual Required Contribution (w/ interest to middle of year)	$3,786,128
Interest on Net Pension Obligation/(Asset)	(329,817)
Adjustment to Annual Required Contribution	369,142
Annual pension cost	$3,825,453
Contributions made	(3,786,128)
Increase (Decrease) in Net Pension Obligation	$39,326
Net Pension Obligation/(Asset) beginning of year	(4,255,701)
Net Pension Obligation/(Asset) end of year	$(4,216,376)

The table below summarizes certain information about this actuarial report.

Valuation date	January 1, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	30 Years (Fixed)
Asset valuation method	Expected actuarial value, plus 20% of the difference between market and expected actuarial value, with 20% corridor around market value.
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.50% - 5.50%
*Includes inflation at	3.00%
Cost of living adjustments	3.00%