

December 11, 2006

The Fund Manager
Arizona Elected Officials' Retirement Plan
Phoenix, Arizona

Re: Arizona Elected Officials' Retirement Plan

This report contains the consolidated results of the June 30, 2006 actuarial valuation of the Arizona Elected Officials' Retirement Plan. The valuation determines the 2007/2008 Fiscal Year employer contribution requirements and the June 30, 2006 actuarial present values associated with the Plan.

Participant data was provided by your Administrator. This data has been reviewed for reasonableness, but no attempt has been made to audit such information. Financial information was taken from the June 30, 2006 information submitted by your Administrator.

The valuation was made in accordance with generally accepted actuarial principles and practices. The valuations were based on the provisions of the Arizona Elected Officials' Retirement Plan as amended through June 30, 2006. The actuarial assumptions used in the valuation produce results that we believe are reasonable.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sandra W. Rodwan".

Sandra W. Rodwan
Member, American Academy of Actuaries

***Arizona Elected Officials'
Retirement Plan***

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 Arizona Elected Officials' Retirement Plan 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. This information is contained on page 9.
- ❖ Compare accrued assets with accrued liabilities to assess the funded condition. This information is contained on pages 6 and 7.
- ❖ Compute the employers' recommended contribution rate for the Fiscal Year beginning July 1, 2007. This information is contained on page 4.

This objective is stated in Article 4, Chapter 5, Title 38, Sections 843B and 848N of the Arizona Revised Statutes.

Liabilities and Funded Condition of Retirement Plan

Accrued liabilities of the Retirement Plan as of June 30, 2006, were computed to be \$391,403,356. The funding value of accrued assets was \$351,700,873. The ratio of the funding value of accrued assets to accrued liabilities was 89.9%.

Funding Value of Assets

A smoothed market value of assets was used for the June 30, 2006 valuation. This method spreads the difference between actual and expected investment return over seven years. Prior to the June 30, 2003 valuation, the difference was spread over four years.

Computed Contribution Rate

The normal cost contribution rate was computed to be 23.59% of member payroll. Deducting member contributions of 7.00% of payroll resulted in an aggregate employer normal cost of 16.59% of payroll.

The excess of accrued liabilities over accrued assets produced a 30-year amortization payment of 3.62% of payroll. The aggregate net employer contribution for FY 2007/2008 was therefore computed to be 20.21% of payroll.

Retirement Plan Experience

Experience of the Retirement Plan during the year ended June 30, 2006 was less favorable than assumed. The primary source of unfavorable experience was the recognized rate of investment return (based on the smoothed market value of assets) which was less than assumed.

Benefit Provision Changes

There were no benefit provision changes in this valuation. The minimum employer contribution rate was increased to 10% from 5%, beginning with fiscal year 2007/2008, pursuant to 2006 legislation.

Assumption and Method Changes

There were no changes in assumptions and methods. The final June 30, 2005 annual actuarial valuation included changes enacted by the 2006 legislature and the Fund Manager. The changes include the Projected Unit Credit Actuarial cost method, 30 year amortization of unfunded actuarial accrued liabilities (if any), a reduction in the assumed rate of across-the-board salary increases, an increase in the minimum contribution rate, and the establishment of a Stabilization Reserve Account.

Participant Data

| | <u>6/30/2006</u> | <u>6/30/2005</u> |
|----------------------------|------------------|------------------|
| Active Members | 800 | 781 |
| Active Member Payroll | \$54,696,109 | \$53,449,830 |
| Retirees and Beneficiaries | 797 | 769 |
| Annual Pensions | \$28,044,340 | \$26,112,301 |

Financial Data

| | <u>6/30/2006</u> | <u>6/30/2005</u> |
|---------------------------|------------------|------------------|
| Smoothed Valuation Assets | \$368,223,993* | \$368,215,634* |
| Market Value of Assets | \$327,151,921 | \$311,203,373 |

**The net smoothed value of assets used for the valuation after deducting the Future Benefit Increase Reserve was \$351,700,873 in 2006 and \$344,604,118 in 2005.*

Comments, Recommendations and Conclusion

Comment 1: The experience of the Retirement Plan during the year ended June 30, 2005, was less favorable than expected based upon the long-term assumptions. The recognized rate of investment return based on the smoothed market value reflects the unfavorable market conditions over prior years, and was the primary source of negative experience. The increase in the computed employer contribution rate and the decrease in the funded ratio are primarily attributable to this experience.

Comment 2: The smoothed market value used for the valuation spreads differences between the assumed and actual investment return over 7 years. This method is unchanged from last year.

Conclusion: The annual actuarial valuation as of June 30, 2006 reflects the effect of market conditions over the past 4 years. The recognized rate of return, which includes the carry-forwards of experience gains (losses) from prior years, has been less than the long-term assumption. This experience has increased the computed employer contribution rates. In the absence of actual investment return well in excess of the assumed rate or significant favorable experience in other risk areas, the employer contribution rates are likely to continue to increase over the short term.

Section Two:
***Actuarial Calculations –
Funding***



Contribution Requirements – 2007/2008 Fiscal Year

Member: 7.00% of covered compensation

Employer: The computed contribution rate was 20.21% of covered compensation, consisting of 16.59% for normal cost, 3.62% for amortization of unfunded actuarial accrued liability*.

Components of Computed Normal Cost

| | Percents of Covered Compensation |
|---|---|
| Normal cost requirement | |
| Service pensions | 19.85% |
| Disability pensions | 1.11 |
| Survivors of active members | 1.33 |
| Refunds of members' accumulated contributions | 0.25 |
| Health insurance | <u>1.05</u> |
| Total normal cost requirement | 23.59% |
| Less member contribution | <u>7.00</u> |
| Employer normal cost requirement | 16.59% |

**Actuarial accrued liability, \$391,403,356, exceeded the funding value of accrued assets, \$351,700,873. The excess was amortized over 30 years which produced an amortization payment of 3.62%*

Computed Employer Contribution Requirements

| Valuation Date: <u>June 30</u> | <u>Normal Cost</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Total</u> |
|---|---------------------------|--|---------------------|
| 1985 | 11.64% | (0.52)% | 11.12% |
| 1990 | 15.54 | 1.29 | 14.25 |
| 1995 | 16.22 | (1.46) | 14.76 |
| 1996 | 16.33 | (3.69) | 12.64 |
| 1997 | 16.48 | (7.58) | 8.90 |
| 1998 | 16.26 | (6.04) | 10.22 |
| 1999 | 16.49 | (7.55) | 8.94 |
| 2000 | 16.69 | (9.72) | 6.97 |
| 2001 | 21.00 | (13.45) | 7.55 |
| 2002 | 22.65 | (9.16) | 13.49 |
| 2003 | 21.12 | (6.58) | 14.54 |
| 2004 | 22.17 | (1.63) | 20.54 |
| 2005 | 22.57 | 1.70 | 24.27 |
| 2005# | 15.87 | 2.68 | 18.55 |
| 2006 | 16.59 | 3.62 | 20.21 |

Revised pursuant to changes in assumptions and methods enacted by the 2006 Legislature and the EORP Fund Manager.

Actuarial Accrued Liability

The total contribution is made up of two parts, the normal cost and the amortization of the unfunded actuarial accrued liability. The Legislature has established a policy of amortizing, or funding, the unfunded actuarial accrued liability over an open period of 30 years.

The actuarial accrued liability exceeded valuation assets by \$39,702,483 as of June 30, 2006.

| | <u>June 30, 2006</u> |
|--------------------------------------|-----------------------------|
| Actuarial Accrued Liability | |
| Retired members and survivors | \$248,357,037 |
| Former members with vested benefits | 3,985,195 |
| Active members | <u>139,061,124</u> |
| Total | \$391,403,356 |
| | |
| Valuation Assets* | \$351,700,873 |
| | |
| Unfunded Actuarial Accrued Liability | \$39,702,483 |

** This amount excludes the \$16,523,120 in investment income reserve held for future pension increases pursuant to state statute.*

History of Assets and Accrued Liabilities

| Valuation Date <u>June 30</u> | Valuation <u>Assets</u> | Actuarial Accrued <u>Liabilities</u> | Funded <u>Ratio</u> | Unfunded Actuarial Accrued <u>Liabilities</u> | Financing <u>Period</u> |
|--|------------------------------------|---|--------------------------------|--|------------------------------------|
| 1985 | \$ 49,900 | \$ 48,969 | 101.9% | \$ (931) | 37 |
| 1990 | 92,421 | 100,433 | 92.0 | 8,012 | 32 |
| 1995 | 159,111 | 149,366 | 106.5 | (9,745) | 27 |
| 1996 | 181,754 | 158,126 | 114.9 | (23,628) | 26 |
| 1997 | 214,035 | 169,593 | 126.2 | (44,442) | 20 |
| 1998 | 241,884 | 199,662 | 121.1 | (42,222) | 20 |
| 1999 | 283,337 | 227,100 | 124.8 | (56,237) | 20 |
| 2000 | 329,777 | 253,478 | 130.1 | (76,299) | 20 |
| 2001 | 355,768 | 250,987 | 141.7 | (104,781) | 20 |
| 2002 | 351,349 | 279,947 | 125.5 | (71,402) | 20 |
| 2003 | 353,463 | 297,892 | 118.7 | (55,572) | 20 |
| 2004 | 343,376 | 328,921 | 104.4 | (14,455) | 20 |
| 2005 | 344,604 | 360,758 | 95.5 | 16,154 | 20 |
| 2005# | 344,604 | 373,340 | 92.3 | 28,736 | 30 |
| 2006 | 351,701 | 391,403 | 89.9 | 39,702 | 30 |

Dollar amounts in \$000.

Results shown throughout this report for years prior to 2001 were prepared by the previous actuarial firm.

Revised pursuant to changes in assumptions and methods enacted by the 2006 Legislature and the EORP Fund Manager.

Aggregate Gain/Loss

| | <u>Year Ended June 30, 2006</u> |
|--|--|
| (1) UAAL ^a at start of year | \$16,153,749 |
| (2) Normal cost | 12,834,061 |
| (3) Funding method contributions | 15,291,146 |
| (4) Interest accrual | 1,268,642 |
| (5) Expected UAAL before changes | 14,965,306 |
| (6) Change from amendments | None |
| (7) Change from assumption and method revisions | 12,582,745 |
| (8) Expected UAAL after changes | 27,548,051 |
| (9) Actual UAAL | 39,702,483 |
| (10) Gain(Loss) | (12,154,432) |
| (11) Percent of AAL ^b | 3.4% |

^a Unfunded Actuarial Accrued Liability

^b Actuarial Accrued Liability at beginning of year.

Elected Officials’ Retirement Plan

Aggregate Actuarial Balance Sheet June 30, 2006

Actuarial Assets

| | | |
|---|-------------------|-----------------------------|
| Accrued Assets | | |
| Member accumulated contributions | \$36,639,093 | |
| Employer and benefit payment reserves | 255,613,482 | |
| Funding value adjustment | <u>45,971,418</u> | |
| Total accrued assets* | | \$368,223,993 |
| Prospective assets (computed value) | | |
| Member contributions | 24,700,027 | |
| Employer normal costs | 56,001,237 | |
| Employer unfunded actuarial accrued liability | <u>39,702,483</u> | |
| Total prospective assets | | <u>120,403,747</u> |
| Total Actuarial Assets | | <u><u>\$488,627,740</u></u> |

* Includes \$16,523,120 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$351,700,873.

Actuarial Present Values (Liability)

| | | |
|--|------------------|-----------------------------|
| Pensions in payment status | | |
| Service pensions | \$199,899,795 | |
| Disability pensions | 9,680,515 | |
| Survivor pensions | 31,830,562 | |
| Health insurance | <u>6,946,165</u> | |
| Total benefit values | | 248,357,037 |
| Prospective pension payments (future retirements) | | 215,124,763 |
| Prospective health insurance payments (future retirements) | | 7,990,406 |
| Prospective refunds of member contributions | | 632,414 |
| Reserve for future pension increases | | <u>16,523,120</u> |
| Total Actuarial Present Values (Liability) | | <u><u>\$488,627,740</u></u> |



Section Three:

***Retirement Plan
Benefit Provisions***



Summary of Plan Provisions Valued and/or Considered

Normal Retirement (no reduction for age). An elected official may retire upon meeting one of the following age and service requirements:

- ❖ Age 60 years with 25 or more years of credited service;
- ❖ Age 62 years with 10 or more years of credited service;
- ❖ Age 65 years with 5 or more years of credited service;

The amount of a normal retirement pension is four percent of average yearly salary multiplied by years of credited service. Maximum is 80 percent of average yearly salary. Effective July 17, 1994, average yearly salary is the elected official's highest average salary during a three-consecutive year period within the final 10 years of service. For elected officials whose membership commenced before July 17, 1994, average yearly salary will generally be final salary at termination of service.

Effective August 6, 1999, a member may retire at any age with 20 or more years of credited service, but a three-year average salary will be used in calculating benefits if none of the other regular retirement eligibility conditions are met.

Early Retirement (reduction for age). An elected official who is at least 50 years and has 10 or more years of credited service may retire before meeting an age and service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age.

Effective August 6, 1999, a member with at least five years of credited service may retire early at any age. For those members who retire under this August 6, 1999 provision, their benefits are calculated using a three-year average salary, and the reduction for early retirement is capped at 30%.

Vested Termination (deferred retirement). An elected official with five or more years of credited service retains entitlement to a deferred pension upon ceasing to be an elected official if the official's accumulated contributions are left on deposit in the Retirement Plan. The amount of pension is determined in the same manner as a normal or early pension, whichever is applicable.

Disability Retirement. An elected official who becomes incapacitated for the duties of office may be retired by the Fund Manager. The amount of pension is 80 percent of three-year average salary if the elected official has at least 10 years of credited service, 40 percent of three-year average salary if the elected official has five but less than 10 years of credited service, and 20 percent of three-year average salary if the elected official has less than five years of credited service.

Survivor Pensions. Payable to the eligible beneficiary of a retired elected official or an active and inactive elected official. An eligible beneficiary is a surviving spouse who was married to the retired active or inactive elected official for at least two years; or, if there is no eligible spouse, a minor child. A surviving spouse's pension terminates upon death. A surviving child's pension terminates upon attainment of age 18 years, marriage, adoption or death, unless the child is a full time student under the age of 23 or was disabled prior to age 18. The amount of a surviving spouse's pension is 75% of the pension being paid the deceased retired elected official or the disability pension accrued by the deceased active elected official. The amount of a surviving child's pension is an equal share of the amount of a surviving spouse's pension.

Other Terminations. The elected official is paid a refund of accumulated member contributions, plus an additional amount if the member has at least five years of service credit. The amount is a percent of the member contribution amount, ranging from 25% to 100% (with at least 10 years of service credit).

Post-Retirement Health Insurance Subsidy: Payable on behalf of retired members and survivors who elect coverage provided by the state or participating employer. The amounts cannot exceed:

| Member Only | | With Dependents | | |
|-----------------------|-------------------|---------------------------|-----------------------|-------------------|
| Not Medicare Eligible | Medicare Eligible | All Not Medicare Eligible | All Medicare Eligible | One With Medicare |
| \$150 | \$100 | \$260 | \$170 | \$215 |

Retired members or survivors who have between five and eight years of credited service are eligible for a proportionate share of the full subsidy.

Elected Officials Contributions. Seven percent of compensation.

Employer Contributions. A designated portion of court docket fees. Municipal employers contribute the computed normal cost rate plus a payment to amortize their unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years (a lump sum payment for UAAL is required for municipal employers entering after September 15, 1989). Pursuant to 1989 legislation, state and county employers contribute the difference between the actuarially determined contribution requirement and designated docket fees.



Section Four:

***Actuarial Assumptions
And Methods***



Summary of Valuation Assumptions

Economic Assumptions

Interest Rate: 8.50% (net of expenses)

Salary Increases: 5.00% for inflation.

Demographic Assumptions

Non-Disability Mortality rates: 1971 Group Annuity Mortality Table Projected to 2000 (Male), female ages set back six years (first used for June 30, 1999 valuation).

Disability Mortality Rates: 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back six years.

| Sample Ages | Single Life Retirement Values | | | | | | | |
|-------------|---|--------|---|----------|--------------------------------|-------|--------------------------------|-------|
| | Non-Disability Table | | Disability Table | | Non-Disability Table | | Disability Table | |
| | Present Value of \$100 Monthly For Life | | Present Value of \$100 Monthly For Life | | Future Life Expectancy (Years) | | Future Life Expectancy (Years) | |
| | Men | Women | Men | Women | Men | Women | Men | Women |
| 20 | | | | | 56.90 | 62.76 | 56.03 | 61.88 |
| 25 | | | | | 52.02 | 57.88 | 51.16 | 57.00 |
| 30 | | | | | 47.16 | 53.00 | 46.32 | 52.13 |
| 35 | | | | | 42.33 | 48.13 | 41.50 | 47.28 |
| 40 | \$13,588 | 13,977 | \$13,510 | \$13,923 | 37.55 | 43.30 | 36.73 | 42.46 |
| 45 | 13,130 | 13,664 | 13,028 | 13,591 | 32.84 | 38.50 | 32.06 | 37.68 |
| 50 | 12,549 | 13,232 | 12,420 | 13,135 | 28.32 | 33.77 | 27.57 | 32.98 |
| 55 | 11,829 | 12,675 | 11,674 | 12,552 | 24.02 | 29.21 | 23.33 | 28.45 |
| 60 | 10,930 | 11,986 | 10,752 | 11,836 | 19.94 | 24.86 | 19.32 | 24.16 |
| 65 | 9,835 | 11,127 | 9,643 | 10,952 | 16.13 | 20.74 | 15.59 | 20.10 |
| 70 | 8,601 | 10,069 | 8,412 | 9,878 | 12.73 | 16.86 | 12.30 | 16.31 |
| 75 | 7,338 | 8,853 | 7,172 | 8,661 | 9.86 | 13.37 | 9.54 | 12.92 |
| 80 | 6,043 | 7,597 | 5,909 | 7,425 | 7.44 | 10.40 | 7.22 | 10.06 |
| 85 | 4,917 | 6,293 | 4,826 | 6,152 | 5.61 | 7.87 | 5.48 | 7.64 |
| 90 | 3,964 | 5,126 | 3,915 | 5,026 | 4.24 | 5.93 | 4.18 | 5.79 |

Termination of Employment: Service-related rates for first five years of employment and age-related rates after first five years of employment. The sample rates are as follows:

| Sample Ages | Years of Service | Percent of Active Members | |
|-------------|------------------|----------------------------|--------------------------|
| | | Separating Within the Year | Disabled Within the Year |
| All | 0 | 8.0% | (all years of service) |
| | 1 | 8.0 | |
| | 2 | 8.0 | |
| | 3 | 8.0 | |
| | 4 | 8.0 | |
| 25 | 5 and over | 6.0 | 0.04% |
| 30 | | 6.0 | 0.04 |
| 35 | | 6.0 | 0.04 |
| 40 | | 6.0 | 0.10 |
| 45 | | 6.0 | 0.13 |
| 50 | | 6.0 | 0.25 |
| 55 | | 6.0 | 0.45 |
| 60 | 6.0 | 6.0 | 0.71 |

Retirement Rates: Age-related rates based on the following schedule:

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

| Age | Percent of Active Members Retiring During Next Year |
|-----|--|
| 45 | 8% |
| 46 | 8 |
| 47 | 8 |
| 48 | 8 |
| 49 | 8 |
| 50 | 8 |
| 51 | 8 |
| 52 | 8 |
| 53 | 8 |
| 54 | 8 |
| 55 | 5 |
| 56 | 5 |
| 57 | 5 |
| 58 | 5 |
| 59 | 5 |
| 60 | 15 |
| 61 | 10 |
| 62 | 25 |
| 63 | 15 |
| 64 | 10 |
| 65 | 20 |
| 66 | 20 |
| 67 | 20 |
| 69 | 20 |
| 69 | 20 |
| 70 | 100 |

Active members are eligible to retire early at any age with 5 years of service, or normally at any age with 20 years of service, at 62 with 10 years of service, or age 65 with 5 years of service. The probability of retiring during each future year is 20% for those members who become eligible for normal retirement under the 20 years of service eligibility condition. Pensions were assumed to be decreased 3/12 of 1% for each month the age at early retirement precedes normal retirement age, with a maximum reduction of 30%.

These rates adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 1999 valuation.

Actuarial Method Used for the Valuation

Normal Cost. Normal cost and the actuarial present values between service rendered before and after the valuation date were determined using the projected unit credit actuarial cost method.

Actuarial Accrued Liability. The actuarial accrued liability allocated to service rendered prior to the valuation date, including experience gains and losses, was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount was amortized as level percent of payroll over an open period of 30 years.

Active member payroll was assumed to increase 5.00% annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.



Section Five:
Valuation Data



Derivation of Funding Value of Pension Fund Assets

Values as of June 30

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|---------------|---------------|---------------|---------------|---------------|
| Beginning of Year | | | | | |
| (1) Book Value | \$293,478,357 | \$288,376,999 | \$247,792,779 | \$246,307,539 | \$253,022,997 |
| (2) Market Value | 326,159,456 | 265,566,711 | 269,610,597 | 295,932,093 | 311,203,373 |
| (3) Funding Value* | 390,203,914 | 374,748,866 | 372,055,070 | 371,093,890 | 368,215,634 |
| End of Year | | | | | |
| (4) Market Value | 265,566,711 | 269,610,597 | 295,932,093 | 311,203,373 | 327,151,921 |
| (5) Net Addition to Assets, Excluding Investment Income | (12,370,568) | (14,036,874) | (13,028,846) | (13,481,265) | (8,750,551) |
| (6) Total Net Investment Income = (4) - (2) - (5) | (48,222,177) | 18,080,760 | 39,350,342 | 28,752,545 | 24,699,099 |
| (7) Projected Net Rate of Return | 9.00% | 9.00% | 9.00% | 8.75% | 8.50% |
| (8) Projected Investment Income = (7) x [(3) + .5 x (5)] | 34,561,677 | 33,095,739 | 32,898,658 | 31,880,910 | 30,926,430 |
| (9) Investment Income in Excess of Proj. | (82,783,854) | (15,014,979) | 6,451,684 | (3,128,365) | (6,227,331) |
| (9a) Allocation to Future Benefit Increase Reserve (FBIR) (ACTUAL) | | | | | |
| (9b) Allocation to Funding Value of Assets ((9) - (9a)) | (82,783,854) | (15,014,979) | 6,451,684 | (3,128,365) | (6,227,331) |
| (10) Excess Investment Income Recognized* | | | | | |
| (10a) From Current Year =(9b)/7 in 2003 and after | (20,695,964) | (2,144,997) | 921,669 | (446,909) | (889,619) |
| (10b) From One Year Prior | (25,138,843) | (10,347,982) | (2,144,997) | 921,669 | (446,909) |
| (10c) From Two Years Prior | 3,183,420 | (10,055,537) | (10,347,982) | (2,144,997) | 921,669 |
| (10d) From Three Years Prior | 5,005,230 | 795,855 | (10,055,537) | (10,347,982) | (2,144,997) |
| (10e) From Four Years Prior | | | 795,855 | (10,055,537) | (10,347,982) |
| (10f) From Five Years Prior | | | | 795,855 | (10,055,537) |
| (10g) From Six Years Prior | | | | | 795,855 |
| (11) Change in Funding Value=(5) + (8) + (9a) + (10) [a..g] | (15,455,048) | (2,693,796) | (961,180) | (2,878,256) | 8,359 |
| End of Year Values | | | | | |
| (12) Book Value | \$288,376,999 | \$247,792,779 | \$246,307,539 | \$253,022,997 | \$275,729,455 |
| (4) Market Value | 265,566,711 | 269,610,597 | 295,932,093 | 311,203,373 | 327,151,921 |
| (13) Preliminary Funding Value (3) + (11) | 374,748,866 | 372,055,070 | 371,093,890 | 368,215,634 | 368,223,993 |
| (14) Future Benefit Increase Reserve | 23,400,088 | 18,591,900 | 27,718,251 | 23,611,516 | 16,523,120 |
| (15) Funding Value (13) - (14) | 351,348,778 | 353,463,170 | 343,375,639 | 344,604,118 | 351,700,873 |
| (16) Funding Value Adjustment (15) - (12) | 62,971,779 | 105,670,391 | 97,068,100 | 91,581,121 | 75,971,418 |

**Four year recognition through June 30, 2002. Beginning with the June 30, 2003 valuation, seven year recognition was used for the current year. The remaining amount from the prior year is recognized over 6 years, from the second prior year over 5 years, from the third prior year over 4 years, from the fourth prior year over 3 years, from the fifth prior year over 2 years, and from the sixth prior year over 1 year.*

Participant Summary

**Summary of Retired Members and Survivors
June 30, 2006**

| Pensions Being Paid | Number | Annual Pensions | Average Pensions |
|----------------------------------|---------------|----------------------------|-----------------------------|
| Retired Members | | | |
| Service Pensions | 615 | \$22,751,445 | \$36,994 |
| Disability Pensions | 19 | 1,105,293 | 58,173 |
| Totals | 634 | 23,856,738 | 37,629 |
| Survivors | | | |
| Spouses | 162 | 4,153,272 | 25,637 |
| Children with Guardians | 1 | 34,330 | 34,330 |
| Totals | 163 | 4,187,602 | 25,691 |
| Total Pensions Being Paid | 797 | \$28,044,340 | \$35,187 |

Averages

| | Average Age (Years) | Average Service (Years) | Average Retirement Age (Years) |
|----------------------------|------------------------------------|--|---|
| Service Retired Members | 69.9 | 14.3 | 61.1 |
| Disability Retired Members | 67.5 | 11.5 | 58.0 |
| Spouse Beneficiaries | 74.7 | 12.8 | 58.4 |

Summaries of Retired Members and Survivors
June 30, 2006
Tabulated by Attained Age of Recipient

| Attained Age | Service | | Disability | | Survivors | | Totals | |
|--------------------------|------------|---------------------|------------|--------------------|------------|--------------------|------------|---------------------|
| | No. | Annual Pensions | No. | Annual Pensions | No. | Annual Pensions | No. | Annual Pensions |
| Children w/ Guardians | | \$ - | | \$ - | 1 | \$34,330 | 1 | \$34,330 |
| 30-34 | 1 | 3,760 | | | | | 1 | 3,760 |
| 35-39 | 1 | 5,376 | 1 | 16,326 | | | 2 | 21,702 |
| 40-44 | 4 | 24,018 | | | | | 4 | 24,018 |
| 45-49 | 8 | 281,826 | | | 1 | 1,098 | 9 | 282,924 |
| 50-54 | 29 | 651,489 | | | 6 | 207,622 | 35 | 859,111 |
| 55-59 | 68 | 2,956,602 | 3 | 188,946 | 16 | 606,677 | 87 | 3,752,225 |
| 60-64 | 72 | 2,903,247 | 2 | 51,198 | 9 | 278,977 | 83 | 3,233,422 |
| 65-69 | 108 | 4,475,725 | 4 | 328,153 | 19 | 499,755 | 131 | 5,303,633 |
| 70-74 | 133 | 5,413,748 | 6 | 364,498 | 23 | 655,936 | 162 | 6,434,182 |
| 75-79 | 93 | 3,266,979 | 2 | 84,586 | 26 | 670,476 | 121 | 4,022,041 |
| 80 and Over | 98 | 2,768,675 | 1 | 71,586 | 62 | 1,232,731 | 161 | 4,072,992 |
| Total | 615 | \$22,751,445 | 19 | \$1,105,293 | 163 | \$4,187,602 | 797 | \$28,044,340 |

Pensions Being Paid

| Valuation Date June 30 | No. | Annual Pensions | % Incr. in Annual Pensions | Average Pension | Present Value of Pensions | |
|---------------------------------------|------------|----------------------------|---|----------------------------|----------------------------------|----------------|
| | | | | | Total | Average |
| 1985 | 247 | \$ 2,142,900 | | \$ 8,676 | \$ 16,396,272 | \$ 66,382 |
| 1990 | 343 | 4,830,529 | 14.0% | 14,083 | 38,245,692 | 111,503 |
| 1995 | 466 | 9,005,617 | 13.5 | 19,325 | 73,796,676 | 155,224 |
| 1996 | 472 | 9,567,636 | 6.2 | 20,270 | 77,021,628 | 163,181 |
| 1997 | 496 | 10,442,249 | 9.1 | 21,053 | 84,334,344 | 170,029 |
| 1998 | 513 | 11,143,500 | 6.7 | 21,722 | 88,885,866 | 173,267 |
| 1999 | 547 | 13,122,722 | 17.8 | 23,990 | 107,153,382 | 195,893 |
| 2000 | 589 | 15,096,774 | 15.0 | 25,631 | 124,211,110 | 210,885 |
| 2001 | 647 | 17,729,482 | 17.4 | 27,403 | 147,901,899 | 228,596 |
| 2002 | 659 | 19,606,416 | 10.6 | 29,752 | 164,670,150 | 249,879 |
| 2003 | 709 | 22,308,359 | 13.8 | 31,465 | 183,882,540 | 259,355 |
| 2004 | 730 | 23,854,186 | 6.9 | 32,677 | 204,302,428 | 279,866 |
| 2005 | 769 | 26,112,301 | 9.5 | 33,956 | 228,886,601 | 297,642 |
| 2006 | 797 | 28,044,340 | 7.4 | 35,187 | 248,357,037 | 311,615 |

Active Members Included in Valuation

Historical Schedule

| Valuation Date | Active Members | Valuation Payroll (+000) | Average | | | |
|----------------|----------------|--------------------------|-------------|----------------|---------------|------------------------|
| | | | Age (Yrs.) | Service (Yrs.) | Pay | % Increase in Avg. Pay |
| 6-30-85 | 525 | \$ 17,691 | 51.0 | 7.5 | \$ 33,698 | |
| 6-30-90 | 624 | 25,776 | 52.0 | 8.0 | 41,307 | 0.1 |
| 6-30-95 | 725 | 30,324 | 51.7 | 7.5 | 41,826 | 0.2 |
| 6-30-96 | 684 | 29,967 | 52.0 | 7.8 | 43,913 | 5.0 |
| 6-30-97 | 726 | 33,896 | 52.0 | 7.5 | 46,688 | 6.3 |
| 6-30-98 | 713 | 40,441 | 52.4 | 7.9 | 56,719 | 21.5 |
| 6-30-99 | 709 | 43,087 | 52.6 | 7.7 | 60,771 | 7.1 |
| 6-30-00 | 720 | 45,382 | 53.0 | 8.0 | 63,030 | 3.7 |
| 6-30-01 | 737 | 48,669 | 52.4 | 7.2 | 66,037 | 4.8 |
| 6-30-02 | 738 | 48,729 | 52.9 | 7.0 | 66,029 | 0.0 |
| 6-30-03 | 751 | 49,351 | 53.0 | 7.6 | 65,714 | (0.5) |
| 6-30-04 | 767 | 50,624 | 53.5 | 8.0 | 66,003 | 0.4 |
| 6-30-05 | 781 | 53,450 | 53.8 | 7.8 | 68,436 | 3.7 |
| 6-30-06 | 800 | 54,696 | 54.3 | 8.3 | 68,370 | (0.1) |

Active Members - June 30, 2006
Age and Service Distribution

| Attained Age | Service | | | | | | | No. | Payroll |
|-----------------|------------|------------|------------|-----------|-----------|----------|----------|------------|---------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | Over 30 | | |
| 25-29 | 4 | 1 | 1 | | | | | 6 | \$124,194 |
| 30-34 | 15 | 2 | | | | | | 17 | 465,307 |
| 35-39 | 27 | 8 | 1 | | | | | 36 | 1,736,453 |
| 40-44 | 35 | 20 | 6 | 2 | | | | 63 | 4,632,056 |
| 45-49 | 49 | 44 | 17 | 5 | 1 | | | 116 | 9,123,881 |
| 50-54 | 47 | 55 | 41 | 23 | 4 | 1 | | 171 | 13,274,494 |
| 55-59 | 54 | 53 | 44 | 31 | 7 | | 2 | 191 | 14,354,660 |
| 60-64 | 34 | 36 | 23 | 16 | 6 | 2 | | 117 | 7,634,262 |
| 65-69 | 15 | 19 | 7 | 3 | 4 | 3 | 1 | 52 | 2,196,841 |
| 70-74 | 3 | 8 | 3 | 3 | | 2 | 1 | 20 | 863,625 |
| 75-79 | | 4 | 2 | 2 | | | 1 | 9 | 241,074 |
| 80-84 | | 1 | | 1 | | | | 2 | 49,262 |
| Totals | 283 | 251 | 145 | 86 | 22 | 8 | 5 | 800 | \$54,696,109 |

Group Averages:

Age: 54.3 years
Service: 8.3 years
Annual Pay: \$68,370

**Inactive Members - June 30, 2006
Age and Service Distribution**

| Attained Age | Service | | | | | No. |
|-------------------------|----------------|------------|--------------|--------------|--------------|------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | |
| 30-34 | 2 | | | | | 2 |
| 35-39 | 4 | 3 | | | | 7 |
| 40-44 | 7 | 5 | 1 | | | 13 |
| 45-49 | 14 | 10 | 1 | | | 25 |
| 50-54 | 10 | 13 | 4 | 1 | | 28 |
| 55-59 | 7 | 11 | 7 | 5 | | 30 |
| 60-64 | 5 | 11 | 4 | 4 | | 24 |
| 65-69 | 5 | 2 | | | | 7 |
| 70-74 | 1 | 2 | | | | 3 |
| Totals | 54 | 57 | 17 | 10 | | 139 |

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 open |
| Remaining amortization period: | 30 years for unfunded actuarial accrued liability |
| Asset valuation method: | Smoothed market value |
| Actuarial assumptions: | |
| Investment rate of return | 8.50% |
| Projected salary increases* | 5.00% |
| * Includes inflation at | 5.00% |

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

Analysis of Funding Progress

| Valuation Date June 30 | (1) Valuation 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 |
|---|--|--|---|---|---|---|
| 1998 | \$241,884,563 | \$199,662,358 | 121.1% | \$(42,222,205) | \$40,440,812 | -% |
| 1999 | 283,336,906 | 227,100,114 | 124.8 | (56,236,792) | 43,086,578 | - |
| 2000 | 329,776,710 | 253,477,602 | 130.1 | (76,299,108) | 45,381,799 | - |
| 2001 | 355,767,752 | 250,987,205 | 141.7 | (104,780,547) | 48,669,464 | - |
| 2002 | 351,348,778 | 279,947,036 | 125.5 | (71,401,742) | 48,729,191 | - |
| 2003 | 353,463,170 | 297,891,264 | 118.7 | (55,571,906) | 49,350,925 | - |
| 2004 | 343,375,639 | 328,920,980 | 104.4 | (14,454,659) | 50,624,413 | - |
| 2005 | 344,604,118 | 360,757,867 | 95.5 | 16,153,749 | 53,448,803 | 30.2 |
| 2006 | 351,700,873 | 391,403,356 | 89.9 | 39,702,483 | 54,696,109 | 72.6 |

Required Supplementary Information
Schedule of Employer Contributions

| Fiscal Year Ended June 30 | Annual Required Contribution | Percent Contributed |
|--|---|--------------------------------|
| 1992 | \$4,941,470 | 100.0% |
| 1993 | 5,555,890 | 100.0 |
| 1994 | 5,224,545 | 100.0 |
| 1995 | 4,886,479 | 100.0 |
| 1996 | 4,934,939 | 100.0 |
| 1997 | 3,668,144 | 100.0 |
| 1998 | 3,941,018 | 100.0 |
| 1999 | 4,126,694 | 100.0 |
| 2000 | 3,851,940 | 100.0 |
| 2001 | 3,163,111 | 100.0 |
| 2002 | 3,656,604 | 100.0 |
| 2003 | 3,755,629 | 100.0 |
| 2004 | 6,976,772 | 100.0 |
| 2005 | 6,809,136 | 100.0 |
| 2006 | 11,479,967 | |
| 2007 | 10,653,434 | |

Actual required contribution dollar amount will be based on the recommended contribution rate and the actual pensionable payroll for the period.

Trend Information

| Fiscal Year Ended June 30 | Annual Pension Cost | Percent Contributed | Net Pension Obligation |
|--------------------------------------|--------------------------------|----------------------------|-----------------------------------|
| 1995 | \$4,886,479 | 100.0% | \$0 |
| 1996 | 4,934,939 | 100.0 | 0 |
| 1997 | 3,668,144 | 100.0 | 0 |
| 1998 | 3,941,018 | 100.0 | 0 |
| 1999 | 4,126,694 | 100.0 | 0 |
| 2000 | 3,851,940 | 100.0 | 0 |
| 2001 | 3,163,111 | 100.0 | 0 |
| 2002 | 3,656,604 | 100.0 | 0 |
| 2003 | 3,755,629 | 100.0 | 0 |
| 2004 | 6,976,772 | 100.0 | 0 |
| 2005 | 6,809,136 | 100.0 | 0 |
| 2006 | 11,479,967 | 100.0 | |