

DENVER PUBLIC SCHOOLS RETIREMENT SYSTEM
ANNUAL ACTUARIAL VALUATION REPORT
DECEMBER 31, 2006

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April 25, 2007

The Board of Trustees
Denver Public Schools Retirement System
Denver, Colorado

Dear Board Members:

The results of the *Annual Actuarial Valuation* of the Denver Public Schools Retirement System are presented in this report. The purpose of the valuation was to measure the system's funding progress and to determine the computed employer contribution rate for the next fiscal year.

The valuation was based upon information, furnished by Retirement System staff, concerning Retirement System benefits, financial transactions, and active members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency, but was not otherwise audited. All promised benefits were included in the actuarially computed contribution rates.

The date of the valuation was *December 31, 2006*.

To the best of our knowledge, this report is complete and accurate and the valuation was conducted in accordance with standards of practice prescribed by the Actuarial Standards Board. It is our opinion, that the actuarial assumptions used for the valuation produce results which are reasonable.

Respectfully submitted,

Norman L. Jones, FSA, MAAA

Judith A. Kermans, EA, MAAA

Kenneth G. Alberts

JM:bd

SECTION A

VALUATION RESULTS

FUNDING OBJECTIVE AND EXECUTIVE SUMMARY

The funding objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, that will accumulate assets during each member's working years which, together with regular interest, will be sufficient to pay promised benefits after retirement.

EXECUTIVE SUMMARY

- The recommended employer contribution for the fiscal year beginning July 1, 2008, based on normal cost plus 30-year amortization of unfunded accrued liabilities is 14.55% of payroll. The funding policy contribution rate will be equal to 100% of the actuarially determined rate since the phase-in period has ended.
- In aggregate, experience was very close to assumed. There was an experience loss of 0.1% of beginning of year accrued liabilities, which resulted in an increase in the computed employer contribution rate of 0.04% of payroll.
- The current actuarial funding ratio of 87.6% has decreased slightly from 87.9% last year. The market value of assets was \$55 million higher than the funding value of assets as of December 31, 2006. In the absence of offsetting future losses, the funded ratio is likely to increase somewhat in the coming years, provided that the plan sponsor contributes 100% of the actuarially determined rate.
- The actual rate of return on a market value basis was 12.2%, well above the 8.50% assumed rate. Due to the smoothing method, a 9.0% rate of return was recognized this year and the rest will be recognized in future valuations.

CONCLUSION

The Denver Public Schools Retirement System continues to be in sound financial condition based on actuarial principles of level percent-of-payroll financing. In order to meet Plan obligations and to maintain a strong funding level, receipt of the recommended contribution amounts is essential.

**CONTRIBUTIONS TO PROVIDE BENEFITS
EXPRESSED AS PERCENTS OF ACTIVE MEMBER PAYROLL
FOR FISCAL YEARS BEGINNING JULY 1, 2007 AND 2008**

Contributions for	FY Beginning 7/1/08	FY Beginning 7/1/07	Funding# Policy
	Recommended	Recommended	
Normal cost of benefits:			
Age & service	12.67 %	12.67 %	
Disability	1.00 %	1.00 %	
Death-in-service	0.26 %	0.26 %	
Refunds of member contributions	1.89 %	1.90 %	
Total normal cost	15.82 %	15.83 %	
Member contributions	8.00 %	8.00 %	
Employer normal cost	7.82 %	7.83 %	
Unfunded actuarial accrued liabilities	6.73 %*	6.68 %*	
COMPUTED EMPLOYER RATE	14.55 %	14.51 %	12.83 %

* Amortized as a level percent-of-payroll over an open period of 30 years.

Based on funding policy beginning 7/1/2005 that includes a 4-year phase-in of the employer contribution rate to the level recommended by the actuary.

Actual employer contributions for the last completed fiscal year were reported to be \$33,684,185.

DERIVATION OF EXPERIENCE GAIN (LOSS)

YEAR ENDED DECEMBER 31, 2006

Actual experience will never (except by coincidence) coincide exactly with assumed experience. Gains and losses often offset one another over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

	<u>12/31/2006</u>
(1) UAAL* at start of year	\$372,169,053
(2) Normal cost from last valuation	51,159,643
(3) Actual contributions	61,782,599
(4) Interest accrual: $[(1) + \{(2)-(3)\}/2] \times .085$	31,182,894
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	392,728,991
(6) Change in assumptions	0
(7) Changes in benefits	0
(8) Expected UAAL after changes: (5) + (6) + (7)	392,728,991
(9) Actual UAAL at end of year	394,899,799
(10) Gain (loss): (8) - (9)	\$ (2,170,808)
(11) Gain (loss) as percent of actuarial accrued liabilities at start of year (\$3,065,854,901)	(0.1%)

* *Unfunded actuarial accrued liability.*

DERIVATION OF EXPERIENCE GAIN (LOSS) BY SOURCE

YEAR ENDED DECEMBER 31, 2006

	<u>\$ Amount</u>	<u>% of AAL*</u>
Age & Service Retirements	\$ (2,773,646)	(0.1%)
Members retired at younger ages or with higher final average pay or service than assumed, causing a loss.		
Disability Retirements	(176,692)	0.0%
Disability claims were higher than assumed, causing a small loss.		
Death-in-Service Benefits	18,863	0.0%
Survivor claims were less than assumed, causing a gain.		
Withdrawal from Employment	9,143,829	0.3%
More liabilities were released by withdrawals than assumed, causing a gain.		
Pay Increases	(6,456,897)	(0.2%)
Pay increases were higher than assumed, causing a loss.		
Investment Income	13,830,758	0.5%
Recognized investment income was higher than assumed, causing a gain.		
New Entrants	(8,833,637)	(0.3%)
New members with prior service, causing a loss.		
Death After Retirement	6,056,846	0.2%
Retirants lived for a shorter period than assumed, causing a gain.		
Other	(12,980,232)	(0.5%)
Miscellaneous gains and losses resulting from other data adjustments, timing of financial transactions, subsidized service purchases, recognition of additional outside and non-qualified service, etc.		
Gain (or Loss) During Year From Experience	\$ (2,170,808)	(0.1%)

* AAL: Beginning of year actuarial accrued liability.

SUMMARY STATEMENT OF SYSTEM RESOURCES AND OBLIGATIONS

Present Resources and Expected Future Resources

A.	Present valuation assets	
	1. Net assets from system financial statements	\$2,854,304,339
	2. Funding value adjustment	<u>(55,323,032)</u>
	3. Valuation assets	2,798,981,307
B.	Actuarial present value of expected future employer contributions	
	1. For normal costs	203,919,812
	2. For unfunded actuarial accrued liability	<u>394,899,799</u>
	3. Totals	598,819,611
C.	Actuarial present value of expected future member contributions	<u>201,871,986</u>
D.	Total Present and Expected Future Resources	\$3,599,672,904

Actuarial Present Value of Expected Future Benefit Payments

A.	To retirees and beneficiaries	
	1. Annual allowances	\$2,234,752,415
	2. Unallocated Reserve	<u>0</u>
	3. Totals	2,234,752,415
B.	To vested terminated members	21,489,240
C.	To present active members	
	1. Allocated to service rendered prior to valuation date - actuarial accrued liability	937,639,451
	2. Allocated to service likely to be rendered after valuation date	<u>405,791,798</u>
	3. Totals	1,343,431,249
D.	Total Actuarial Present Value of Expected Future Benefit Payments	\$3,599,672,904

COMPUTED EMPLOYER CONTRIBUTIONS COMPARATIVE STATEMENT

December 31,	No.#	Active Members			Retirees & Beneficiaries			Employer Contribution Rate		
		Valuation Payroll				Annual Benefits		Normal Cost	Unfunded	
		Total	Average	% Incr.	No.	Dollars	% of Payroll		Accrued Liabilities	Total
1997	6,300	\$235,279,509	\$37,346	2.74 %	4,957	\$ 101,190,312	43.0 %	N/A	N/A	2.68 %
1998	6,434	248,766,208	38,664	3.53 %	5,037	108,710,952	43.7 %	N/A	N/A	2.90 %
1999	6,677	264,079,253	39,551	2.29 %	5,158	115,755,528	43.8 %	N/A	N/A	2.90 %
2000	7,182	292,404,031	40,713	2.94 %	5,222	125,550,888	42.9 %	N/A	N/A	2.90 %
2001	7,466	307,833,700	41,231	1.27 %	5,514	141,383,423	45.9 %	6.75 %	(1.77)%	4.98 %*
2002@	7,691	331,607,085	43,116	4.57 %	5,610	151,283,074	45.6 %	7.42 %	0.70 %	8.12 %*
2003	7,311	318,121,662	43,513	0.92 %	5,699	160,764,146	50.5 %	7.79 %	0.87 %	8.66 %*
2004@!	7,192	315,156,876	43,820	0.71 %	5,869	174,668,685	55.4 %	7.35 %	3.79 %	11.14 %*
2005	7,179	318,405,492	44,352	1.21 %	5,961	185,016,528	58.1 %	7.83 %	5.00 %	12.83 %*
2006	7,102	328,608,500	46,270	4.32 %	6,069	194,691,350	59.2 %	7.82 %	6.73 %	14.55 %

* Based on funding policy, which phased into 100% of the rate recommended by the actuary.

Excludes affiliate members.

@ After experience study.

! After benefit changes.

ACTUARIAL ACCRUED LIABILITIES & VALUATION ASSETS COMPARATIVE STATEMENT

December 31	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (1) - (2)	Ratio of Present Assets to AAL (2)/(1)	Annual Covered Payroll (5)	Ratio of UAAL to Valuation Payroll (3)/(5)
	(1)	(2)	(3)	(4)	(5)	(6)
1997	\$1,727,251,343	\$1,760,123,981	\$ (32,872,638)	101.9 %	\$235,279,509	-
1998	1,894,138,915	1,889,151,846	4,987,069	99.7 %	248,766,208	2.0 %
1999	1,983,399,740	2,044,332,158	(60,932,418)	103.1 %	264,079,253	-
2000	2,371,925,173	2,308,030,298	63,894,875 #	97.3 %	292,404,031	21.9 %
2001	2,550,556,774	2,462,548,441	88,008,333	96.5 %	307,833,700	28.6 %
2002*	2,712,292,741	2,465,049,249	247,243,492	90.9 %	331,607,085	74.6 %
2003	2,793,788,109	2,531,745,553	262,042,556	90.6 %	318,121,662	82.4 %
2004* @	2,960,990,156	2,611,523,735	349,466,421	88.2 %	315,156,876	110.9 %
2005	3,065,854,901	2,693,685,848	372,169,053	87.9 %	318,405,492	116.9 %
2006	3,193,881,106	2,798,981,307	394,899,799	87.6 %	328,608,500	120.2 %

Actual UAAL on valuation date before any offsets.

* After experience study.

@ After benefit changes.

The Ratio of Valuation Assets to AAL is a traditional measure of a system's funding progress. Except in years when the system is amended or actuarial assumptions are revised or there are extraordinary experience gains or losses, this ratio can be expected to move gradually toward 100%.

The Ratio of UAAL to Valuation Payroll is another relative index of condition. Actuarial unfunded liabilities represent debt, while active member payroll represents the system's capacity to collect contributions to pay toward debt. The lower the ratio is, the greater the financial strength and vice-versa.

The Short Condition Test is another way of looking at a system's progress under its funding program - based on the entry age accrued liability. In a short condition test, the plan's valuation assets are compared with:

- 1) Active member contributions on deposit;
- 2) The liabilities for future benefits to present retired lives;
- 3) The liabilities allocated to service already rendered by active members.

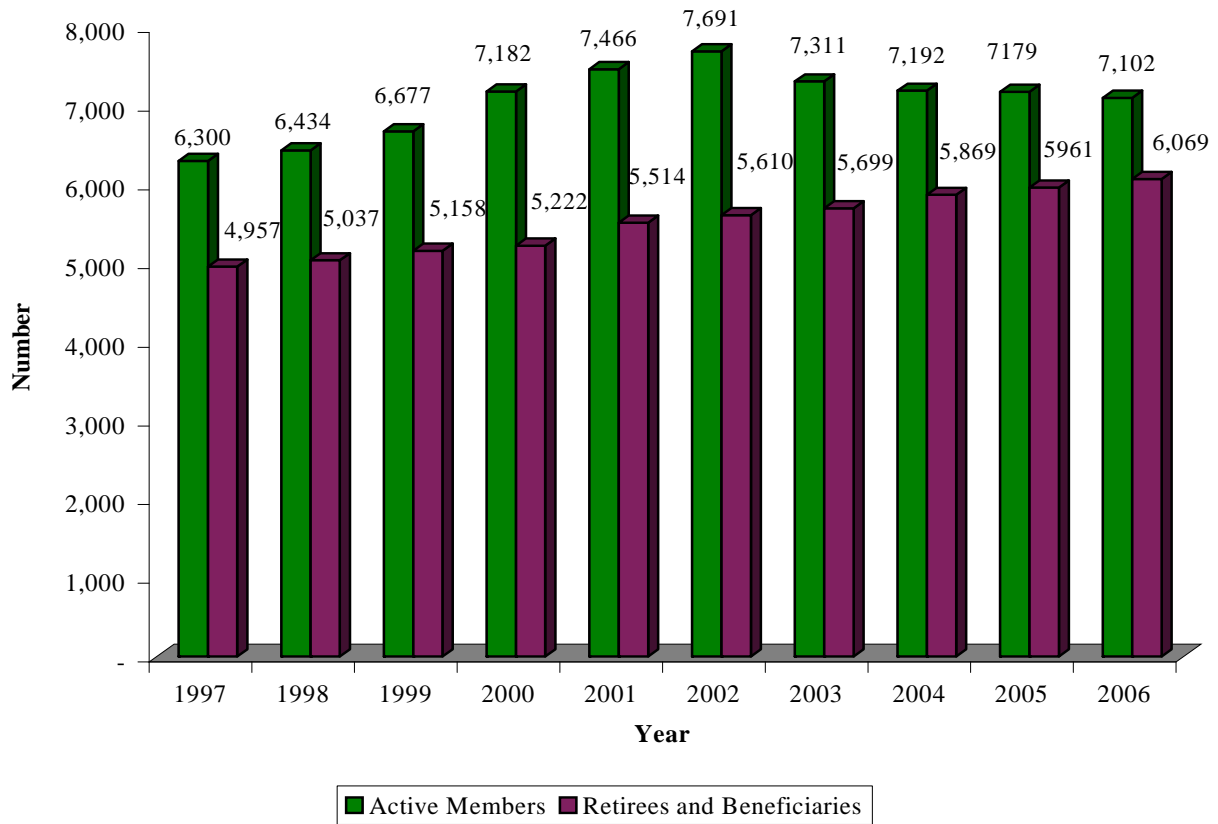
In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by valuation assets (except in rare circumstances). In addition, the liabilities assigned to service already rendered by active members (liability 3) will be partially covered by the remainder of valuation assets. The larger the funded portion of liability 3, the stronger the condition of the system.

The schedule below illustrates the history of liabilities 1, 2 and 3.

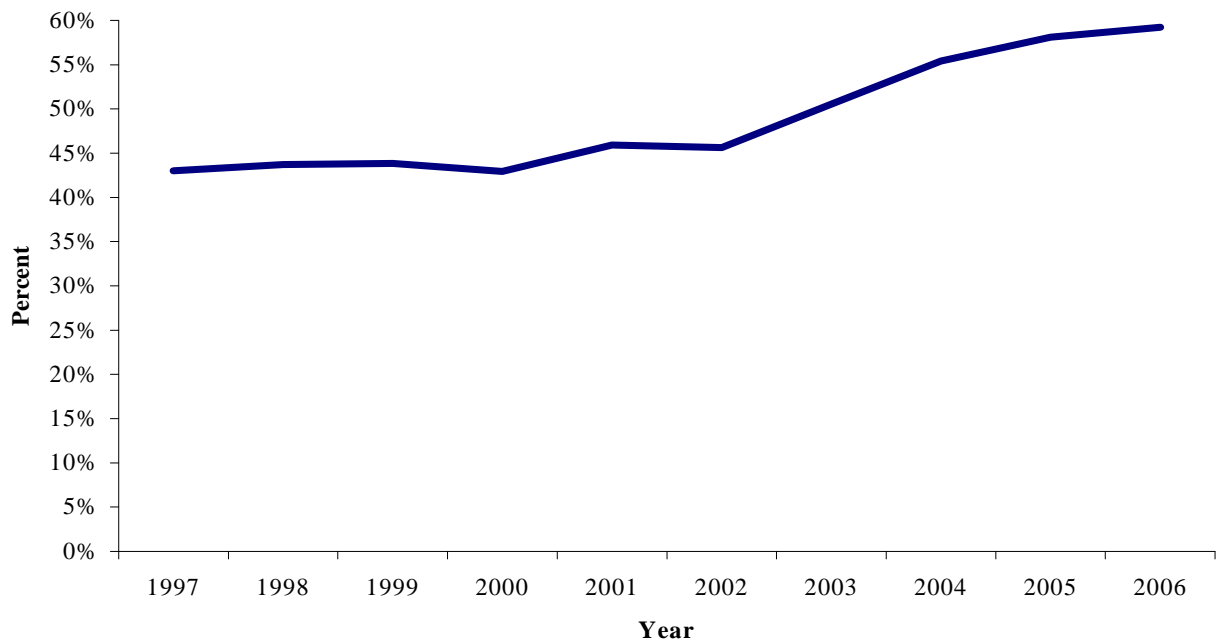
SHORT CONDITION TEST COMPARATIVE STATEMENT

Valuation Date	Entry Age Accrued Liability			Valuation Assets	Accrued Liability Covered by Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contr.	Retirants and Benef.	Active Members (Employer Financed Portion)				
1/1/2001	\$206,820	\$1,431,788	\$733,317	\$2,308,030	100%	100%	91%
1/1/2002	200,222	1,631,424	718,910	2,462,548	100	100	88
1/1/2003	212,403	1,742,486	757,404	2,465,049	100	100	67
1/1/2004	229,828	1,841,065	722,895	2,531,746	100	100	64
1/1/2005	226,554	2,029,799	704,637	2,611,524	100	100	50
1/1/2006	233,032	2,132,638	700,185	2,693,686	100	100	47
1/1/2007	240,040	2,234,752	719,089	2,798,981	100	100	45

Active and Retired Members and Beneficiaries

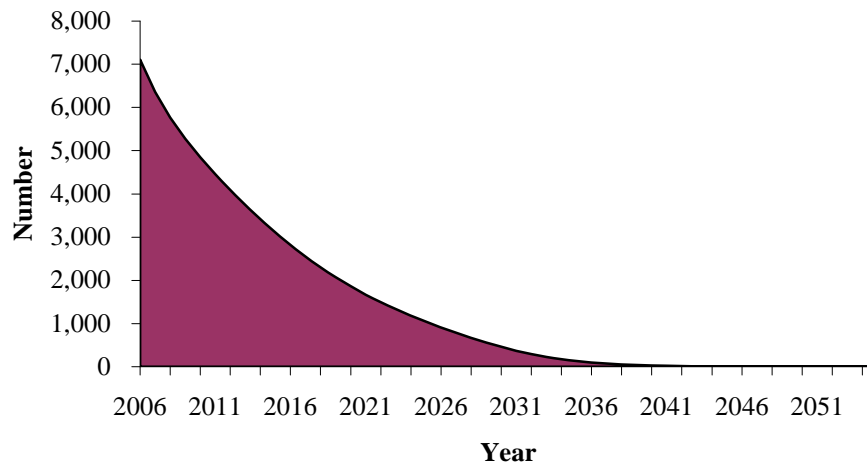


Benefits as a Percent of Payroll

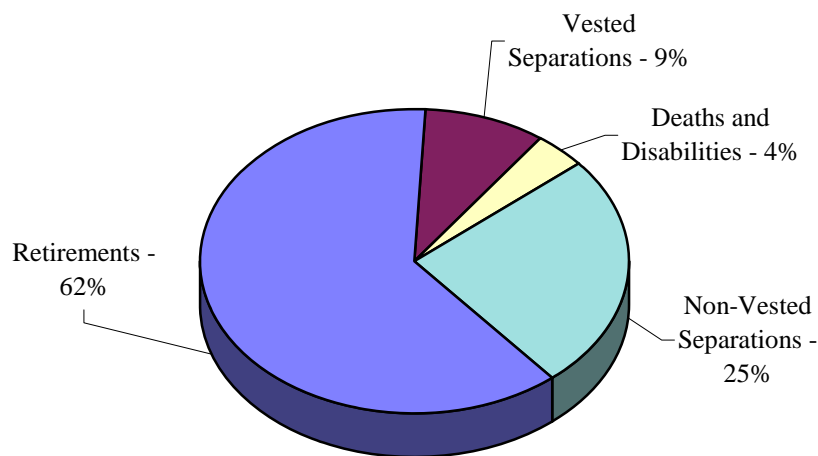


EXPECTED DEVELOPMENT OF PRESENT POPULATION BASED ON CURRENT PLAN ASSUMPTIONS

Closed Group Population Projection



**Expected Terminations from Active Employment
for Current Active Members**



PURCHASE OF NON-COVERED SERVICE

Section 30.03(8) of the plan provides that periods of non-covered employment will qualify as accredited and as active service with the district provided that certain conditions are met. The charge for purchasing such service is intended to be set at a rate that is cost neutral. Once set, the rate is to be periodically analyzed by the actuary and reviewed by the Board.

The current rate is 34% of highest average salary (HAS) per year of service purchased. This rate was developed based on the analysis of service purchased during 2002. Based on supplemental data furnished by DPSRS regarding purchases in 2006, we completed the following analysis:

Number of purchases*	49
Average age of purchasers	55
Total charge for purchases:	\$ 2,083,428
Current rate as a % of HAS	34%
Total years purchased	116.8 years
Estimated Average HAS	\$ 52,463
Average benefit service years:	
Before purchase	20.0
After purchase	22.4
Increase in present value of future benefits:	
Actives	\$ 1,376,155
Retired	\$ 842,471
Affiliated	-
Term vested	-
Total	<u>\$ 2,218,626</u>
Average per year purchased	\$ 18,995
Average increase in present value per year purchased as a percent of HAS	36.2%

* Excludes one vested member who terminated and is awaiting a refund.

SECTION B

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED DECEMBER 31, 2006

Regular Retirement (no reduction factor for age):

Eligibility - Age 50 with 30 or more years of earned service or age 55 with 25 or more years of earned and outside service (must include 15 years with the District), or age 65 with 5 years of earned service.

Type of Final Average Salary (FAS) - Highest 36 months of earned service or career average, whichever is greater.

Annual Amount - 2.5% of FAS times earned service. Minimum benefit is \$15 times first 10 years of earned service plus \$20 times earned service over 10 years plus an amount equal to the annuitized member balance, including any amount paid to purchase service.

Early Retirement:

Eligibility – Age 55 with 15 years of service with the District but less than 25 years of service or any age with at least 25 years of service with the District.

Annual Amount - Same as regular retirement but reduced by the following amount:

<u>Age</u>	<u>Service</u>	<u>Reduction Amount*</u>
Under 50	30 years	4% for each year prior to age 50
Under 50	25-30 years	Greater of: <ul style="list-style-type: none">• 4% for each year of service below 30 years• 4% for each year below age 50
Age 50 - 55	25-30 years	Lesser of: <ul style="list-style-type: none">• 4% for each year under age 55• 4% for each year of service below 30 years
Over 55	15 years	Lesser of: <ul style="list-style-type: none">• 4% for each year under age 65• 4% for each year below 25 years

* Reduction amounts based on 6% rather than 4% for those hired (or re-hired, if contributions were refunded) on or after July 1, 2005.

Deferred Retirement (vested benefit):

Eligibility - 5 years of service. Benefit begins at age 50 with 30 years of service, age 55 with 25 years of service (15 with District), or age 65 with 5 years of service.

Annual Amount - Computed as regular retirement but based upon service and final average salary at time of termination. In lieu of retirement benefits, members may receive 200% of accumulated contributions in a lump sum or an annuity equal to the actuarial equivalent of 200% of contributions plus minimum benefit.

Disability Retirement:

Eligibility – 5 years of service. Recalculated benefit is payable at age 55 with 25 years of service, at age 50 with 30 years of service, or at age 65.

Annual Amount – Accrued benefit immediately. Upon attaining voluntary retirement age, additional qualified service credit is granted and benefit is recomputed.

Death Before Retirement:

Eligibility - No age or service requirements for a refund of member contributions.

Annual Amount – If the member is eligible for retirement, the beneficiary may receive a refund of accumulated contributions, survivor benefits, or the regular or early retirement benefit.

Survivor benefits are as follows and require that the member have a minimum of 5 years of earned service with the district immediately prior to death:

Type of Survivor	Survivor Benefits
Child	The greater of 10% of Final Average Salary for each child up to a limit of 30%; and \$160 (pro-rated) for each child up to a limit of \$480.
Spouse and child	The greater of the difference between the child benefit above and 30% (40% if 15 years of service plus 2% for each year of service beyond 25 years) of Final Average Salary; and \$480.
Dependent Parent	The greater of 10% of Final Average Salary; and \$240 per parent.
Spouse:	
• Less than 15 years of service	The lesser of 30% of Final Average Salary; and \$480.
• 15 years of service or more	The greater of 30% of Final Average Salary, plus an additional 1% for each year of service over 15 years; and \$480.
Spouse's benefit is payable at age 50 with at least 15 years of service or at age 60.	

Member Contributions:

8.0% of annual compensation. Interest is credited at a rate of 5% per year compounded monthly.

Post-Retirement Increases: (ARAA)

3.25% per year compounded. Effective on the January 1st immediately following retirement. Associate members are not eligible for the annual retirement increase. For those hired on or after July 1, 2005, the increase is based on the lesser of 3.00% per year or the increase in the Consumer Price Index (CPI) for all urban wage earners and clerical workers, with the first increase calculated on a pro-rated basis.

SERVICE

Earned Service is used in the determination of benefits and eligibility. It includes periods of employment (regular or casual) with the District, a Charter School or the System.

Outside and Non-qualified service counts as service up to a total of 10 years of service in determining eligibility for full retirement with 25 years of service. If purchased, also counts as earned service.

OPTIONAL FORMS OF PAYMENT

Option A:	Single life annuity (SLA) with residual refund of member contributions.
Option B:	Installment refund annuity (SLA with reserve balance paid to beneficiary in monthly installments upon employee's death).
Option C:	100% joint and survivor with 10 years certain.
Option D:	Cash refund on annuity portion and SLA on pension portion.
Option E:	50% joint and survivor with 10 years certain.
Option P2:	50% joint and survivor with pop-up and residual refund of member contributions.
Option P3:	100% joint and survivor with pop-up and residual refund of member contributions.

RETIREES AND BENEFICIARIES DECEMBER 31, 2006 **TABULATED BY OPTIONAL FORM BEING PAID**

	Optional Form							
	A	B	C	D	E	P2	P3	TOTAL
Superannuation and Early Retirement								
(Includes survivors of deceased employees)								
Males								
Number	169	137	1,518	148	214	6	16	2,208
Average Monthly Benefit	\$2,815	\$2,761	\$3,199	\$2,915	\$2,512	\$2,870	\$2,599	\$3,051
Females								
Number	706	533	936	792	339	34	35	3,375
Average Monthly Benefit	\$2,712	\$2,286	\$2,636	\$2,732	\$2,572	\$2,969	\$2,733	\$2,617
Total								
Number	875	670	2,454	940	553	40	51	5,583
Average Monthly Benefit	\$2,732	\$2,383	\$2,984	\$2,761	\$2,549	\$2,954	\$2,691	\$2,789
Regular Disability								
Males								
Number	55	8	39	5	11	0	0	118
Average Monthly Benefit	\$1,413	\$1,051	\$1,391	\$1,970	\$1,506	\$0	\$0	\$1,413
Females								
Number	147	24	43	24	13	2	0	253
Average Monthly Benefit	\$1,544	\$1,191	\$1,483	\$1,187	\$1,194	\$1,641	\$0	\$1,449
Total								
Number	202	32	82	29	24	2	0	371
Average Monthly Benefit	\$1,508	\$1,156	\$1,439	\$1,322	\$1,337	\$1,641	\$0	\$1,438
Survivors of Active Members and Disability Deaths								
Number								115
Average Monthly Benefit								\$1,053
Grand Total								
Number								6,069
Average Monthly Benefit								\$2,674

RETIREES AND BENEFICIARIES DECEMBER 31, 2006 **TABULATED BY ATTAINED AGES**

Attained Ages	Years Since Retirement								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
Under 45	Number	8	3	0	0	0	0	0	11
	Total Benefit	\$ 123,162	\$ 29,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,665
45-49	Number	14	2	6	0	0	0	0	22
	Total Benefit	\$ 221,089	\$ 7,954	\$ 54,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ 283,919
50-54	Number	103	21	4	0	0	0	0	128
	Total Benefit	\$ 3,804,872	\$ 324,530	\$ 43,692	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,173,094
55-59	Number	503	156	23	5	0	0	0	687
	Total Benefit	\$ 21,088,113	\$ 6,031,968	\$ 502,678	\$ 61,283	\$ 0	\$ 0	\$ 0	\$ 27,684,042
60-64	Number	329	504	91	5	4	2	1	936
	Total Benefit	\$ 11,902,872	\$ 20,365,927	\$ 2,513,602	\$ 63,584	\$ 57,261	\$ 7,714	\$ 5,080	\$ 34,916,040
65-69	Number	277	246	399	18	4	0	0	944
	Total Benefit	\$ 6,971,759	\$ 8,671,164	\$ 14,982,973	\$ 431,501	\$ 40,331	\$ 0	\$ 0	\$ 31,097,728
70-74	Number	62	228	317	267	9	0	0	883
	Total Benefit	\$ 1,203,207	\$ 4,751,676	\$ 12,021,367	\$ 9,637,722	\$ 289,772	\$ 0	\$ 0	\$ 27,903,744
75-79	Number	13	31	307	317	237	2	0	907
	Total Benefit	\$ 267,897	\$ 677,968	\$ 8,716,856	\$ 11,618,031	\$ 7,565,989	\$ 33,271	\$ 0	\$ 28,880,012
80-84	Number	3	5	48	358	328	91	7	840
	Total Benefit	\$ 105,840	\$ 65,525	\$ 1,422,331	\$ 9,416,794	\$ 11,195,974	\$ 2,409,185	\$ 93,533	\$ 24,709,182
85-89	Number	0	1	8	40	258	112	18	437
	Total Benefit	\$ 0	\$ 6,897	\$ 204,769	\$ 912,035	\$ 5,752,193	\$ 2,804,734	\$ 283,705	\$ 9,964,333
90 & Over	Number	0	0	1	0	46	137	90	274
	Total Benefit	\$ 0	\$ 0	\$ 7,026	\$ 0	\$ 1,043,926	\$ 2,076,348	\$ 1,799,291	\$ 4,926,591
Totals	Number	1,312	1,197	1,204	1,010	886	344	116	6,069
	Total Benefit	\$ 45,688,811	\$ 40,933,112	\$ 40,470,170	\$ 32,140,950	\$ 25,945,446	\$ 7,331,252	\$ 2,181,609	\$ 194,691,350
Average Age =		72.1			Average Years Since Retirement 13.1 (excluding beneficiaries)				

**INACTIVE MEMBERS
ELIGIBLE FOR DEFERRED BENEFITS DECEMBER 31, 2006
TABULATED BY ATTAINED AGES**

Attained Ages	No.	Monthly Allowances
25-29	3	\$ 4,312
30-34	28	36,360
35-39	62	77,481
40-44	53	80,666
45-49	64	87,335
50-54	57	67,698
55-59	79	73,712
60-64	60	50,769
65	2	876
Totals	408	\$479,209

ACTIVE MALE MEMBERS DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20									
20-24	25	6						31	\$ 863,263
25-29	117	19	2					138	4,774,822
30-34	121	96	21	2				240	9,612,365
35-39	120	94	42	9	1			266	12,061,378
40-44	108	69	49	36	18	4		284	14,410,129
45-49	78	70	45	70	34	28	9	334	16,860,858
50-54	64	77	51	40	45	30	5	312	16,044,088
55-59	49	64	42	44	24	16	12	251	13,471,859
60	10	8	9	10	3	5	2	47	2,514,691
61	4	9	7	5	3	2		30	1,760,474
62	6	4	1	5	1	2	1	20	964,885
63	1	3	4	1	1		2	12	610,414
64	2	1	2	3	4	1	2	15	809,324
65	3	6	3			1		13	617,075
66	2	1	2	2		1		8	351,962
67	2	1	1					4	184,271
68		2	1	3	1			7	364,748
69							1	1	67,684
70	2		1	1	1			5	131,867
71		1		1				2	112,618
72		2		1				3	100,210
73				1				1	25,186
74	1			1				2	80,844
75				1	1			2	40,837
76									
77				1				1	25,186
78			1					1	38,149
79				1				1	25,862
Totals	715	533	284	238	137	90	34	2,031	\$96,925,049

Group Averages

Age: 45.0 years
Service: 9.58 years
Annual Pay: \$47,723

ACTIVE FEMALE MEMBERS DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	1							1	\$ 26,342
20-24	90	4						94	2,935,306
25-29	442	62	1					505	17,464,514
30-34	397	259	12					668	25,880,442
35-39	250	241	82	8				581	24,999,448
40-44	176	195	96	80	11	1		559	24,768,248
45-49	130	174	115	122	67	20		628	29,587,602
50-54	133	147	150	135	114	97	11	787	40,301,769
55-59	112	138	98	136	96	107	31	718	37,986,755
60	16	26	17	19	22	19	14	133	7,323,233
61	14	13	15	20	13	9	6	90	4,699,320
62	9	11	10	13	9	8	7	67	3,440,534
63	4	14	11	13	12	10	5	69	3,579,421
64	4	10	13	11	3	7	2	50	2,840,108
65	6	8	5	5	8	2	3	37	1,933,076
66	4	3	2	3	5	4	5	26	1,272,170
67	1	4		3	1	2	3	14	670,739
68		4		4	1	2	5	16	786,990
69		1	2			1	1	5	230,107
70	1	1	1	1		1		5	203,548
71	1		1	1		1	1	5	175,438
72			1					1	26,628
73			1		1		1	3	124,907
74				1	1	1		3	110,646
75				1				1	72,338
76			1					1	28,224
77				1			1	2	123,752
78									
79			1				1	2	91,846
Totals	1,791	1,315	635	577	364	292	97	5,071	\$231,683,451

Group Averages

Age: 44.8 years
Service: 9.83 years
Annual Pay: \$45,688

TOTAL ACTIVE MEMBERS DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date								Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	1							1	\$ 26,342
20-24	115	10						125	3,798,569
25-29	559	81	3					643	22,239,336
30-34	518	355	33	2				908	35,492,807
35-39	370	335	124	17	1			847	37,060,826
40-44	284	264	145	116	29	5		843	39,178,377
45-49	208	244	160	192	101	48	9	962	46,448,460
50-54	197	224	201	175	159	127	16	1099	56,345,857
55-59	161	202	140	180	120	123	43	969	51,458,614
60	26	34	26	29	25	24	16	180	9,837,924
61	18	22	22	25	16	11	6	120	6,459,794
62	15	15	11	18	10	10	8	87	4,405,419
63	5	17	15	14	13	10	7	81	4,189,835
64	6	11	15	14	7	8	4	65	3,649,432
65	9	14	8	5	8	3	3	50	2,550,151
66	6	4	4	5	5	5	5	34	1,624,132
67	3	5	1	3	1	2	3	18	855,010
68		6	1	7	2	2	5	23	1,151,738
69		1	2			1	2	6	297,791
70	3	1	2	2	1	1		10	335,415
71	1	1	1	2		1	1	7	288,056
72		2	1	1				4	126,838
73			1	1	1		1	4	150,093
74	1			2	1	1		5	191,490
75				2	1			3	113,175
76			1					1	28,224
77				2			1	3	148,938
78			1					1	38,149
79			1	1			1	3	117,708
Totals	2,506	1,848	919	815	501	382	131	7,102	\$328,608,500

Group Averages

Age: 44.8 years
Service: 9.76 years
Annual Pay: \$46,270

COMPARATIVE SCHEDULES

Active Members December 31,

	2006	2005	2004	2003	2002
Active and Affiliate Members	7,130	7,212	7,223	7,339	7,722
Payroll (in thousands)*	\$328,609	\$318,405	\$315,157	\$318,122	\$331,607
Average Salary*	\$ 46,270	\$ 44,352	\$ 43,820	\$ 43,513	\$ 43,116
Average Age*	44.8	44.7	44.6	44.6	44.0
Average Service*	9.8	9.8	9.8	10.2	10.8

* Excluding Affiliate Members.

All Plan Members December 31, 2006

	Males	Females	Total
Active Members			
Number	2,031	5,071	7,102
Annual Payroll	\$96,925,049	\$ 231,683,451	\$ 328,608,500
Affiliate Members	4	24	28
Deferred Retirements			
Number	105	303	408
Estimated Monthly Benefit	\$ 148,014	\$ 331,195	\$ 479,209
Retired Members			
Number	2,285	3,413	5,698
Annual Benefit	\$81,792,070	\$ 106,499,818	\$ 188,291,888
Disabled Participants			
Number	118	253	371
Annual Benefits	\$ 2,001,150	\$ 4,398,312	\$ 6,399,462
Subtotal Number	4,543	9,064	13,607
Nonvested and Unelected Vested Terminations			
Terminated, Owed Refunds			641
Total Number			14,248

**DEVELOPMENT OF FUNDING VALUE
OF RETIREMENT SYSTEM ASSETS
DECEMBER 31, 2006**

Development of Funding Value of Assets	2006	2005
1. Funding Value (FV) of Assets - BOY	\$2,693,685,848	\$2,611,523,735
2. Employer Contributions	33,684,185	28,448,702
3. Member Contributions	28,098,414	27,269,492
4. Benefit Payments and Refunds	193,675,737	183,640,121
5. Decrease in Pension Assessment Expenses	0	0
6. Release of Prior Unallocated Excess Earnings	0	0
7. FBE Transfer for Benefit Improvements	0	0
8. Interest at 8.5%	223,357,839	216,542,836
9. Expected FV of Assets - EOY: (1)+(2)+(3)-(4)-(5)+(6)+(7)+(8)	2,785,150,549	2,700,144,644
10. Market Value (MV) of Assets	2,854,304,339	2,667,850,663
11. FBE Balance	0	0
12. Unallocated Excess Earnings	0	0
13. Adjusted MV of Assets: (10)-(11)-(12)	2,854,304,339	2,667,850,663
14. Difference between EFV and AMV: (13)-(9)	69,153,790	(32,293,981)
15. 20% of Difference: 0.20 x (14)	13,830,758	(6,458,796)
16. Funding Value of Assets - EOY: (9) + (15)	\$2,798,981,307	\$2,693,685,848

The Funding Value of Assets recognizes 20% of the difference between Market Value and expected Funding Value each year. Expected Funding Value is equal to last year's Funding Value increased by contributions and assumed investment income and decreased by benefit payments. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value.

SUMMARY OF ACTUARIAL ASSETS, REVENUES AND EXPENDITURES

BALANCE SHEET

Valuation Assets		Reserves for	
Cash, receivables, accruals and other short-term assets	\$ (8,756,194)	Member contributions	\$ 241,794,234
Stocks	1,663,981,275	Pensions and annuities	2,120,457,048
Bonds	937,588,167	Deferred retirement allowances	14,612,048
Other	261,491,091	Unrealized asset appreciation	477,441,009
Funding value adjustment	(55,323,032)	Funding value adjustment	(55,323,032)
Total Current Assets	\$2,798,981,307	Total Applied Reserves	\$2,798,981,307

REVENUES AND EXPENDITURES

	2006	2005
Balance - January 1	\$2,693,685,848	\$2,611,523,735
BOY Adjustments	0	0
Adjusted BOY Balance (A)	2,693,685,848	2,611,523,735
Revenues		
Member contributions	28,098,414	27,269,492
Employer contributions	33,684,185	28,448,702
Recognized investment income (I)	240,533,964	213,513,612
Total	302,316,563	269,231,806
Expenditures		
Benefit payments	193,675,737	183,640,121
Administrative expenses (E)	3,345,367	3,429,572
Total	197,021,104	187,069,693
Balance - December 31 (B)	\$2,798,981,307	\$2,693,685,848
Recognized rate of return: $(I-E)/[\frac{1}{2} \times (A+B-I+E)]$	9.0%*	8.2%*

* Market value rate of return was 12.2% in 2006 and 9.6% in 2005.

RECOMMENDED RESERVE TRANSFERS

DECEMBER 31, 2006

1. Reserve for Retired Service and Age - Basic	
a. Ledger Reserve as of December 31, 2006	\$1,213,922,674
b. Required reserve according to actuarial valuation	<u>1,213,507,517</u>
c. Amount to be transferred to this reserve	(415,157)
2. Reserve for Retired Regular Disability - Basic	
a. Ledger Reserve as of December 31, 2006	\$ 35,705,480
b. Required reserve according to actuarial valuation	<u>38,378,719</u>
c. Amount to be transferred to this reserve	2,673,239
3. Reserve for Survivor Benefits - Basic	
a. Ledger Reserve as of December 31, 2006	\$ 7,854,599
b. Required reserve according to actuarial valuation	<u>7,800,092</u>
c. Amount to be transferred to this reserve	(54,507)
4. Reserve for Retired Service and Age - ARAA	
a. Ledger Reserve as of December 31, 2006	\$ 938,444,126
b. Required reserve according to actuarial valuation	<u>940,584,945</u>
c. Amount to be transferred to this reserve	2,140,819
5. Reserve for Retired Regular Disability - ARAA	
a. Ledger Reserve as of December 31, 2006	\$ 25,668,156
b. Required reserve according to actuarial valuation	<u>27,284,943</u>
c. Amount to be transferred to this reserve	1,616,787
6. Reserve for Survivor Benefits - ARAA	
a. Ledger Reserve as of December 31, 2006	\$ 7,497,574
b. Required reserve according to actuarial valuation	<u>7,196,200</u>
c. Amount to be transferred to this reserve	(301,374)
7. Total Reserve Liability Transfers	
a. Ledger Reserve as of December 31, 2006	\$2,229,092,609
b. Required reserve according to actuarial valuation	<u>2,234,752,416</u>
c. Amount to be transferred to this reserve	5,659,807

In order to maintain an exact balance between reserve accounts and retiree liabilities, as calculated in the December 31, 2006 valuation, the above transfers should be made.

SECTION C

SUMMARY OF VALUATION METHODS AND ASSUMPTIONS

ACTUARIAL COST METHODS

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

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

The normal cost and the present value of future normal cost is based on the benefit levels available to members hired on or after July 1, 2005. The present value of benefits is based on the benefit levels available to each member. The accrued liability is the difference between the present value of benefits and the present value of normal cost.

Financing of Unfunded Actuarial Accrued Liabilities (UAAL). Unfunded actuarial accrued liabilities (full funding credit of assets exceed liabilities) are amortized by level (principal & interest combined) percent-of-payroll contributions over a period of 30 future years.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

The actuary calculates the contribution requirements and benefit values by applying actuarial assumptions to the benefit provisions and census data furnished, using the actuarial cost methods described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- long-term rates of investment return to be generated by system assets.
- patterns of pay increases to members.
- rates of mortality among members, retirees and beneficiaries.
- rates of separation (withdrawal) from active membership.
- rates of disability among active members.
- the age patterns of actual retirement.

In a valuation, the actuary calculates the monetary effect of each assumption for as long as each covered person survives - - - a period of time which can be as long as a century.

Actual experience of the Fund will not coincide exactly with assumed experience, regardless of the quality of the assumptions, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time it is appropriate to modify one or more of the assumptions to reflect experience trends (but not random year-to-year fluctuations).

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

Sample Ages	% Increase in Salary at Sample Ages		
	Merit and Seniority	Base (Economic)*	Increase Next Year
20	5.0%	4.5%	9.5%
25	4.5%	4.5%	9.0%
30	3.6%	4.5%	8.1%
35	2.8%	4.5%	7.3%
40	2.1%	4.5%	6.6%
45	1.4%	4.5%	5.9%
50	0.8%	4.5%	5.3%
55	0.4%	4.5%	4.9%
60	0.0%	4.5%	4.5%
65	0.0%	4.5%	4.5%

* Includes 3.5% for price inflation and 1% for productivity increases.

The payroll growth rate for financing unfunded actuarial accrued liabilities was assumed to be 4.5% per year.

The rate of net investment return was 8.50% a year, compounded annually. This assumption is used to make money payable at one point in time equal in value to a different amount of money payable at another point in time.

The assumed real return is the rate of return in excess of price inflation. Considering other assumptions used in the valuation, the 8.50% nominal rate translates to a net real return of 5.00% a year. Experience over the last 4 years has been more favorable than assumed, as illustrated below:

	Year Ended December 31				4-Year Average
	2006	2005	2004	2003	
1. Nominal rate (net)	9.0 %	8.2 %	8.2 %	7.4 %	8.2 %
2. Increase in CPI	2.5 %	3.4 %	3.3 %	1.9 %	2.8 %
3. Average salary increase	4.3 %	1.2 %	0.7 %	0.9 %	1.8 %
4. Real return as measured by					
- CPI: (1)-(2)					5.4 %
- Salary increases: (1)-(3)					6.4 %

The nominal rate of return was computed using the approximate formula: $i = I$ divided by $1/2 (A+B-I)$, where I is realized investment income, A is the beginning of year asset value and B is the end of year asset value.

The mortality table was as shown below:

Sample Attained Ages	Value at Retirement of \$1 Monthly Increasing 3.25% Annually After Retirement		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	\$178.67	\$192.26	31.57	36.49
55	166.83	181.53	27.31	31.85
60	152.60	168.39	23.13	27.27
65	135.61	153.10	19.05	22.88
70	117.62	135.71	15.36	18.72
75	99.49	116.40	12.13	14.84
80	82.03	96.35	9.40	11.39

This assumption is used to measure the probabilities of each benefit payment being made after retirement. The possibility of members dying before retirement is 50% of the rates shown above.

Disabled life mortality was based on the healthy life mortality rates, set forward 10 years.

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages	Normal Retirement		Early Retirement	
	Men	Women	Men	Women
50	25%	25%	10%	5%
51	25%	25%	10%	5%
52	25%	25%	10%	6%
53	30%	25%	10%	7%
54	30%	30%	10%	8%
55	35%	35%	10%	9%
56	30%	15%	10%	10%
57	30%	20%	10%	12%
58	30%	20%	11%	12%
59	30%	20%	12%	13%
60	30%	20%	13%	14%
61	35%	20%	14%	14%
62	40%	25%	15%	15%
63	35%	20%	15%	17%
64	35%	25%	15%	20%
65	40%	30%		
66	25%	25%		
67	25%	25%		
68	25%	25%		
69	25%	25%		
70	100%	100%		

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating Within Next Year	
		Men	Women
ALL	0	20.00%	20.00%
	1	18.00%	16.00%
	2	15.00%	14.00%
	3	12.00%	12.00%
	4	10.00%	10.00%
25	5 & Over	6.40%	8.60%
30		5.30%	7.70%
35		4.45%	6.40%
40		3.85%	5.06%
45		3.40%	3.42%
50		2.95%	2.40%
55		2.70%	2.20%
60		2.50%	2.20%
65		2.00%	2.20%

Rates of disability among active members.

Sample Ages	% Becoming Disabled Within Next Year	
	Men	Women
20	0.00%	0.00%
25	0.06%	0.06%
30	0.06%	0.06%
35	0.07%	0.07%
40	0.10%	0.10%
45	0.17%	0.17%
50	0.31%	0.31%
55	0.56%	0.56%
60	1.19%	1.19%
65	0.00%	0.00%

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

DECEMBER 31, 2006

Marriage Assumption	80% of members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing	Eight months after valuation date.
Decrement Timing	Decrements of all types are assumed to occur at the middle of the year.
Eligibility Testing	Eligibility for benefits is determined based upon the age nearest birthday and exact fractional service.
Decrement Relativity	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation	All decrements operate during the first 5 years of service.
Incidence of Contributions	Contributions are assumed to be received continuously throughout the year based upon the computed percent-of-payroll shown in this report, and the actual payroll payable at the time contributions are made.
Normal Form of Benefit	Straight Life.
Option Factors	Option factors are based on 8.50% interest and a 50% unisex blend of male and female mortality. The average option factor for retirees electing 100% joint and survivor with pop-up was assumed to be 80%, for those electing 50% joint and survivor with pop-up the average assumed factor was 90%.
Other Adjustments	Active Accrued liabilities and normal costs for future normal, early and deferred retirement benefits were increased by 1.75% to account for the option factor subsidy which is a result of not recognizing the cost of post-retirement increases when joint life forms of payment are elected.
Service Accruals	It is assumed that members accrue one year of service credit per year.

SECTION D

BASIC FINANCIAL OBJECTIVE AND OPERATION OF THE RETIREMENT SYSTEM

BASIC FINANCIAL OBJECTIVE AND OPERATION OF THE RETIREMENT SYSTEM

Benefit Promises Made Which Must Be Paid For. A retirement program is an orderly means of handing out, keeping track of, and financing contingent pension promises to a group of employees. As each member of the retirement program acquires a unit of service credit they are, in effect, handed an “IOU” which reads: “Your Retirement System promises to pay you one unit of retirement benefits, payments in cash commencing when you retire.”

The principal related financial question is: When shall the money required to cover the “IOU” be contributed? This year, when the benefit of the member’s service is received? Or, some future year when the “IOU” becomes a cash demand?

The financial objective of DPSRS relative to funding the benefits is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generations of taxpayers.

Translated into actuarial terminology, a level percent-of-payroll contribution objective means that the contribution rate must be at least:

Normal Cost (the current value of benefits likely to be paid on account of members’ service being rendered in the current year)

. . . plus . . .

Interest on the Unfunded Actuarial Accrued Liability (the difference between the actuarial accrued liability and current system assets).

If contributions to the retirement program are less than the preceding amount, the difference, *plus investment earnings not realized thereon*, will have to be contributed at some later time, or, benefits will have to be reduced, to satisfy the fundamental fiscal equation under which all retirement programs must operate; that is:

$$\mathbf{B = C + I - E}$$

Benefit payments to any group of members and their beneficiaries cannot exceed the sum of:

Contributions received on behalf of the group

. . . plus . . .

Investment earnings on contributions received and not required for immediate payment of benefits

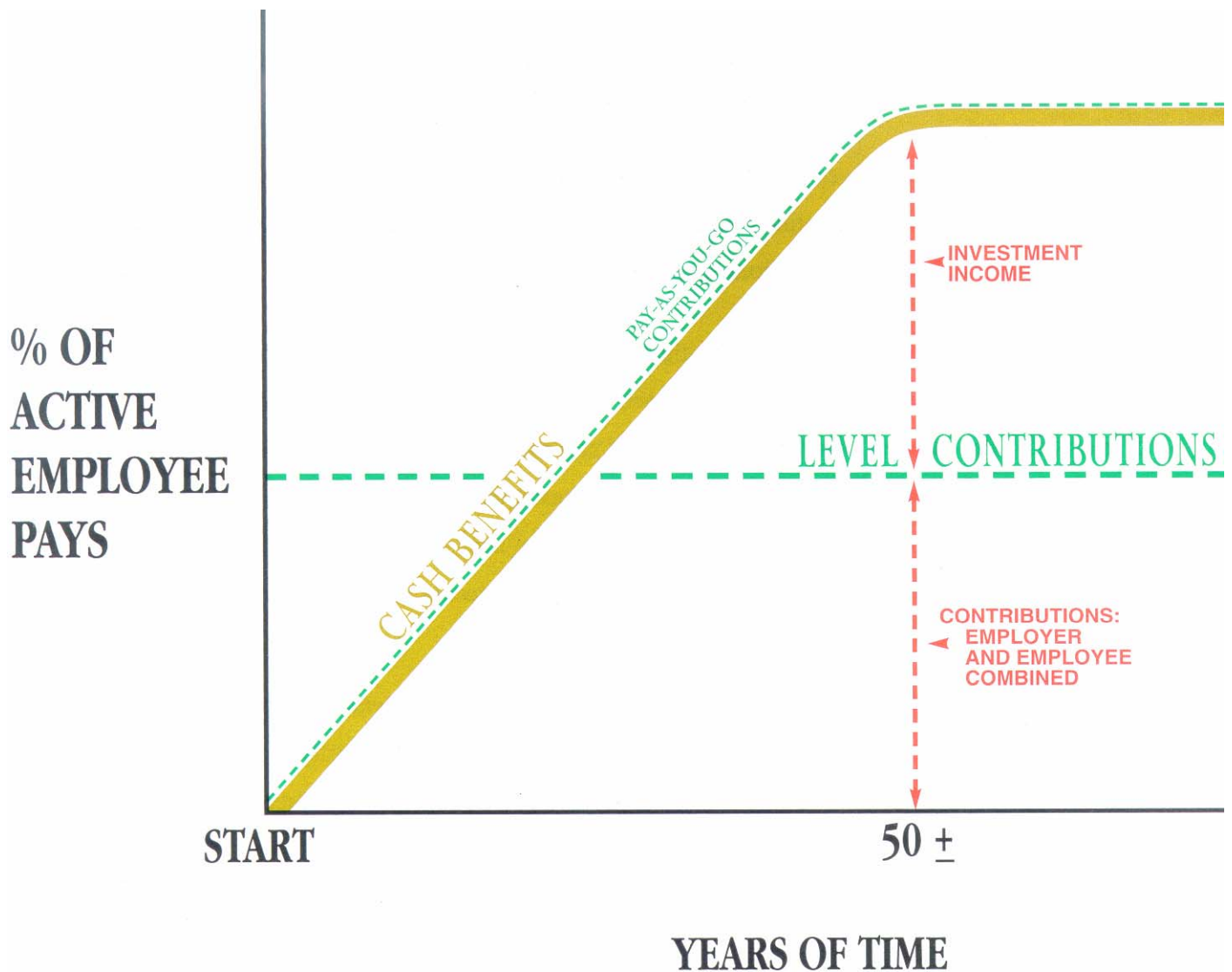
. . . minus . . .

Expenses incurred in operating the program.

There are retirement programs designed to defer the bulk of contributions far into the future. Lured by artificially low present contributions, the inevitable consequence is a relentlessly increasing contribution rate to a level greatly in excess of the level percent-of-payroll rate.

A by-product of the level percent-of-payroll contribution objective is the accumulation of invested assets for varying periods of time. Invested assets are a by-product of level percent-of-payroll contributions, not the objective. *Investment income becomes the major contributor* to the retirement program, and the amount is directly related to the amount of contributions and investment performance.

Computed Contribution Rate Needed To Finance Benefits. From a given schedule of benefits and from the data furnished him, the actuary calculates the contribution rate *by means of an actuarial valuation* - the technique of assigning monetary values to the risks assumed in operating a retirement program.



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

Economic Risk Areas

- Rates of investment return
- Rates of pay increase
- Changes in active member group size

Non-Economic Risk Areas

- Ages at actual retirement
- Rates of mortality
- Rates of withdrawal of active members (turnover)
- Rates of disability

SELECTION OF ASSUMPTIONS USED IN ACTUARIAL VALUATIONS

Economic Assumptions

Investment return

Pay increases to individual employees:
the portion for economic changes

Active member group size and
total payroll growth

Demographic Assumptions

Actual ages at service retirement

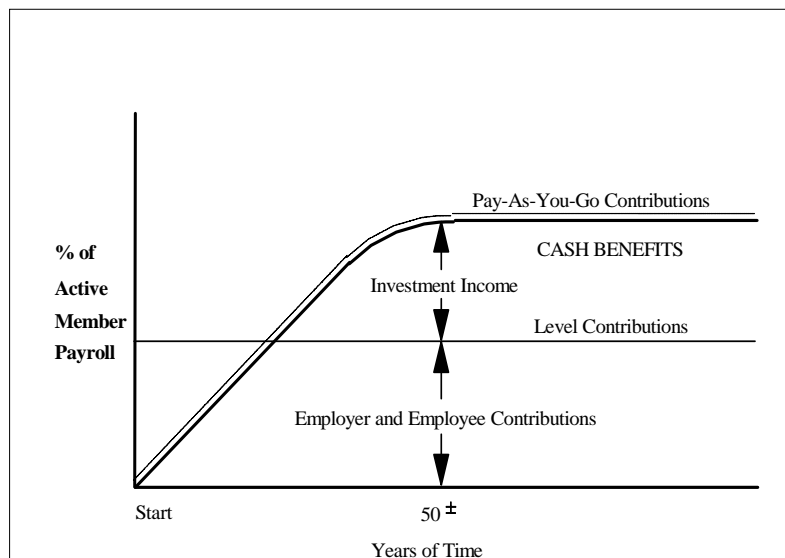
Pay increases to individual members:
the portion for merit & seniority

Disability while actively employed

Separations before retirement

Mortality after retirement

Mortality before retirement



RELATIONSHIP BETWEEN PLAN GOVERNING BODY AND THE ACTUARY

The actuary should have the primary responsibility for choosing the *demographic* assumptions used in the actuarial valuation, making use of specialized training and experience.

The actuary and other professionals can provide guidance concerning the choice of suitable economic assumptions, but the basis of the economic assumptions is the assumed rate of *inflation*, a quantity which defies accurate prediction. Given an assumed rate of future inflation, it is very important that this rate be applied in a consistent manner in deriving the assumed rate of investment return, the economic portion of the assumption on pay increases to individual employees, and the assumed rate of growth of active member payroll. Consistent application of assumptions is an area in which the actuary has specialized training.

A sound procedure is that the actuary suggests reasonable alternatives for economic assumptions, followed by discussion involving the actuary, the Plan Governing Body, and other professionals, and the Plan Governing Body then makes a final choice from the various alternatives.

GLOSSARY

Actuarial Accrued Liability	The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”
Accrued Service	The service credited under the plan which was rendered before the date of the actuarial valuation.
Actuarial Assumptions	Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”
Actuarial Equivalent	A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.
Actuarial Present Value	The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.
Amortization	Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.
Experience Gain (Loss)	A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost	The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.
Plan Termination Liability	The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for the future service and salary. The termination liability will generally be less than the liabilities computed on a “going-concern” basis and is not normally determined in a routine actuarial valuation.
Reserve Account	An account used to indicate that funds have been set aside for a specific purpose and that are not generally available for other uses.
Unfunded Actuarial Accrued Liability	The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”
Valuation Assets	The value of current plan assets recognized for valuation purposes. Generally related to market value in a manner which spreads unexpected gains or losses over a period of future years.

April 25, 2007

Mr. Norman Ruggles
Executive Director
Denver Public Schools
3700 East Alameda Ave.
Suite 400
Denver, Colorado 80209-3172

Dear Mr. Ruggles:

Enclosed are seventy-five copies of the Annual Actuarial Valuation as of December 31, 2006 of the Denver Public Schools Retirement System. Please let us know if you need additional copies.

Sincerely,

Kenneth G. Alberts

KGA:bd
Enclosures

cc: Judy Shimono
Norman L. Jones
Judith A. Kermans