

CITY OF MANCHESTER EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM
ANNUAL ACTUARIAL VALUATION REPORT
DECEMBER 31, 2006

CONTENTS

Section	Page	
1		<i>Introduction</i>
A		<i>Valuation Results</i>
	1	Executive Summary
	2	Summary Statement of Resources and Obligations
	3	Asset Information
	4-5	Valuation Assets and Unfunded Actuarial Accrued Liability
	6	Derivation of Experience Gain (Loss)
	7	COMPUTED CONTRIBUTIONS
	8-9	Comments
	10-14	Comparative Statements
	15	Schedule of Changes in Unfunded Actuarial Accrued Liability
B		<i>Benefit Provisions and Valuation Data</i>
	1-3	Summary of Benefit Provisions
	4-7	Retired Life Data
	8	Inactive Vested Members
	9-10	Active Member Data
C		<i>Valuation Methods and Assumptions</i>
	1	Actuarial Cost Method
	2-5	Actuarial Assumptions
	6	Miscellaneous and Technical Assumptions
D		<i>GASB Statement No. 25 and No. 43</i>
	1	Funding Progress and Contributions Required and Made
	2-3	Supplementary Information
E		<i>Operation of the Retirement System</i>
	1-2	Financial Objective
	3	Financing Diagram
	4	Flow of Money
	5-6	Glossary

March 9, 2007

Board of Trustees
City of Manchester Employees'
Contributory Retirement System
Manchester, New Hampshire 03101-1829

Dear Board Members:

The results of the **Annual Actuarial Valuation of the City of Manchester Employees' Contributory Retirement System (MECRS)** are presented in this report. The purpose of the valuation was to measure the System's funding progress and to determine the contribution rate for the fiscal year beginning July 1, 2007.

The date of the valuation was December 31, 2006.

The valuation was based upon information, furnished by the Retirement System, concerning Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for year-to-year consistency but was not otherwise audited.

To the best of our knowledge, this report is complete and accurate and was made in accordance with the standards of practice prescribed by the Actuarial Standards Board. The actuarial assumptions used for this valuation were adopted by the Board pursuant to a review of methods and assumptions dated November, 2004.

This report was produced under the supervision of a Member of the American Academy of Actuaries with significant experience in valuing public employee retirement systems.

Respectfully submitted,



Kenneth G. Alberts



Mark Buis, E.A., M.A.A.A.

KGA:MB:clb

SECTION A

VALUATION RESULTS

EXECUTIVE SUMMARY

FUNDING OBJECTIVE

The funding objective of the Retirement System is to establish and receive contributions which, when expressed as percents of active member payroll, will remain approximately level from year to year and will accumulate sufficient assets over each member's working lifetime to finance promised benefits throughout retirement.

CONTRIBUTION RATES

The Retirement System is supported by member contributions, City contributions and investment income from Retirement System assets.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are sufficient to:

- Cover the actuarial present value of benefits allocated to the current year by the actuarial cost method described in Section C (the normal cost); and
- Finance over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

The computed pension contribution rate for the fiscal year beginning July 1, 2007 is 13.27% of covered payroll. ***The computed health subsidy contribution rate*** for the fiscal year beginning July 1, 2007 is 1.24% of covered payroll. The details of these contribution rates are shown on page A-7.

The contribution rates are sufficient to finance the employer normal cost and to amortize the unfunded pension actuarial accrued liability (full funding credit) as a level percent-of-payroll over a period of 27 years for pension benefits, and 29 years for health subsidy benefits.

SUMMARY STATEMENT OF SYSTEM RESOURCES AND OBLIGATIONS
DECEMBER 31, 2006

Present Resources and Expected Future Resources

	Pension	Health
A. Actuarial value of System assets:		
1. Net assets from System financial statements	\$ 132,751,424	\$ 822,280
2. Funding Value Adjustment	(6,457,545)	(39,999)
3. Valuation assets	126,293,879	782,281
B. Present value of expected future employer contributions:		
1. For normal costs	36,729,824	(37,671)
2. For unfunded actuarial accrued liabilities	46,244,869	10,962,034
3. Totals	82,974,693	10,924,363
C. Present value of expected future member contributions:	18,002,915	6,000,972
D. Total Present and Expected Future Resources	\$227,271,487	\$17,707,616

Actuarial Present Value of Expected Future Benefit Payments

	Pension	Health
A. To retirees and beneficiaries:	\$ 65,093,917	\$ 1,948,215
B. To vested terminated members:	3,876,668	112,886
C. To present active members:		
1. Allocated to service rendered prior to valuation date	103,568,163	9,683,214
2. Allocated to service likely to be rendered after valuation date	54,732,739	5,963,301
3. Total	158,300,902	15,646,515
D. Total Actuarial Present Value of Expected Future Benefit Payments	\$227,271,487	\$17,707,616

**SUMMARY OF CURRENT ASSET INFORMATION
FURNISHED FOR THE VALUATION**

Balance Sheet

Reported Assets - Actuarial Value as of December 31		
	2006	2005
Cash & Equivalents	\$ 1,306,028	\$ 2,498,654
Investments	131,222,965	112,435,371
Receivables	1,546,834	1,514,173
Property, Plant, Equipment	104,120	176,560
Accrued Interest & Dividends	9,153	20,096
Receivable for Add'l Contribution Calculator	7,200	7,900
Payable for Investments Purchased	0	(407,692)
Accounts Payable	(83,264)	(72,172)
Benefits Payable	(539,332)	(475,834)
Additional Contribution Account	0	0
Funding Value Adjustment	(6,497,544)	(1,840,803)
Total Valuation Assets	\$127,076,160	\$113,856,253

Revenues and Expenditures

	2006	2005
Funding Value - January 1	\$113,856,253	\$103,826,765
Revenues		
Employees' Contributions	2,366,425	1,837,910
Employer Contributions	6,760,377	5,413,826
Recognized Investment Income	11,711,342	9,621,850
Total	20,838,144	16,873,586
Expenditures		
Benefit Payments	6,091,793	5,295,620
Refund of Member Contributions	381,962	383,771
Expenses and Fees	1,144,482	1,164,707
Total	7,618,237	6,844,098
Funding Value - December 31	\$127,076,160	\$113,856,253
Rate of Return Recognized	9.2%	8.1%

DEVELOPMENT OF FUNDING VALUE OF ASSETS

Year Ended December 31:	2005	2006	2007	2008	2009	2010
A. Funding Value Beginning of Year	\$103,826,765	\$113,856,253				
B. Market Value End of Year	115,697,056	133,573,704				
C. Market Value Beginning of Year	106,242,325	115,634,181				
D. Non-Investment Net Cash Flow	1,572,345	2,653,047				
D1. Post-Valuation Adjustment	0	62,875				
E. Investment Income						
E1. Market Total: B - C - D - D1	7,882,386	15,223,601				
E2. Amount for Immediate Recognition (7.5%)	7,845,970	8,638,708				
E3. Amount for Phased-In Recognition E1-E2	36,416	6,584,893				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	7,283	1,316,979				
F2. First Prior Year	603,890	7,283	\$1,316,979			
F3. Second Prior Year	0	603,890	7,283	\$1,316,979		
F4. Third Prior Year	0	0	603,890	7,283	\$1,316,979	
F5. Fourth Prior Year	0	0	0	603,890	7,283	\$1,316,978
F6. Total Recognized Investment Gain	611,173	1,928,152	1,928,152	1,928,152	1,324,262	1,316,978
G. Preliminary Funding Value End of Year: A + D + E2 + F6	113,856,253	127,076,160				
H. Actuarial Value after application of 20% corridor Limit	113,856,253	127,076,160				
I. Difference between Market & Funding Value	1,840,803	6,497,544	4,569,392	2,641,240	1,316,978	0
J. Recognized Rate of Return	8.1 %	9.2 %				
K. Market Rate of Return	7.4 %	13.1 %				

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased in over a closed 5-year period. 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. The Funding Value of Assets is unbiased with respect to Market Value. At any time it may be either greater or less than Market Value. If actual and assumed rates of retirement income are exactly equal for 4 consecutive years, the Funding Value will become equal to Market Value. For the December 31, 2004 valuation, the Funding Value of Assets was reset to the Market Value, as adopted by the Board pursuant to a review of methods and assumptions dated November, 2004.

**ALLOCATION OF FUNDING VALUE OF ASSETS
YEAR ENDED DECEMBER 31, 2006**

(A) Total Market Value	\$133,573,704
(B) Pension Market Value	\$132,751,424
(C) Ratio: (B)/(A)	99.3844%
(D) Total Funding Value	\$127,076,160
(E) Pension Funding Value: (D) x (C)	\$126,293,879
(F) Health Funding Value: (D) - (E)	\$ 782,281

**DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
YEAR ENDED DECEMBER 31, 2006**

	Pension	Health
Present Value of Future Benefits - Retirees	\$ 65,093,917	\$ 1,948,215
Present Value of Future Benefits - Deferreds	3,876,668	112,886
Present Value of Future Benefits - Actives	158,300,902	15,646,515
Total Present Value of Future Benefits	\$227,271,487	\$17,707,616
Present Value of Future Normal Cost	54,732,739	5,963,301
Actuarial Accrued Liability	\$172,538,748	\$11,744,315
Actuarial Value of Assets	126,293,879	782,281
Unfunded Actuarial Accrued Liability	\$ 46,244,869	\$10,962,034
Funded Ratio	73.2%	6.7%

DERIVATION OF EXPERIENCE GAIN (LOSS) YEAR ENDED DECEMBER 31, 2006

Actual experience will never (except by coincidence) match exactly with assumed experience. Gains and losses often cancel each other 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, along with a year-by-year comparative schedule.

	<u>Pension</u>	<u>Health#</u>
(1) UAAL* at start of year	\$34,059,413	N/A
(2) Total normal cost from last valuation	4,964,222	N/A
(3) Actual contributions (employer & employee)	8,259,957	N/A
(4) Interest accrual: [(1) + 1/2 ((2) - (3))] x .075	2,430,866	N/A
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	33,194,544	N/A
(6) Change from 2% COLA assumption phase-in	7,794,903	N/A
(7) Change from severance load	2,025,864	
(8) Change from ad-hoc COLA increases	787,237	N/A
(9) Change from Chapter 159 service upgrade	2,626,852	N/A
(10) Expected UAAL after changes: (5) + (6) + (7) + (8) + (9)	46,429,400	N/A
(11) Actual UAAL at end of year	46,244,869	10,962,034
(12) Gain (loss): (10) - (11)	184,531	N/A
(13) Gain (loss) as percent of actuarial accrued liabilities at start of year	0.1 %	N/A

* *Unfunded actuarial accrued liabilities.*

Gain (loss) reconciliation for health will begin with 12/31/2007 valuation.

Valuation Date	Experience Gain (Loss)	
	As % of Beginning Accrued Liability #	
	Pension	Health
December 31		
1998	Gain	N/A
1999	Gain	N/A
2000	Gain	N/A
2001	Loss	N/A
2002	Loss	N/A
2003	(4.0)%	N/A
2004	0.5 %	N/A
2005	(2.9)%	N/A
2006	0.1 %	N/A

Magnitude of gain or loss prior to 2003 is not available.

**CITY'S COMPUTED CONTRIBUTIONS FOR THE
FISCAL YEAR BEGINNING JULY 1, 2007**

Contributions For	Contributions Expressed as % of Active Member Payroll
Total Normal Cost	11.68%
Member Contributions (weighted average)	3.75%
Employer Normal Cost	7.93%
Unfunded Actuarial Accrued Liabilities*	5.34%
Employer Pension Total	13.27%
Health Contribution**	1.24%
Employer Total	14.51%
 Valuation Payroll	 \$47,537,456
Estimated Contribution Dollars	7,173,592

* *Unfunded actuarial accrued liabilities for pension were financed as a level percent of payroll over a period of 27 years.*

** *Based on 29-year amortization of unfunded actuarial accrued liabilities for Health.*

Note: *For each 1% ad-hoc COLA increase, the UAAL will increase by approximately \$651,000 and the employer contribution rate will increase by approximately 0.08% (based on current payroll and a 27-year amortization period). In developing these costs for the ad-hoc COLA increase, it was assumed that the increase would be a one-time permanent increase to all members retired as of 12/31/2006 and the additional liability would be amortized over 27 years. It was also assumed that the increase would be effective on 1/1/2007.*

Contribution Rate Reconciliation	% of Payroll		
	Pension	Health	Total
Last Year's Rate	10.63%	1.41%	12.04%
Normal Cost Change	0.19%	-0.10%	0.09%
Miscellaneous Changes in Group Demographics	0.12%	0.03%	0.15%
Employer Portion of SB 402 Purchases	0.15%	0.00%	0.15%
COLA (portion above the assumption)	0.09%	0.00%	0.09%
Experience Gain (Loss)	-0.02%	0.00%	-0.02%
Change in Health Utilization Assumption	0.00%	-0.10%	-0.10%
Rate (before adjusting for phase-in of COLA assumption)	11.16%	1.24%	12.40%
Additional 1/4 Phase-In	1.21%	0.00%	1.21%
Effect of Severance Load	0.90%	0.00%	0.90%
This Year's Rate	13.27%	1.24%	14.51%

COMMENTS

COMMENT A – RESULTS: The Retirement System is 73.2% funded for pension benefits and 6.7% funded for health subsidy benefits as of December 31, 2006. The pension Unfunded Actuarial Accrued Liability (UAAL) of \$46,244,869 is amortized over a 27-year period; the health subsidy UAAL of \$10,962,034 is amortized over a 29-year period.

COMMENT B – METHODS AND ASSUMPTIONS: In continuing with assumption changes implemented for the December 31, 2004 valuation, a 2.0% annual compound post-retirement increase assumption is being phased-in to the valuation results over a four-year period. In addition, costs for normal and early retirement were loaded by 2.0% to reflect lump sums payable at retirement. This assumption will be reviewed during the next experience study and may need to be increased.

COMMENT C – EXPERIENCE: Experience during 2006 was more favorable than expected, resulting in an experience gain of \$184,531. The primary sources of this gain were investment return (7.5% assumed versus 9.2% recognized) and turnover (more members quit than expected). These gains were partially offset by losses due to retirements (more benefits added than expected). As a result, the pension funding status improved from 77.0% to 77.6%, **before** reflecting the revised assumptions.

COMMENT D – BENEFIT CHANGES: A 2.25% ad-hoc COLA was granted July 1, 2006 for all retirees and beneficiaries eligible for benefits as of July 1, 2005. This resulted in an increase in accrued liabilities of approximately \$0.79 million.

The adoption of SB402 allowed for members to upgrade their benefit multiplier under Chapter 159 from 1.5% to 2.0% per year of service rendered prior to 1999. Liabilities increased approximately \$2.6 million as a result of members electing to purchase this benefit during 2006. An additional \$1.3 million in member contributions were contributed as a result of these elections.

COMMENT E – RETIREE HEALTH BENEFITS: Post-retirement health care benefits are funded in part by retired members (via co-pays, deductibles, etc.), but mostly by employer contributions to the retirement system that are permitted (up to certain limits) by §401(h) of the U.S. Internal Revenue Code. IRC §401(h) permits a defined benefit plan to provide medical benefits for retired employees if, among other things:

- A separate medical care account is maintained,
- The benefits satisfy non-discrimination rules, and
- The medical benefits, along with any life insurance provided by the plan, are subordinate to the retirement benefits. Benefits are considered subordinate if they do not exceed 25% of the aggregate contributions other than contributions to fund past service liabilities.

COMMENTS

The health care contribution rate was determined to pass the 25% test for the 2007/2008 fiscal year as follows:

Employer Pension Rate (not more than normal cost)	7.93%
Employee Pension Rate	<u>3.75%</u>
Total Pension Rate*	11.68%
Maximum Health Rate (1/3 x Pension Rate)	3.89%
Employee Health Rate	<u>1.25%</u>
Maximum Employer Health Rate	2.64%
Actual Employer Health Rate	1.24%

* *Smaller of actual contribution or projected unit credit normal cost rate.*

Although the IRC §401(h) allows for a much more complicated test, the results of the simplified approach illustrated above indicate that the more complicated test is not warranted.

COMMENT F – ACCRUED CITY CONTRIBUTION: Assets contain accrued City contributions of approximately \$1.5 million for the period 1/1/2004 through 6/30/2004. We understand that this contribution is in dispute. Results are based on understanding that this amount will be collected in the short-term. If this is not the case, future contribution requirements will increase.

COMMENT G – HEALTH VALUATION: Post-retirement health subsidy valuation results were included for the first time in this valuation. Limited experience indicates that approximately 40% of current retirees elected the subsidy and approximately 55% of new retirees elected the subsidy. As a result, we have lowered our election assumption used in the initial supplemental report from 75% to 70% for future retirees. We will continue to monitor this as experience emerges.

CERTIFICATION: We certify that the valuation is complete and accurate and was made in accordance with generally recognized actuarial methods. The actuarial assumptions summarized in Section C are in aggregate a reasonable representation of the past and anticipated future experience of the System.

COMPARATIVE STATEMENT

Valuation Date December 31	Active Members				
	Number	Ratio to Retired	Valuation Payroll		% Increase
			\$	Average	
2003	1,316	2.59	\$ 41,998,187	\$ 31,914	1.0%
2004#	1,344	2.59	45,027,930	33,503	5.0%
2005	1,354	2.55	47,233,321	34,884	4.1%
2006	1,328	2.44	47,537,456	35,796	2.6%

Valuation Date December 31	Retirees & Beneficiaries						Annual Contributions as a Percent of Payroll				
	Pension			Health			Member		Employer		Total
	Number	Annual Benefits	% of Payroll	Number	Annual Benefits	% of Payroll	Pension	Health	Pension	Health	
2003	509	\$4,981,710	11.9%	N/A	N/A	N/A	3.75%	N/A	8.76%	N/A	12.51%
2004#	519	5,268,169	11.7%	N/A	N/A	N/A	3.75%	N/A	8.72%	N/A	12.47%
2005	531	5,803,185	12.3%	81	49,124	0.1%	3.75%	1.25%	10.63%	1.41%	17.04%
2006#	544	6,515,157	13.7%	152	178,152	0.4%	3.75%	1.25%	13.27%	1.24%	19.51%

After changes in methods and/or assumptions.

**ACTUARIAL ACCRUED LIABILITIES & VALUATION ASSETS
COMPARATIVE STATEMENT – PENSION ONLY**

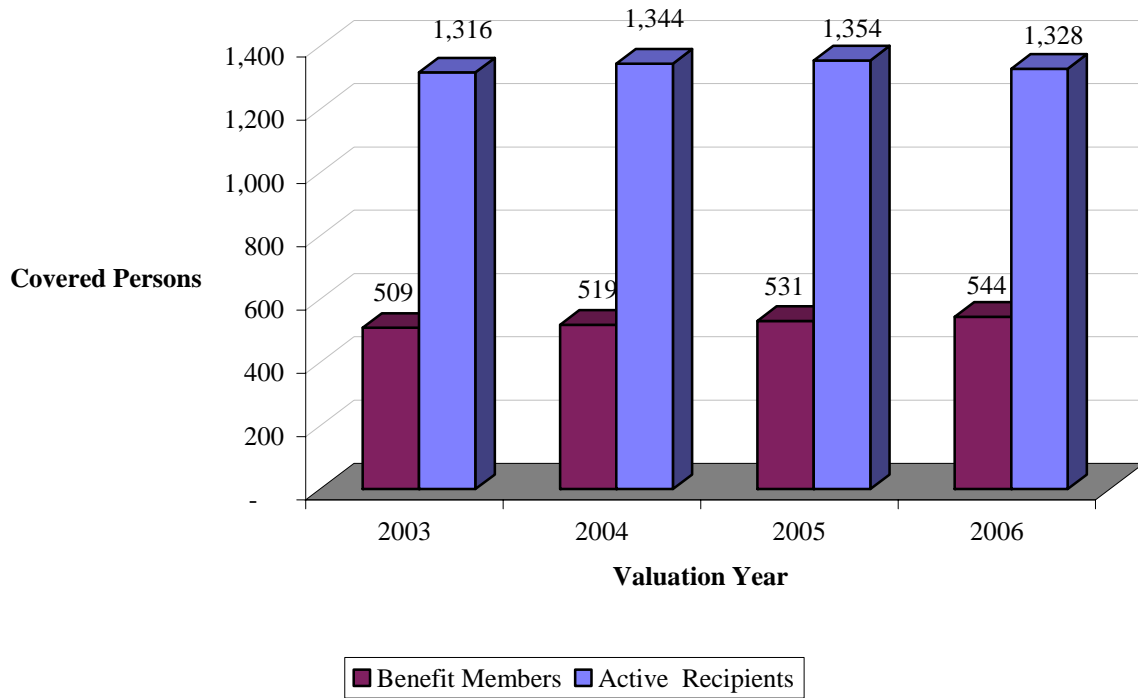
Valuation Date December 31	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Present Assets to AAL	Ratio of UAAL to Valuation Payroll
2003	\$ 116,252,648	\$ 95,297,689	\$ 20,954,959	82.0 %	49.9 %
2004#	126,346,993	103,826,765	22,520,228	82.2 %	50.0 %
2005#	147,915,666	113,856,253	34,059,413	77.0 %	72.1 %
2006	162,717,981	126,293,879	36,424,102	77.6 %	76.6 %
2006#	172,538,747	126,293,879	46,244,869	73.2 %	97.3 %

After changes in methods and/or assumptions.

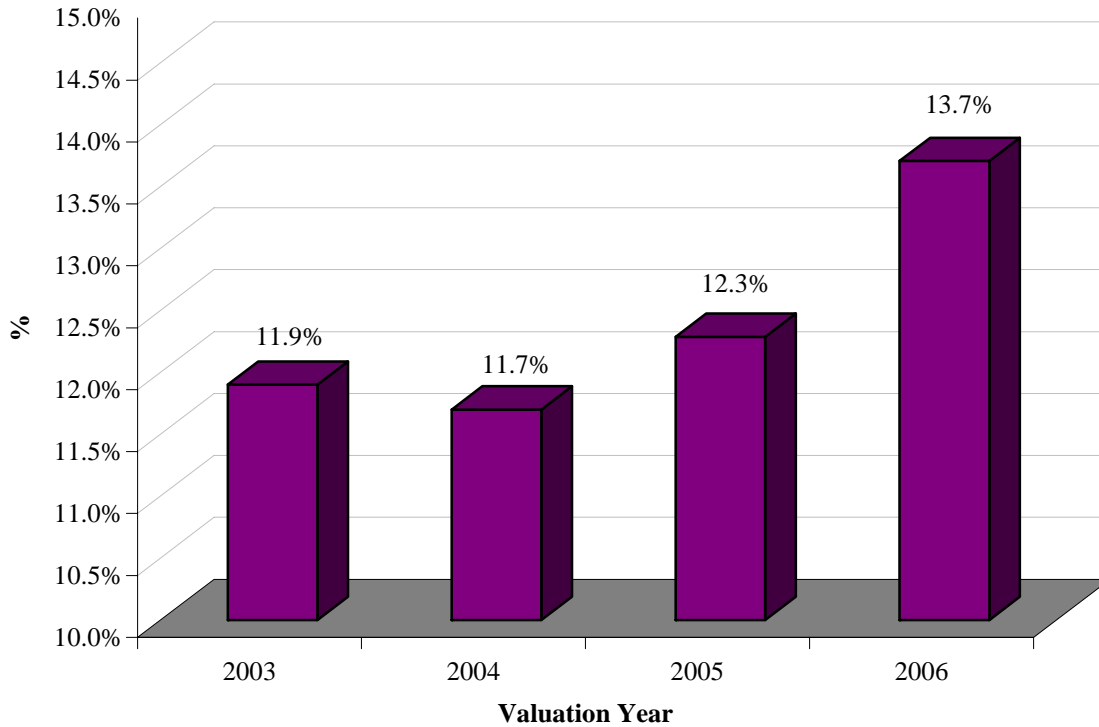
**ACTUARIAL ACCRUED LIABILITIES & VALUATION ASSETS
COMPARATIVE STATEMENT – HEALTH SUBSIDY ONLY**

Valuation Date December 31	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Present Assets to AAL	Ratio of UAAL to Valuation Payroll
2006	\$ 11,744,315	\$ 782,281	\$10,962,034	6.7 %	23.1 %

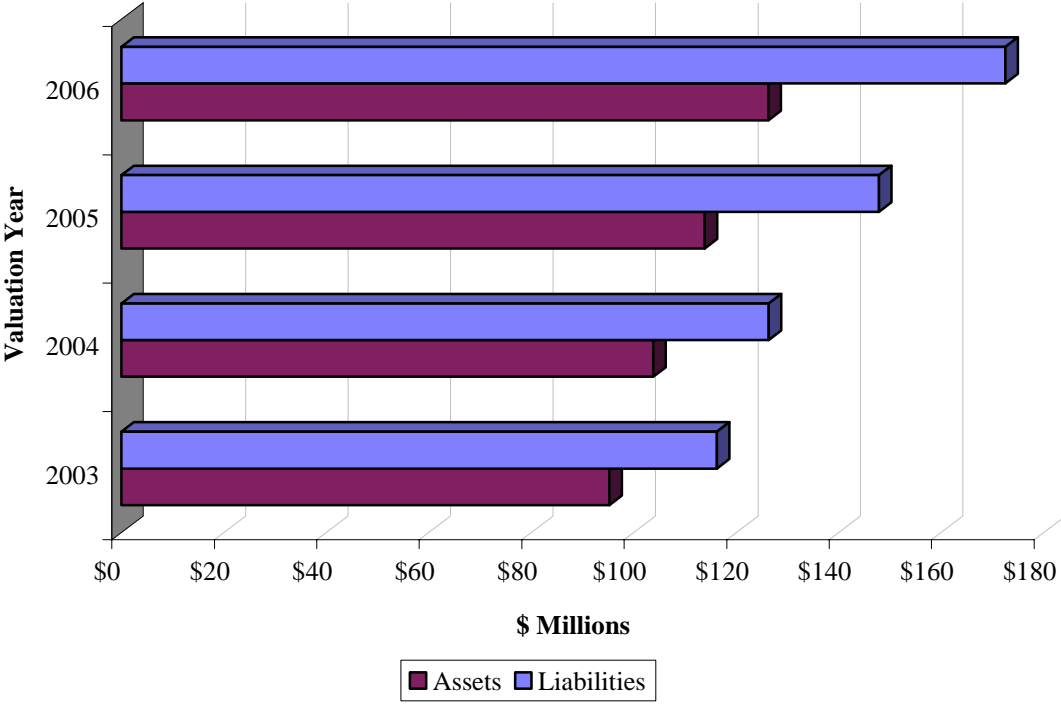
Active Members & Benefit Recipients



Pension Benefits as a Percent of Payroll



Assets & Accrued Liabilities (Pension Only)



**SCHEDULE OF CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY
OTHER THAN ANNUAL GAINS (LOSSES)**

**Schedule of Changes in UAAL
Other than Gains (Losses)**

Date Established	Original Amount	Description
01/01/1991	\$ 2,656,461	Initial Unfunded
01/01/1997	32,202	Plan Amendment
01/01/1997	588,165	1996 COLA
01/01/1998	602,888	1997 COLA
01/01/1999	4,750,497	Plan Amendment
01/01/1999	62,532	Assumption Change
01/01/1999	866,215	1998 COLA
01/01/2000	847,614	1999 COLA
01/01/2001	958,172	2000 COLA
01/01/2002	1,047,075	2001 COLA
01/01/2003	1,214,958	2002 COLA
01/01/2003	(3,319,777)	Assumption Change
01/01/2003	6,317,683	Plan Amendment
12/31/2004	231,803	Assumption Change
12/31/2004	1,809,405	2004 COLA
12/31/2005	1,310,995	2005 COLA
12/31/2005	5,368,777	Phase-in of COLA assumption
12/31/2005	1,205,702	Chapter 159 upgrade (employer)
12/31/2006	787,237	2006 COLA
12/31/2006	7,794,903	Phase-in of COLA assumption
12/31/2006	1,313,426	Chapter 159 upgrade (employer)
12/31/2006	2,025,864	Severance Load

SECTION B

BENEFIT PROVISIONS AND VALUATION DATA

SUMMARY OF BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006

Eligibility

Amount

NORMAL RETIREMENT

Members are eligible to retire at age 60 with at least 5 years of service.

Straight life pension equals 2.0% of 3-year final average earnings (FAE) times service on and after January 1, 1999 *plus* 1.5% of FAE times service before January 1, 1999.

Members with at least 20 years of service at retirement are eligible for a minimum benefit if employed on or before January 1, 1974.

Minimum benefit for eligible members is 50% of FAE.

EARLY RETIREMENT

Members are eligible to retire early if the sum of age and service is at least 80, or at age 55 with at least 20 years of service.

Computed as a normal retirement pension. If the early retirement occurs prior to the member attaining age 60, the benefit is reduced by 1/6 of 1% for each month that the early retirement precedes age 60.

DEFERRED RETIREMENT

Members are eligible to retire with a deferred benefit after attaining at least 5 years of service, provided they do not take a refund of member contributions.

Pension is computed as a normal retirement pension, based on service and FAE on date of termination. Commencement of benefits begins at age 60.

NON-DUTY DISABILITY

Members are eligible upon attainment of 15 years of service.

Pension is computed as a normal retirement pension based on service and FAE as of date of disability.

DUTY DISABILITY

No age or service requirement.

Pension is computed as a normal retirement pension based on service and FAE as of date of disability. Minimum duty disability benefit is 50% of FAE.

**SUMMARY OF BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006**

Eligibility

Amount

ORDINARY DEATH-IN-SERVICE

- | | |
|--|---|
| (1) Any age with less than 5 years of service. | (1) Beneficiary receives member's contributions and accumulated interest, and an additional lump sum equal to one year's salary. |
| (2) Any age with 5 or more years of service. | (2) Beneficiary receives normal or early retirement benefit (depending on eligibility), actuarially reduced as if the member had elected the 100% Joint & Survivor benefit. The combined reduction for the Joint & Survivor reduction and early retirement reduction shall not be more than 50%. If the beneficiary is the spouse, they will receive an additional lump sum equal to one year's salary. |

DUTY DEATH-IN-SERVICE

- | | |
|--|--|
| Death as a result of a work-related accident; not caused by willful neglect of the member. | 50% of FAE payable to the unmarried surviving spouse, child, or children under age 18, or dependent parent. If none of the above-mentioned potential beneficiaries are alive at the time of the member's death, a lump sum is payable to the member's estate in the amount of 100% of base salary plus the member's accumulated contributions (including interest) plus accrued fringe benefits not paid at the time of death. |
|--|--|

MEMBER CONTRIBUTIONS

3.75% of pay for service on and after January 1, 1999. 2.5% of pay for service prior to January 1, 1999. Contributions are credited with 5.0% interest per annum. Members may elect to contribute additional contributions which are accounted for separately. At retirement the additional contribution balance is annuitized to provide and additional benefit, within certain limits.

SUMMARY OF BENEFIT PROVISIONS AS OF DECEMBER 31, 2006

OPTIONAL FORMS OF PAYMENT

In lieu of the straight life benefit, a member may elect an actuarially reduced benefit in one of the following forms:

- 100% Joint & Survivor with pop-up
- 66 2/3 % Joint & Survivor with pop-up
- 50% Joint & Survivor with pop-up
- 10-year Certain & Life Option

The actuarial factors for optional forms of payment are based on the 1983 Group Annuity Mortality Table and 7.5% interest.

SERVICE UPGRADE

Members may elect to purchase an increase in their benefit multiplier for service rendered before 1999 under Chapter 159 (or Senate Bill 402). The cost to the member is ½ of the actuarially determined increase in System costs and results in a benefit based on 2% of FAE for the time purchased.

HEALTH SUBSIDY

Current and future retired members who are in receipt of an annuity benefit may elect to participate in a monthly health insurance subsidy. Spouses, dependents, and/or beneficiaries are not eligible for any subsidy. The full amount of the monthly health insurance subsidy is \$200 as of January 1, 2006 and increases by 4% annually beginning January 1, 2007. The full \$200 is prorated based on the member's service at retirement (not to exceed 20) divided by 20. Members who were already retired as of March 2006 are entitled to 50% of the subsidy available to members retired after March 2006. Active members must contribute 1.25% of pay.

RETIREES AND BENEFICIARIES COMPARATIVE STATEMENT

Year Ended December 31	Added to Rolls		Removed from Rolls		Rolls End of Year		Average Pension
	No.	Annual Pensions*	No.	Annual Pensions	No.	Annual Pensions	
2003	36	\$320,042	26	\$210,619	509	\$4,981,710	\$ 9,787
2004	26	417,907	16	131,448	519	5,268,169	10,151
2005	31	683,071	19	148,055	531	5,803,185	10,929
2006	41	898,189	28	186,217	544	6,515,157	11,976

* Includes adjustments due to COLA.

RETIREES AND BENEFICIARIES DECEMBER 31, 2006
TABULATED BY TYPE OF PENSIONS BEING PAID

Type of Pensions Being Paid	Number	Annual Pensions
Age and Service Pensions		
Regular Pension - Benefit terminating at death of retiree	274	\$2,715,780
For life of member, but not less than 10 years	59	709,222
100% Joint & Survivor	90	1,286,922
66 2/3% Joint & Survivor	25	459,399
50% Joint & Survivor	31	536,819
Survivor Beneficiary	30	289,121
Survivor of 10-year certain	5	45,598
Total age and service pensions	514	6,042,861
Casualty Pensions		
Duty Disability	24	400,842
Non-Duty Disability	6	71,454
Duty Death - Survivor Benefits	0	0
Non-Duty Death - Survivor Benefits	0	0
Total casualty pensions	30	472,296
Total Pensions Being Paid	544	\$6,515,157

RETIREES AND BENEFICIARIES DECEMBER 31, 2006
TABULATED BY ATTAINED AGES

Attained Age	Age and Service		Casualty		Totals	
	Number	Annual Pensions	Number	Annual Pensions	Number	Annual Pensions
30-34	1	\$ 20,156			1	\$ 20,156
35-39						
40-44	2	29,453			2	29,453
45-49			5	\$ 84,833	5	84,833
50-54	9	201,408	6	88,663	15	290,071
55-59	18	544,050	3	63,872	21	607,922
60-64	70	911,530	7	109,537	77	1,021,067
65-69	86	1,076,410	5	69,891	91	1,146,301
70-74	102	1,189,378	1	10,536	103	1,199,914
75-79	84	817,102	1	16,286	85	833,388
80-84	84	761,259	2	28,678	86	789,937
85-89	49	393,897			49	393,897
90-94	8	83,095			8	83,095
95-100	1	15,123			1	15,123
Totals	514	\$ 6,042,861	30	\$ 472,296	544	\$ 6,515,157

Average Age at Retirement: 62.3 years

Average Age Now: 72.7 years

RETIREES AND BENEFICIARIES DECEMBER 31, 2006
TABULATED BY YEAR OF RETIREMENT

Year of Retirement	Number	Annual Pensions	
		Totals	Average
1974	1	\$ 16,006	\$ 16,006
1976	1	18,353	18,353
1977	2	18,637	9,319
1978	4	28,116	7,029
1979	3	15,634	5,211
1980	3	25,067	8,356
1981	8	101,077	12,635
1982	7	26,585	3,798
1983	8	59,676	7,460
1984	9	53,049	5,894
1985	9	60,795	6,755
1986	12	85,703	7,142
1987	13	167,818	12,909
1988	12	66,626	5,552
1989	18	198,150	11,008
1990	19	276,879	14,573
1991	21	188,190	8,961
1992	18	246,587	13,699
1993	22	265,538	12,070
1994	38	356,971	9,394
1995	27	275,052	10,187
1996	27	342,954	12,702
1997	20	247,489	12,374
1998	16	188,597	11,787
1999	34	528,617	15,548
2000	29	421,562	14,537
2001	22	282,815	12,855
2002	34	333,167	9,799
2003	18	220,312	12,240
2004	21	173,248	8,250
2005	30	485,754	16,192
2006	38	740,133	19,477
Totals	544	\$6,515,157	\$ 11,976

Average Age at Retirement: 62.3 years
Average Age Now: 72.7 years

INACTIVE VESTED MEMBERS DECEMBER 31, 2006
TABULATED BY ATTAINED AGE

Attained Age	Number	Estimated Annual Pensions
30-34	2	\$ 5,142
35-39	6	32,952
40-44	5	43,311
45-49	19	166,991
50-54	25	137,048
55-59	31	189,279
Totals	88	\$574,723

Average Age at Termination: 47.0 years
Average Age Now: 51.1 years

ACTIVE MEMBERS ADDED TO AND REMOVED FROM ROLLS

Valuation Date	Number Added During Year		Terminations During Year										Active Members End of Year
			Retirement		Disability		Died-in Service		Withdrawals				
	A	E	A	E	A	E	A	E	Vested	Other	Totals		
									A	A	A	E	
2003	166	265	24	N/A	1	N/A	0	N/A	68	172	240	N/A	1,316
2004	162	134	20	64.1	0	0.7	0	2.0	9	105	114	45.3	1,344
2005	151	141	24	47.0	1	1.1	1	1.8	10	105	115	69.5	1,354
2006	140	166	34	52.6	0	1.1	1	2.0	15	116	131	66.5	1,328
5-Year Totals*	619	706	102	163.7	2	2.9	2	5.8	102	498	600	181.3	

A = Actual

E = Expected

* As of December 31, 2006, only four years of information available.

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

Attained Age								Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
15-19									
20-24	39	1						40	\$ 907,153
25-29	59	10						69	1,828,304
30-34	48	24	2					74	2,375,668
35-39	56	31	23	8				118	4,242,394
40-44	90	57	24	23	14			208	7,042,939
45-49	71	89	26	23	33	11		253	9,057,025
50-54	33	62	37	36	16	25	17	226	8,659,318
55-59	31	35	28	30	31	19	18	192	7,591,340
60-64	13	22	12	15	17	8	12	99	4,386,535
65-69	3	6	3	5	2	4	3	26	1,067,382
70-74	1	6	2	2	1	2	3	17	273,599
75 & over	1	2	1		1	1		6	105,799
Totals	445	345	158	142	115	70	53	1,328	\$47,537,456

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.9 years
Service: 10.5 years
Annual Pay: \$35,796

SECTION C

VALUATION METHODS AND ASSUMPTIONS

ACTUARIAL COST METHOD

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

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

MECRS currently has a tiered benefit structure with the ultimate tier being more costly than the initial tier. The normal cost is computed based on this tiered structure. As a result, the normal cost rate is expected to increase as the members affected by the initial tier are replaced by new members.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent of payroll contributions over 27 future years for pension benefits, and over 29 future years for health subsidy benefits.

Asset Valuation Method. Last year's valuation assets are increased by contributions and reduced by refunds, benefit payments and expenses. An amount equal to the assumed investment return for the year is then added. Differences between actual return on a market value basis and an assumed return are phased in over a five-year period. For the December 31, 2004 valuation, the Funding Value of assets was reset to the Market Value as of January 1, 2004.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

The contribution requirements and benefit values of the System are calculated by applying actuarial assumptions to the benefit provisions and member information furnished, using the actuarial cost method described on the previous page.

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

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

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

Actual experience of the System will not coincide exactly with assumed experience, regardless of the accuracy 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 becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations). Assumptions used in this report are based on the January 1, 1999 – December 31, 2003 experience study of the MECRS and were adopted by the Board in November 2004. These assumptions were first used in the December 31, 2004 actuarial valuation.

VALUATION ASSUMPTIONS

The rate of investment return was 7.5% per year, compounded annually (net of administrative and investment expenses). 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 rate of return (the net return in excess of the wage inflation rate) is 3.5%. Experience over the last 5 years has been as follows:

	Year Ended December 31					5-Year* Average
	2006	2005	2004	2003	2002	
1) Nominal rate of return#	9.2 %	8.1 %	8.1 %	6.4 %	N/A	N/A
2) Increase in CPI	2.5 %	3.4 %	3.3 %	1.9 %	2.4 %	2.7 %
3) Average salary increase (ASI)	2.6 %	4.1 %	5.0 %	1.0 %	N/A	N/A
4) Real Return						
- Total: CPI (1) - (2)						N/A
- Total: ASI (1) - (3)						N/A
- Assumption**	3.5 %	3.5 %	3.5 %	3.0 %	3.0 %	3.5 %

* A complete 5-year average will not be available until later years.

** 5-year average is based on current assumption.

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

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 benefit amounts will be based.

Service	Salary Increase Assumptions For an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
1	10.00%	4.00%	14.00%
2	8.50%	4.00%	12.50%
3	7.00%	4.00%	11.00%
4	5.50%	4.00%	9.50%
5	4.00%	4.00%	8.00%
6	3.00%	4.00%	7.00%
7	2.50%	4.00%	6.50%
8	2.00%	4.00%	6.00%
9	1.50%	4.00%	5.50%
10	1.00%	4.00%	5.00%
15	0.00%	4.00%	4.00%
20	0.00%	4.00%	4.00%
25	0.00%	4.00%	4.00%
30	0.00%	4.00%	4.00%
35	0.00%	4.00%	4.00%
40	0.00%	4.00%	4.00%
Ref:	105		

If the number of active members remains constant, then the total active member payroll will increase 4.0% annually, the base portion of the individual salary increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

VALUATION ASSUMPTIONS

The mortality table was the 1994 Group Annuity Mortality Table (100% of male rates, 95% of female rates), set back 1 year for men and 0 years for women.

Sample Attained Ages	Single Life Retirement Values			
	Present Value of \$1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	\$142.36	\$147.83	31.62	35.35
55	134.46	141.34	27.04	30.63
60	124.60	132.91	22.67	26.03
65	113.00	122.75	18.60	21.69
70	100.30	111.01	14.97	17.69
75	86.40	96.97	11.72	13.95
80	71.54	81.46	8.87	10.62
Ref:	261 x 1.00 sb 1	262 x 0.95 sb 0		

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

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

Active Members Retiring Next Year	
Ages	% Retiring
50	5%
51	5%
52	5%
53	5%
54	10%
55	10%
56	10%
57	10%
58	10%
59	10%
60	10%
61	10%
62	35%
63	10%
64	10%
65	35%
66	15%
67	15%
68	15%
69	15%
70	100%
Ref.	730

A member was assumed to be eligible for normal retirement after attaining age 60 with 5 or more years of service. A member was assumed to be eligible for early retirement after attaining age 55 with at least 20 years of service or if the sum of age and service is at least 80.

VALUATION ASSUMPTIONS

Rates of separation from active membership are 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	Service	% of Active Members Separating Within Next Year	
		Men	Women
30	0-1	10.00%	14.00%
	1-2	17.00%	14.00%
	2-3	12.00%	14.00%
	3-4	5.00%	7.00%
	4-5	5.00%	7.00%
	5 & Up	2.34%	8.00%
	35		2.00%
40		1.49%	4.40%
45		1.00%	2.30%
50		1.00%	1.90%
Ref.		231 83	345 465

Rates of disability were divided equally between duty and non-duty disability and are as follows:

Sample Ages	% of Active Members Becoming Disabled Within Next Year	
	Male	Female
20	0.007%	0.020%
25	0.007%	0.025%
30	0.007%	0.030%
35	0.037%	0.040%
40	0.142%	0.050%
45	0.292%	0.075%
50	0.480%	0.130%
55	0.712%	0.245%
60	1.060%	0.605%
Ref.	37 x 1.00	238 x 0.50

Expense Load. None.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

DECEMBER 31, 2006

Marriage Assumption:	100% of males and 100% of females 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:	Beginning of the year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and exact fractional service on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and withdrawal decrements do not operate after member reaches retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Benefit Service:	Exact fractional service as of the valuation date is used to determine the amount of benefit payable.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the actual payroll payable at the time contributions are made.
COLA Assumption:	2.0% compounded annually (assumption phased-in over four years beginning with the December 31, 2004 actuarial valuation).
Loads:	Normal and Early retirement costs were loaded by 2% to reflect lump sums payable at retirement.
Post-retirement subsidy:	70% of future retirees were assumed to elect to receive the post-retirement health subsidy.

SECTION D

GASB STATEMENT NO. 25 AND NO. 43

**This information is presented in draft form for review by the Plan's auditor.
Please let us know if there are any items that the auditor changes so that we may
maintain consistency with the Plan's financial statements.**

GASB STATEMENT NO. 25
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Pension Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets \$Millions	(b) Actuarial Accrued Liability (AAL) Entry Age \$Millions	(b) - (a) Unfunded AAL (UAAL) \$Millions	Funded Ratio (a)/(b)	Covered Payroll (\$ millions) (c)	UAAL as a Percent of Covered Payroll [(b) - (a)] / (c)
12/31/1995	\$ 55.6	\$ 52.6	\$ (3.0)	105.7 %	\$23.3	-
12/31/1996	59.8	56.7	(3.1)	105.5 %	24.4	-
12/31/1997	65.8	61.5	(4.3)	107.0 %	27.0	-
12/31/1998	72.6	71.1	(1.5)	102.1 %	28.4	-
12/31/1999	82.6	79.3	(3.3)	104.1 %	29.6	-
12/31/2000	90.1	87.1	(3.0)	103.4 %	35.4	-
12/31/2001	94.8	96.3	1.5	98.4 %	38.7	3.8 %
12/31/2002	89.7	106.1	16.4	84.5 %	38.9	42.0 %
12/31/2003	95.3	116.3	21.0	81.9 %	42.0	50.0 %
12/31/2004	103.8	126.3	22.5	82.2 %	45.0	50.0 %
12/31/2005	113.9	147.9	34.0	77.0 %	47.2	72.0 %
12/31/2006	126.3	162.7	36.4	77.6 %	47.5	76.6 %
12/31/2006#	126.3	172.5	46.2	73.2 %	47.5	97.3 %

After assumption changes.

Schedule of Employer Contributions for Pension Benefits

Valuation Year Ended December 31	Fiscal Year Ended June 30*	Annual Required Contribution (ARC) as a Percent of Valuation Payroll	Actual Contributions
1996	1998	N/A	\$ 543,835
1997	1999	N/A	514,216
1998	2000	N/A	796,552
1999	2001	N/A	713,685
2000	2002	N/A	1,117,163
2001	2003	N/A	1,794,576
2002	2004	N/A	3,323,023
2003	2005	8.76%	3,950,981
2004	2006	8.72%	5,413,826
2005	2007	10.63%	N/A
2006	2008	13.27%	N/A

* Effective January 1, 2004, contributions were determined on a percent-of-payroll basis by multiplying the ARC rate by the actual payroll.

GASB STATEMENT NO. 25
REQUIRED SUPPLEMENTARY INFORMATION – PENSION BENEFITS

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	December 31, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment net rate of return*	7.5%
Projected salary increases*	4.0%-14.4%
Post-retirement benefit increases (Year three of 4-year phase-in)	2.0%
*Includes inflation at	4.0%

Membership of the plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees and Beneficiaries receiving benefits	544
Terminated plan members entitled to but not yet receiving benefits	88
Active plan members	<u>1,328</u>
Total	1,960

GASB STATEMENT NO. 43
REQUIRED SUPPLEMENTARY INFORMATION – HEALTH SUBSIDY

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	December 31, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment net rate of return*	7.5%
Projected salary increases*	4.0%-14.4%
Future annual increases in subsidy amount	4.0%
*Includes inflation at	4.0%

Membership of the plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees and Beneficiaries receiving benefits	152
Terminated plan members entitled to but not yet receiving benefits	88
Active plan members	<u>1,328</u>
Total	1,568

SECTION E

OPERATION OF THE RETIREMENT SYSTEM

BASIC FINANCIAL OBJECTIVE AND OPERATION OF THE RETIREMENT SYSTEM

Benefit Promises Made Which Must Be Paid For. A retirement system 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 system acquires a unit of service credit they are, in effect, handed an “IOU” which reads: “The Employees 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?

This Retirement System meets the requirement of funding future benefits during the year by having the following ***Financial Objective: 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 System 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 systems 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

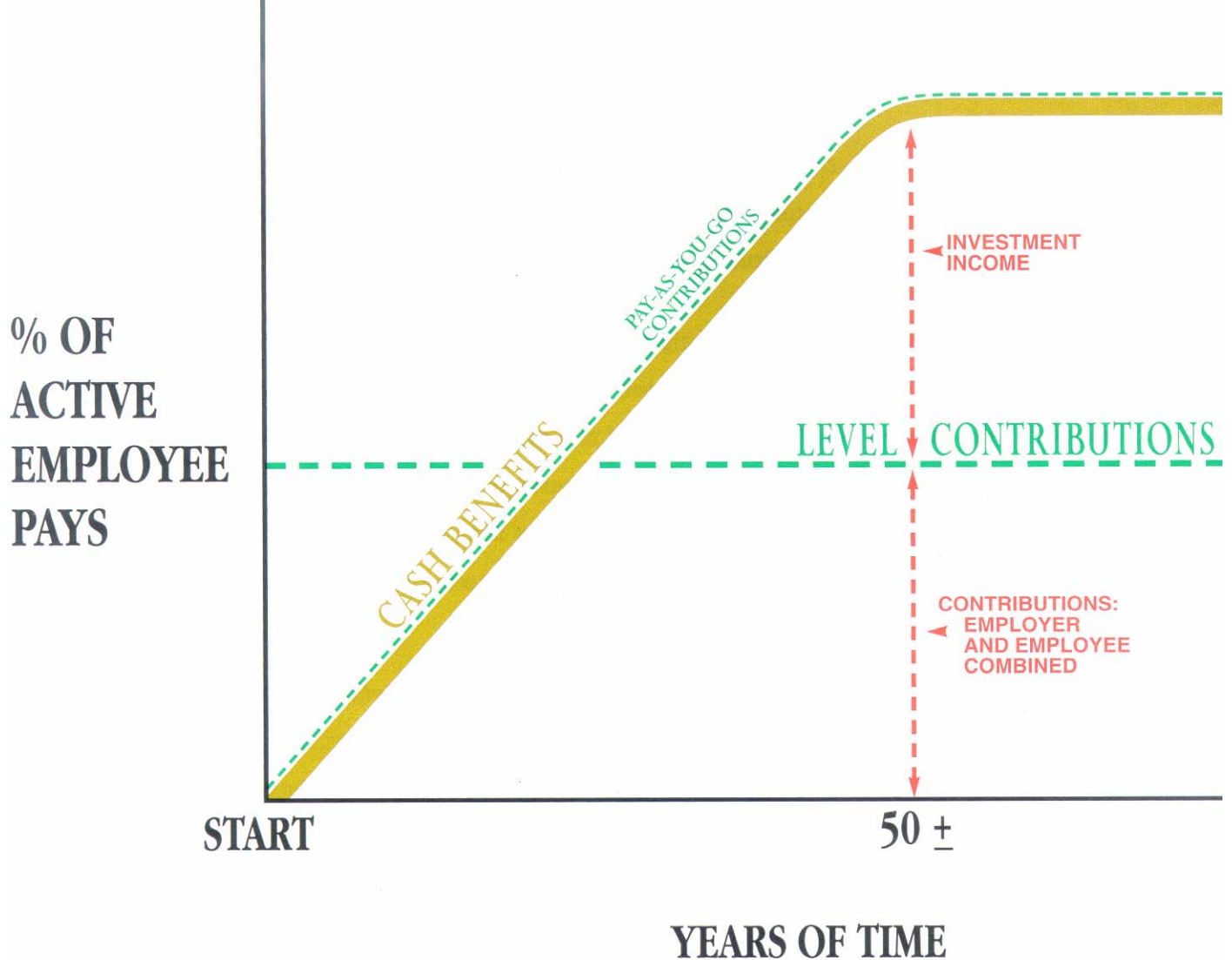
... minus ...

Expenses incurred in the operation of the system.

There are retirement systems designed to defer the bulk of contributions far into the future. They are lured by artificially low present contributions, but 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. Investment income becomes a major contributor to the Retirement System 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, the contribution rate is calculated ***by means of an actuarial valuation*** - the technique of assigning monetary values to the risks assumed in operating a retirement system.



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:

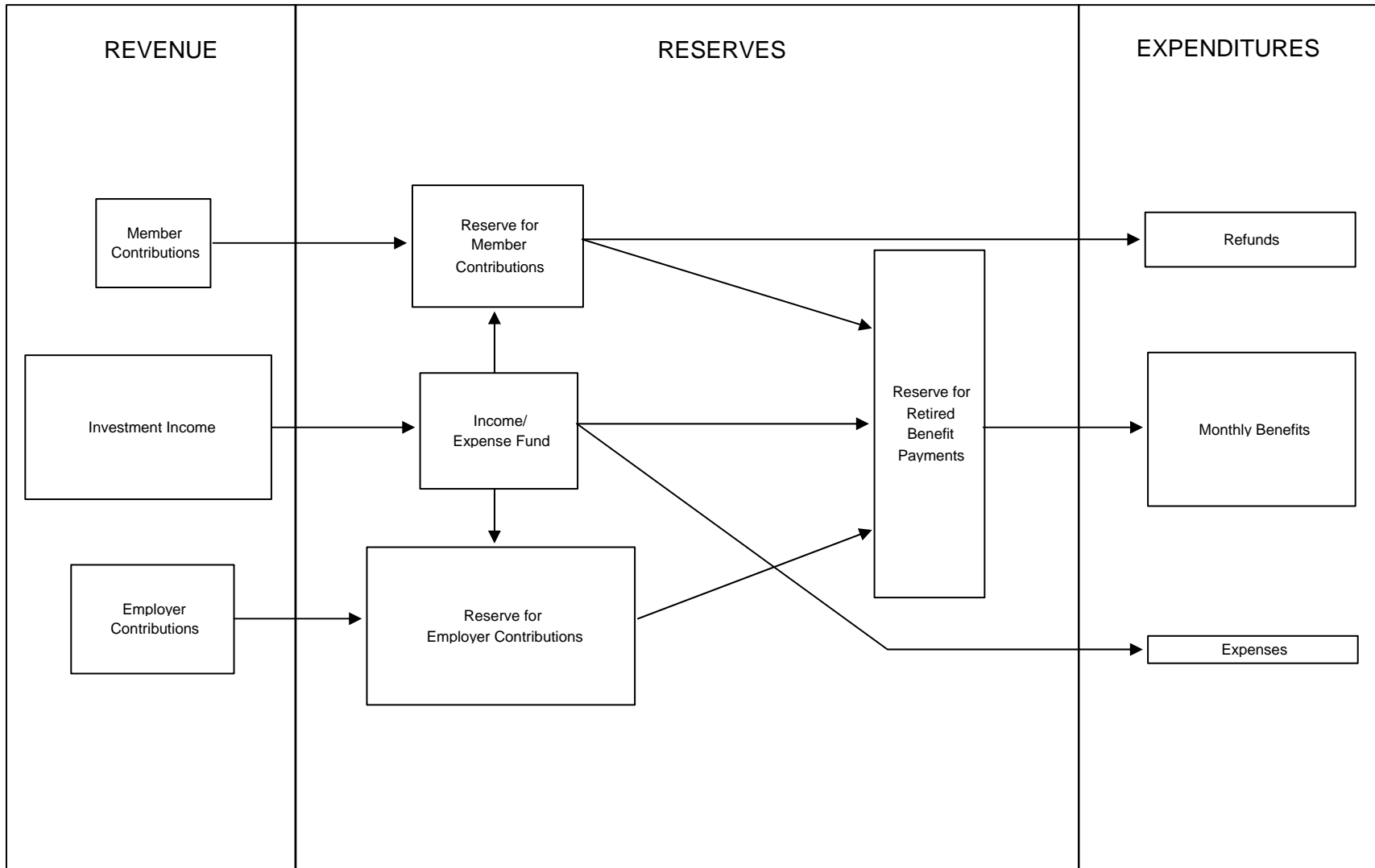
Economic Risk Areas

- 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

Flow of Money Through the Retirement System



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.

GLOSSARY (CONTINUED)

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.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liabilities. 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.



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March 9, 2007

Mr. Gerald Fleury, Executive Director
City of Manchester Employees'
Contributory Retirement System
1045 Elm Street, Suite 403
Manchester, New Hampshire 03101-1829

Dear Mr. Fleury:

Please find enclosed 15 copies of the report of the Actuarial Valuation of the City of Manchester Employees' Contributory Retirement System.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth G. Alberts".

Kenneth G. Alberts

KGA:lr
Enclosures