GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF MANCHESTER EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM

REVISED ANNUAL ACTUARIAL VALUATION REPORT

DECEMBER 31, 2007

CONTENTS

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March 25, 2008

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

Dear Board Members:

The results of the **Revised 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, 2008. This report replaces our report dated March 7, 2008 and reflects the assumption changes adopted by the Board on March 11, 2008 (see comments for further details).

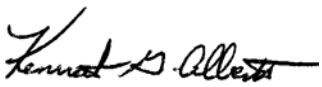
The date of the valuation was December 31, 2007.

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.

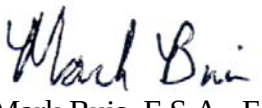
To the best of our knowledge, this report is complete and accurate and was made in accordance with the standards of practice prescribed by the Actuarial Standards Board. The actuarial assumptions used for this valuation were adopted by the Board pursuant to a review of methods and assumptions dated November,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

The signers of this report are Members of the American Academy of Actuaries (M.A.A.A.) as indicated, and meet the Qualification Standards required by the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Kenneth G. Alberts



Mark Buis, F.S.A., E.A., M.A.A.A.

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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, 2008 is 13.84% of covered payroll. ***The computed health subsidy contribution rate*** for the fiscal year beginning July 1, 2008 is 0.91% 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 26 years for pension benefits, and 28 years for health subsidy benefits.

SUMMARY STATEMENT OF SYSTEM RESOURCES AND OBLIGATIONS
DECEMBER 31, 2007

Present Resources and Expected Future Resources

	Pension	Health
A. Actuarial value of System assets:		
1. Net assets from System financial statements	$ 147,156,743	$ 2,016,956
2. Funding Value Adjustment	(7,916,082)	(108,499)
3. Valuation assets	139,240,661	1,908,457
B. Present value of expected future employer contributions:		
1. For normal costs	40,439,324	0
2. For unfunded actuarial accrued liabilities	48,385,123	8,555,087
3. Totals	88,824,447	8,555,087
C. Present value of expected future member contributions:	18,306,731	6,102,244
D. Total Present and Expected Future Resources	**$246,371,839**	**$16,565,788**

Actuarial Present Value of Expected Future Benefit Payments

	Pension	Health
A. To retirees and beneficiaries:	$ 75,843,338	$ 2,443,581
B. To vested terminated members:	4,695,646	226,943
C. To present active members:		
1. Allocated to service rendered prior to valuation date	107,086,800	8,635,992
2. Allocated to service likely to be rendered after valuation date	58,746,055	5,259,272
3. Total	165,832,855	13,895,264
D. Total Actuarial Present Value of Expected Future Benefit Payments	**$246,371,839**	**$16,565,788**

SUMMARY OF CURRENT ASSET INFORMATION FURNISHED FOR THE VALUATION

Balance Sheet

Reported Assets - Actuarial Value as of December 31	2007	2006
Cash & Equivalents	$ 3,575,238	$ 1,306,028
Investments	144,650,763	131,222,965
Receivables	71,514	1,546,834
Property, Plant, Equipment	45,777	104,120
Accrued Interest & Dividends	1,490,421	9,153
Receivable for Add'l Contribution Calculator	6,750	7,200
Payable for Investments Purchased	0	0
Accounts Payable	(57,979)	(83,264)
Benefits Payable	(608,785)	(539,332)
Additional Contribution Account	0	0
Funding Value Adjustment	(8,024,581)	(6,497,544)
Total Valuation Assets	**$141,149,118**	**$127,076,160**

Revenues and Expenditures

	2007	2006
Funding Value - January 1	$127,076,160	$113,856,253
Revenues		
Employees' Contributions	2,470,587	2,366,425
Employer Contributions	6,646,801	6,760,377
Recognized Investment Income	13,558,050	11,711,342
Total	22,675,438	20,838,144
Expenditures		
Benefit Payments	7,139,687	6,091,793
Refund of Member Contributions	290,668	381,962
Expenses and Fees	1,172,125	1,144,482
Total	8,602,480	7,618,237
Funding Value - December 31	$141,149,118	$127,076,160
Rate of Return Recognized	9.7%	9.2%

DEVELOPMENT OF FUNDING VALUE OF ASSETS

Year Ended December 31:	2005	2006	2007	2008	2009	2010	2011
A. Funding Value Beginning of Year	$103,826,765	$113,856,253	$127,076,160				
B. Market Value End of Year	115,697,056	133,573,704	149,173,699				
C. Market Value Beginning of Year	106,242,325	115,634,181	133,448,997				
D. Non-Investment Net Cash Flow	1,572,345	2,653,047	1,687,033				
D1. Post-Valuation Adjustment	0	62,875	124,707				
E. Investment Income							
E1. Market Total: B - C - D - D1	7,882,386	15,223,601	13,912,962				
E2. Amount for Immediate Recognition (7.5%)	7,845,970	8,638,708	9,593,976				
E3. Amount for Phased-In Recognition: E1-E2	36,416	6,584,893	4,318,986				
F. Phased-In Recognition of Investment Income							
F1. Current Year: 0.20 x E3	7,283	1,316,979	863,797				
F2. First Prior Year	603,890	7,283	1,316,979	$ 863,797			
F3. Second Prior Year	0	603,890	7,283	1,316,979	$ 863,797		
F4. Third Prior Year	0	0	603,890	7,283	1,316,979	$ 863,797	
F5. Fourth Prior Year	0	0	0	603,890	7,283	1,316,978	$863,798
F6. Total Recognized Investment Gain	611,173	1,928,152	2,791,949	2,791,949	2,188,059	2,180,775	863,798
G. Preliminary Funding Value End of Year: A + D + E2 + F6	113,856,253	127,076,160	141,149,118				
H. Actuarial Value after application of 20% corridor limit	113,856,253	127,076,160	141,149,118				
I. Difference between Market & Funding Value	1,840,803	6,497,544	8,024,581	5,232,632	3,044,573	863,798	
J. Recognized Rate of Return	8.1 %	9.2 %	9.7 %				
K. Market Rate of Return	7.4 %	13.1 %	10.5 %				

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, 2007

(A) Total Market Value	$149,173,699
(B) Pension Market Value	$147,156,743
(C) Ratio: (B)/(A)	98.6479%
(D) Total Funding Value	$141,149,118
(E) Pension Funding Value: (D) x (C)	**$139,240,661**
(F) Health Funding Value: (D) - (E)	**$ 1,908,457**

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
YEAR ENDED DECEMBER 31, 2007

	Pension	Health
Present Value of Future Benefits - Retirees	$ 75,843,338	$ 2,443,581
Present Value of Future Benefits - Deferreds	4,695,646	226,943
Present Value of Future Benefits - Actives	165,832,855	13,895,264
Total Present Value of Future Benefits	$246,371,839	$16,565,788
Present Value of Future Normal Cost	58,746,055	5,259,272
Actuarial Accrued Liability	$187,625,784	$11,306,516
Actuarial Value of Assets	139,240,661	1,908,457
Unfunded Actuarial Accrued Liability	$ 48,385,123	$9,398,059
Funded Ratio	74.2%	16.9%

DERIVATION OF EXPERIENCE GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2007

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.

		Pension	Health
(1)	UAAL* at start of year	$46,244,869	$10,962,034
(2)	Total normal cost from last valuation	5,552,375	608,479
(3)	Actual contributions (employer & employee)	7,864,160	1,253,228
(4)	Interest accrual: [(1) + 1/2 ((2) - (3))] x .075	3,381,673	797,974
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	47,314,757	11,115,259
(6)	Change in health utilization assumption	N/A	(1,439,331)
(7)	Change from 2% COLA assumption phase-in	4,220,982	N/A
(8)	Change from ad-hoc COLA increases	330,568	N/A
(9)	Change from Chapter 159 service upgrade	447,075	N/A
(10)	Expected UAAL after changes: (5) + (6) + (7) + (8)	52,313,382	9,675,928
(11)	Actual UAAL at end of year	48,385,123	9,398,059
(12)	Gain (loss): (9) - (10)	3,928,259	277,869
(13)	Gain (loss) as percent of actuarial accrued liabilities at start of year	2.3 %	2.4 %

* *Unfunded actuarial accrued liabilities.*

Valuation Date December 31	Experience Gain (Loss) As % of Beginning Accrued Liability #	
	Pension	Health
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
2007	2.3 %	2.4 %

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

COMPUTED CONTRIBUTIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 2008

Contributions For	Contributions Expressed as % of Active Member Payroll
Total Normal Cost	11.99%
Member Contributions (weighted average)	3.75%
Employer Normal Cost	8.24%
Unfunded Actuarial Accrued Liabilities*	5.60%
Employer Pension Total	13.84%
Health Contribution**	0.91%
Employer Total	14.75%
Valuation Payroll	$48,556,218
Estimated Contribution Dollars	7,448,524

* *Unfunded actuarial accrued liabilities for pension were financed as a level percent of payroll over a period of 26 years.*

** *Based on a 28-year amortization of unfunded actuarial accrued liabilities for Health.*

***Note*:** *For each 1% ad-hoc COLA increase above the assumed COLA, the UAAL will increase by approximately $773,000 and the employer contribution rate will increase by approximately 0.09% (based on current payroll and a 26-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 12/31/2007 and the additional liability would be amortized over 26 years. It was also assumed that the increase would be effective on 1/1/2008.*

Contribution Rate Reconciliation	% of Payroll		
	Pension	**Health**	**Total**
Last Year's Rate	13.27%	1.24%	14.51%
Normal Cost Change	0.13%	0.00%	0.13%
Miscellaneous Changes in Group Demographics	0.09%	0.05%	0.14%
Employer Portion of SB 402 Purchases	0.03%	0.00%	0.03%
COLA (portion above the assumption)	0.04%	0.00%	0.04%
Experience Gain (Loss)	-0.45%	-0.03%	-0.48%
Change in Health Utilization Assumption	0.00%	-0.35%	-0.35%
Rate (before adjusting for phase-in of COLA assumption)	13.11%	0.91%	14.02%
Additional 1/8 Phase-In *	0.73%	0.00%	0.73%
This Year's Rate	13.84%	0.91%	14.75%

* *7/8ths of the 2% COLA assumption has been recognized as of the December 31, 2007 valuation.*

MECRS AND CITY
COMPUTED CONTRIBUTIONS FOR THE
FISCAL YEAR BEGINNING JULY 1, 2008

	Contributions Expressed as % of Active Member Payroll	
Contributions For	**City#**	**Other MECRS Employers**
Employer Pension Total	13.84%	13.84%
Health Contribution	0.91%	0.91%
Employer Total	14.75%	14.75%
Valuation Payroll	$29,791,096	$18,765,122
Projected Payroll FY 2009##	31,596,319	19,902,214
Estimated Annual Dollar Contributions		
Pension	$4,372,931	$2,754,466
Health	287,527	181,110
Total	$4,660,458	$2,935,576
Semi-Annual Dollar Contribution payable on July 1 and December 31		
Pension	$2,146,938	N/A
Health	141,165	N/A
Total	$2,288,103	N/A

 # Assuming contributions continuously throughout the year.
Current projection factor is 1.0606 ($1.04^{1.5}$).

COMMENTS

COMMENT A – RESULTS: The Retirement System is 74.2% funded for pension benefits and 16.9% funded for health subsidy benefits as of December 31, 2007. The pension Unfunded Actuarial Accrued Liability (UAAL) of $48,385,123 is amortized over a 26-year period; the health subsidy UAAL of $9,398,059 is amortized over a 28-year period.

COMMENT B – METHODS AND ASSUMPTIONS: Effective with the December 31, 2004 valuation, the Board adopted the use of a 2% post-retirement increase assumption to be phased in over 4 years. The final phase-in was scheduled to be included with the December 31, 2007 valuation. However, on March 11, 2008, the Board elected to recognize the final phase-in over a two year period, beginning with the December 31, 2007 valuation. Results contained in the report essentially recognize 7/8ths of the 2% post-retirement increase assumption.

At the March 11, 2008 Board meeting, the trustees requested that the health care utilization percentage for future retirees be reviewed and lowered, if warranted by experience. The post-retirement health care program has only been in effect for 2 years. Therefore experience is limited and may not fully reflect the long term trend. The table below indicates that approximately 50% of new retirees are utilizing the post-retirement health care subsidy benefit. Based on this information, plus our expectation that utilization will increase as the program ages, we have set the utilization assumption at 60% effective with the December 31, 2007 valuation. The assumption was 70% in the December 31, 2006 valuation. As a result, contributions for the post-retirement health care program have decreased by 0.35% of payroll.

New Retirements In Year	New Retirees	New Retirees Electing Post-Ret. Health Care	Election %
2006	35	17	48.6%
2007	38	19	50.0%

COMMENT C – EXPERIENCE: Experience during 2007 was more favorable than expected, resulting in an experience gain of $3,928,259. The primary sources of this gain were investment return (7.5% assumed versus 10.5% recognized) and turnover (more members quit than expected). Gains were partially offset by losses due to retirements (more benefits were added to the rolls than expected) and retiree mortality (less benefits were removed from the rolls than expected). As a result, the pension funding status improved from 73.2% to 75.9%, **before** reflecting the revised assumptions.

COMMENT D – BENEFIT CHANGES: A 2.00% ad-hoc COLA was granted July 1, 2007 for all retirees and beneficiaries eligible for benefits as of July 1, 2006. This resulted in an increase in accrued liabilities of approximately $331,000.

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 $447,000 as a result of members electing to purchase this benefit during 2007. An additional $223,000 in member contributions was 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.

The health care contribution rate was determined to pass the 25% test for the 2008/2009 fiscal year as follows:

Employer Pension Rate (not more than normal cost)	8.24%
Employee Pension Rate	3.75%
Total Pension Rate*	11.99%
Maximum Health Rate (1/3 x Pension Rate)	4.00%
Employee Health Rate	1.25%
Maximum Employer Health Rate	2.75%
Actual Employer Health Rate	0.91%

** 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.

COMMENTS

COMMENT F – HEALTH VALUATION: Post-retirement health subsidy valuation results were included in this valuation. We have decreased the election assumption from 70% to 60% for future retirees. There is very little historical data, but it appears that over the last two years only about 50% have elected to receive the subsidy. We will continue to monitor this as experience emerges.

COMMENT G – HEALTH VALUATION: The methods and assumptions used in this valuation, in our opinion, satisfy the parameters of GASB 43 and adequately measure the Plan's liability and required contribution. However, the calculations contained herein were not intended to satisfy the parameters of GASB 45 and should not be used for that purpose.

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				
			Valuation Payroll		
	Number	Ratio to Retired	$	Average	% Increase
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%
2007	1,325	2.33	48,556,218	36,646	2.4%

Valuation Date December 31	Retirees & Beneficiaries						Annual Contributions as a Percent of Payroll				
	Pension			Health			Member		Employer		
	Number	Annual Benefits	% of Payroll	Number	Annual Benefits	% of Payroll	Pension	Health	Pension	Health	Total
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%
2007	569	7,327,439	15.1%	155	206,045	0.4%	3.75%	1.25%	13.11%	0.91%	19.02%
2007#	569	7,327,439	15.1%	155	206,045	0.4%	3.75%	1.25%	13.84%	0.91%	19.75%

 # 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#	172,538,747	126,293,879	46,244,869	73.2 %	97.3 %
2007	183,404,802	139,240,661	44,164,141	75.9 %	91.0 %
2007#	187,625,784	139,240,661	48,385,123	74.2 %	99.6 %

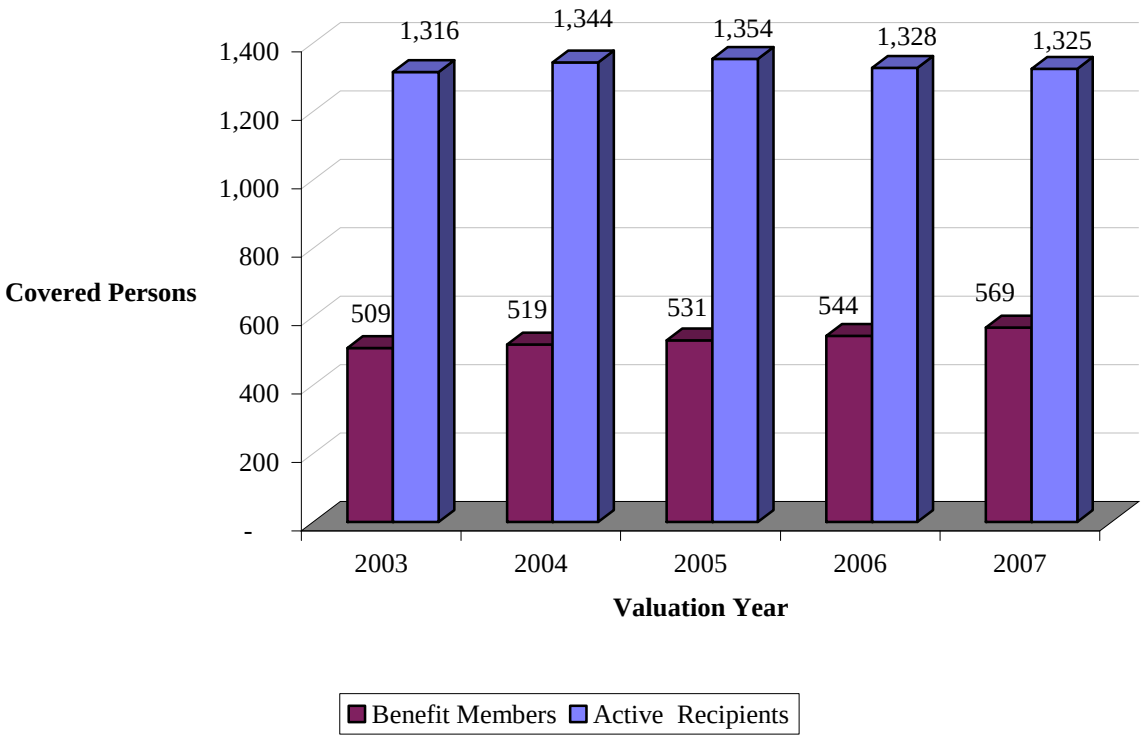
 # After changes in methods and/or assumptions.

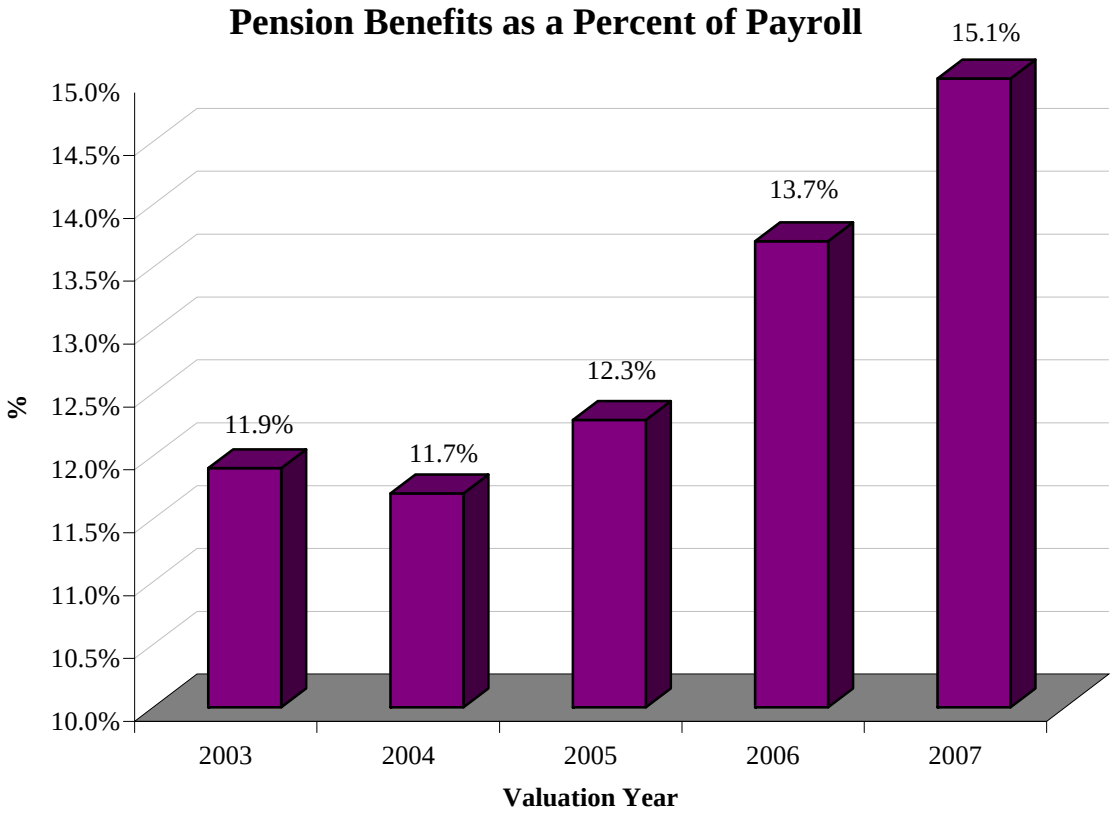
ACTUARIAL ACCRUED LIABILITIES & VALUATION ASSETS
COMPARATIVE STATEMENT – HEALTH SUBSIDY ONLY

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 %
2007	12,745,847	1,908,487	10,837,360	15.0 %	22.3 %
2007#	11,306,516	1,908,457	9,398,059	16.9 %	19.4 %

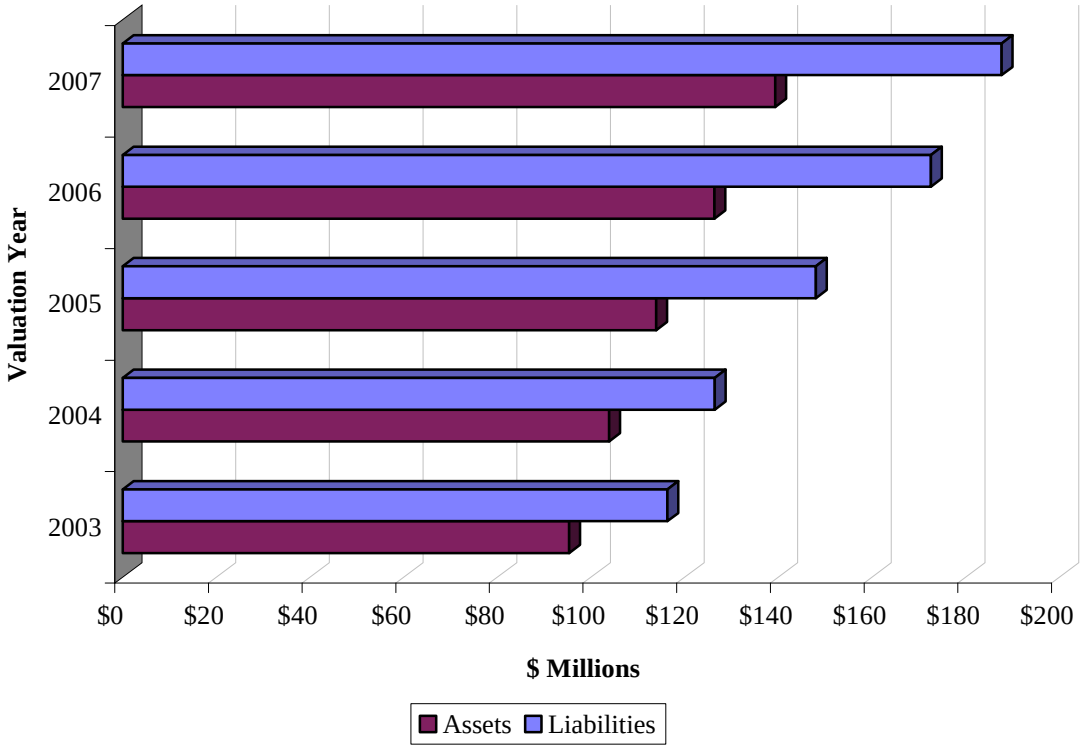
 # After changes in methods and/or assumptions.

Active Members & Benefit Recipients




Pension Benefits as a Percent of Payroll
15.1%
13.7%
12.3%
11.9%
11.7%
15.0%
14.5%
14.0%
13.5%
13.0%
12.5%
12.0%
11.5%
11.0%
10.5%
10.0%
%
2003
2004
2005
2006
2007
Valuation Year

Assets & Accrued Liabilities (Pension Only)



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

Schedule of Changes in Pension 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 asssumption
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 asssumption
12/31/2006	1,313,426	Chapter 159 upgrade (employer)
12/31/2006	2,025,864	Severance Load
12/31/2007	330,568	2007 COLA
12/31/2007	4,220,982	Phase-in of COLA asssumption
12/31/2007	223,538	Chapter 159 upgrade (employer)

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) AMORTIZATION SCHEDULE AND PROJECTED FUNDED STATUS

Fiscal Year	Employer Contribution Rates			Projected Active Member Payroll	Beginning of Year	
	Total Contribution	Employer Normal Cost	UAAL Payment		UAAL	Funded Status
2008*	13.27%	7.93%	5.34%	$ 49,517,820	$48,385,123	74.2%
2009	13.84%	8.24%	5.60%	51,498,533	48,820,516	75.2%
2010	13.84%	8.24%	5.60%	53,558,475	49,491,945	77.2%
2011	13.84%	8.24%	5.60%	55,700,814	50,094,127	78.9%
2012	13.84%	8.24%	5.60%	57,928,846	50,617,083	80.5%
2013	13.84%	8.24%	5.60%	60,246,000	51,049,898	81.9%
2014	13.84%	8.24%	5.60%	62,655,840	51,380,635	83.2%
2015	13.84%	8.24%	5.60%	65,162,074	51,596,257	84.4%
2016	13.84%	8.24%	5.60%	67,768,556	51,682,533	85.5%
2017	13.84%	8.24%	5.60%	70,479,299	51,623,943	86.5%
2018	13.84%	8.24%	5.60%	73,298,471	51,403,567	87.4%
2019	13.84%	8.24%	5.60%	76,230,410	51,002,976	88.3%
2020	13.84%	8.24%	5.60%	79,279,626	50,402,107	89.2%
2021	13.84%	8.24%	5.60%	82,450,811	49,579,128	90.0%
2022	13.84%	8.24%	5.60%	85,748,843	48,510,301	90.8%
2023	13.84%	8.24%	5.60%	89,178,797	47,169,821	91.6%
2024	13.84%	8.24%	5.60%	92,745,949	45,529,655	92.4%
2025	13.84%	8.24%	5.60%	96,455,787	43,559,361	93.1%
2026	13.84%	8.24%	5.60%	100,314,018	41,225,894	93.8%
2027	13.84%	8.24%	5.60%	104,326,579	38,493,399	94.6%
2028	13.84%	8.24%	5.60%	108,499,642	35,322,991	95.3%
2029	13.84%	8.24%	5.60%	112,839,628	31,672,505	96.0%
2030	13.84%	8.24%	5.60%	117,353,213	27,496,244	96.7%
2031	13.84%	8.24%	5.60%	122,047,342	22,744,696	97.4%
2032	13.84%	8.24%	5.60%	126,929,235	17,364,231	98.2%
2033	13.84%	8.24%	5.60%	132,006,405	11,296,779	98.9%
2034	13.84%	8.24%	5.60%	137,286,661	4,479,477	99.6%
2035	13.84%	8.24%	5.60%	142,778,127	0	100.0%

** Represents a 6-month period from December 31, 2007 through June 30, 2008.*

SECTION B

BENEFIT PROVISIONS AND VALUATION DATA

SUMMARY OF BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007

Eligibility	Amount
NORMAL RETIREMENT	
Members are eligible to retire at age 60.	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, 2007

Eligibility	Amount
ORDINARY DEATH-IN-SERVICE	
(1) Any age with less than 5 years of service. (2) Any age with 5 or more years of service.	(1) Beneficiary receives member's contributions and accumulated interest, and an additional lump sum equal to one year's salary. (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.

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, as shown in the schedule below. 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.

Service at Retirement	% of Full Subsidy Payable	
	Active on or after March 1, 2006	Terminated Vested or Retired on March 1, 2006
Less than 10 years	25.0%	12.5%
10 years or more, but less than 15 years	50.0%	25.0%
15 years or more, but less than 20 years	75.0%	37.5%
20 years or more	100.0%	50.0%

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
2007	49	1,109,288	24	297,006	569	7,327,439	12,878

* *Includes adjustments due to COLA.*

RETIREES AND BENEFICIARIES DECEMBER 31, 2007
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	303	$3,203,683
For life of member, but not less than 10 years	43	591,578
100% Joint & Survivor	99	1,514,384
66 2/3% Joint & Survivor	25	514,204
50% Joint & Survivor	33	602,222
Survivor Beneficiary	29	306,646
Survivor of 10-year certain	6	74,257
Total age and service pensions	538	$6,806,974
Casualty Pensions		
Duty Disability	24	$ 434,012
Non-Duty Disability	7	86,453
Duty Death - Survivor Benefits	0	0
Non-Duty Death - Survivor Benefits	0	0
Total casualty pensions	31	$ 520,465
Total Pensions Being Paid	**569**	**$7,327,439**

RETIREES AND BENEFICIARIES DECEMBER 31, 2007
PENSION BENEFITS TABULATED BY ATTAINED AGES

Attained Age	Age and Service		Casualty		Totals	
	Number	Annual Pensions	Number	Annual Pensions	Number	Annual Pensions
30-34	1	$ 20,559		-	1	$ 20,559
35-39		-		-		
40-44	3	24,769		-	3	24,769
45-49		-	2	$ 33,023	2	33,023
50-54	6	136,781	7	138,753	13	275,534
55-59	23	718,389	6	109,063	29	827,452
60-64	76	1,209,508	4	68,303	80	1,277,811
65-69	100	1,302,347	7	94,340	107	1,396,687
70-74	100	1,249,809	2	31,120	102	1,280,929
75-79	85	853,574		-	85	853,574
80-84	84	830,435	3	45,863	87	876,298
85-89	52	398,150		-	52	398,150
90-94	7	47,228		-	7	47,228
95-100	1	15,425		-	1	15,425
Totals	**538**	**$ 6,806,974**	**31**	**$ 520,465**	**569**	**$ 7,327,439**

Average Age at Retirement: 62.2 years
Average Age Now: 72.4 years

RETIREES AND BENEFICIARIES DECEMBER 31, 2007
HEALTH SUBSIDY BENEFITS TABULATED BY ATTAINED AGES

Attained Age	Health Subsidy	
	Number	Annual Amount
45-49	1	$ 324
50-54	5	7,463
55-59	11	23,687
60-64	30	53,540
65-69	19	28,554
70-74	25	27,256
75-79	20	22,065
80-84	25	24,985
85-89	14	13,628
90-94	4	3,245
95-100	1	1,298
Totals	**155**	**$ 206,045**

Average Age at Retirement: 62.5 years
Average Age Now: 72.4 years

RETIREES AND BENEFICIARIES DECEMBER 31, 2007
TABULATED BY YEAR OF RETIREMENT

Year of Retirement	Number	Annual Pensions	
		Totals	Average
1974	1	$ 16,326	$ 16,326
1976	1	18,720	18,720
1977	2	19,009	9,505
1978	3	27,883	9,294
1979	2	5,156	2,578
1980	3	25,568	8,523
1981	4	39,800	9,950
1982	7	27,116	3,874
1983	8	60,869	7,609
1984	8	47,472	5,934
1985	9	62,010	6,890
1986	10	68,709	6,871
1987	12	166,155	13,846
1988	11	67,174	6,107
1989	17	195,438	11,496
1990	19	280,653	14,771
1991	20	190,659	9,533
1992	16	204,378	12,774
1993	21	286,887	13,661
1994	38	364,110	9,582
1995	26	274,247	10,548
1996	27	349,813	12,956
1997	18	224,241	12,458
1998	17	183,475	10,793
1999	33	522,845	15,844
2000	29	424,535	14,639
2001	22	288,471	13,112
2002	34	339,830	9,995
2003	18	224,719	12,484
2004	21	176,713	8,415
2005	30	495,469	16,516
2006	39	763,740	19,583
2007	43	885,249	20,587
Totals	**569**	**$7,327,439**	**$ 12,878**

Average Age at Retirement: 62.2 years
Average Age Now: 72.4 years

INACTIVE VESTED MEMBERS DECEMBER 31, 2007
TABULATED BY ATTAINED AGE

Attained Age	Number	Estimated Annual Pensions
25-29	2	$ 7,569
35-39	6	38,520
40-44	8	69,671
45-49	16	179,975
50-54	35	264,907
55-59	32	167,709
Totals	**99**	**$728,351**

Average Age at Termination: 45.9 years
Average Age Now: 51.2 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				
									Vested	Other	Totals		
	A	E	A	E	A	E	A	E	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
2007	178	181	37	52.4	0	1.1	0	2.1	23	121	144	63.3	1,325
5-Year Totals	797	887	139	216.1	2	4.0	2	7.9	125	619	744	244.6	

A = Actual
E = Expected

ACTIVE MEMBERS DECEMBER 31, 2007
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
15-19									
20-24	38							38	$ 942,042
25-29	55	11						66	1,875,449
30-34	53	27	2					82	2,651,122
35-39	60	28	20	8				116	4,354,097
40-44	77	53	20	14	14			178	6,265,595
45-49	82	74	34	21	34	9		254	9,422,796
50-54	38	55	46	32	21	24	17	233	9,044,988
55-59	31	40	23	33	35	14	23	199	7,922,063
60-64	17	25	13	7	18	10	11	101	4,274,798
65-69	3	8	6	5	4	2	7	35	1,417,409
70-74	3	5	2		2	2	3	17	269,904
75 & over		2	1	1	1		1	6	115,955
Totals	**457**	**328**	**167**	**121**	**129**	**61**	**62**	**1,325**	**$48,556,218**

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

Age:	47.3 years
Service:	10.6 years
Annual Pay:	$36,646

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 26 future years for pension benefits, and over 28 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*
	2007	2006	2005	2004	2003	Average
1) Nominal rate of return#	9.7 %	9.2 %	8.1 %	8.1 %	6.4 %	8.3 %
2) Increase in CPI	4.1 %	2.5 %	3.4 %	3.3 %	1.9 %	3.0 %
3) Average salary increase (ASI)	2.4 %	2.6 %	4.1 %	5.0 %	1.0 %	3.0 %
4) Real Return						
- Total: CPI (1) - (2)						5.3 %
- Total: ASI (1) - (3)						5.3 %
- Assumption**	3.5 %	3.5 %	3.5 %	3.5 %	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 ½(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.

	Salary Increase Assumptions For an Individual Member		
Service	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.

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
	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%
30	5 & Up	2.34%	8.00%
35		2.00%	6.40%
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, 2007

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:	For Manchester School District and enterprise funds of the City (Airport, Water Works, and the MECRS), contributions are assumed to be received continuously throughout the year based upon the actual payroll payable at the time contributions are made. For the remaining City group, contributions are assumed to be received on a semiannual basis in December and July.
COLA Assumption:	2.0% compounded annually (assumption phased-in over five 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:	60% 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	172.5	46.2	73.2 %	47.5	97.3 %
12/31/2007	139.2	183.4	44.2	75.9 %	48.6	90.9 %
12/31/2007#	139.2	187.6	48.4	74.2 %	48.6	99.6 %

 # 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%	6,760,377
2006	2008	13.27%	N/A
2007	2009	13.84%	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, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	26 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 4 of 5-year phase-in)	1.75%
*Includes inflation at	4.0%

Membership of the plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

Retirees and Beneficiaries receiving benefits	569
Terminated plan members entitled to but not yet receiving benefits	99
Active plan members	1,325
Total	1,993

Schedule of Funding Progress for Health Subsidy Program

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)
12/31/2006	0.8	11.7	10.9	6.7 %	47.5	23.1 %
12/31/2007	1.9	12.7	10.8	15.0 %	48.6	22.2 %
12/31/2007#	1.9	11.3	9.4	16.8 %	48.6	19.3 %

 # After changes in methods and/or assumptions.

Schedule of Employer Contributions for Health Subsidy Program

Valuation Year Ended December 31	Fiscal Year Ended June 30	Annual Required Contribution (ARC) as a Percent of Valuation Payroll	Actual Contributions
2006	2008	1.24%	N/A
2007	2009	0.91%	N/A

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:

Health Subsidy Program Implementation Date	March 1, 2006
Valuation date	December 31, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	28 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, 2007, the date of the latest actuarial valuation:

Retirees and Beneficiaries receiving benefits	155
Terminated plan members entitled to but not yet receiving benefits	99
Active plan members	1,325
Total	1,579

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:

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

***B**enefit* payments to any group of members and their beneficiaries cannot exceed the sum of:

***C**ontributions* received on behalf of the group

... plus ...

***I**nvestment* earnings on contributions received

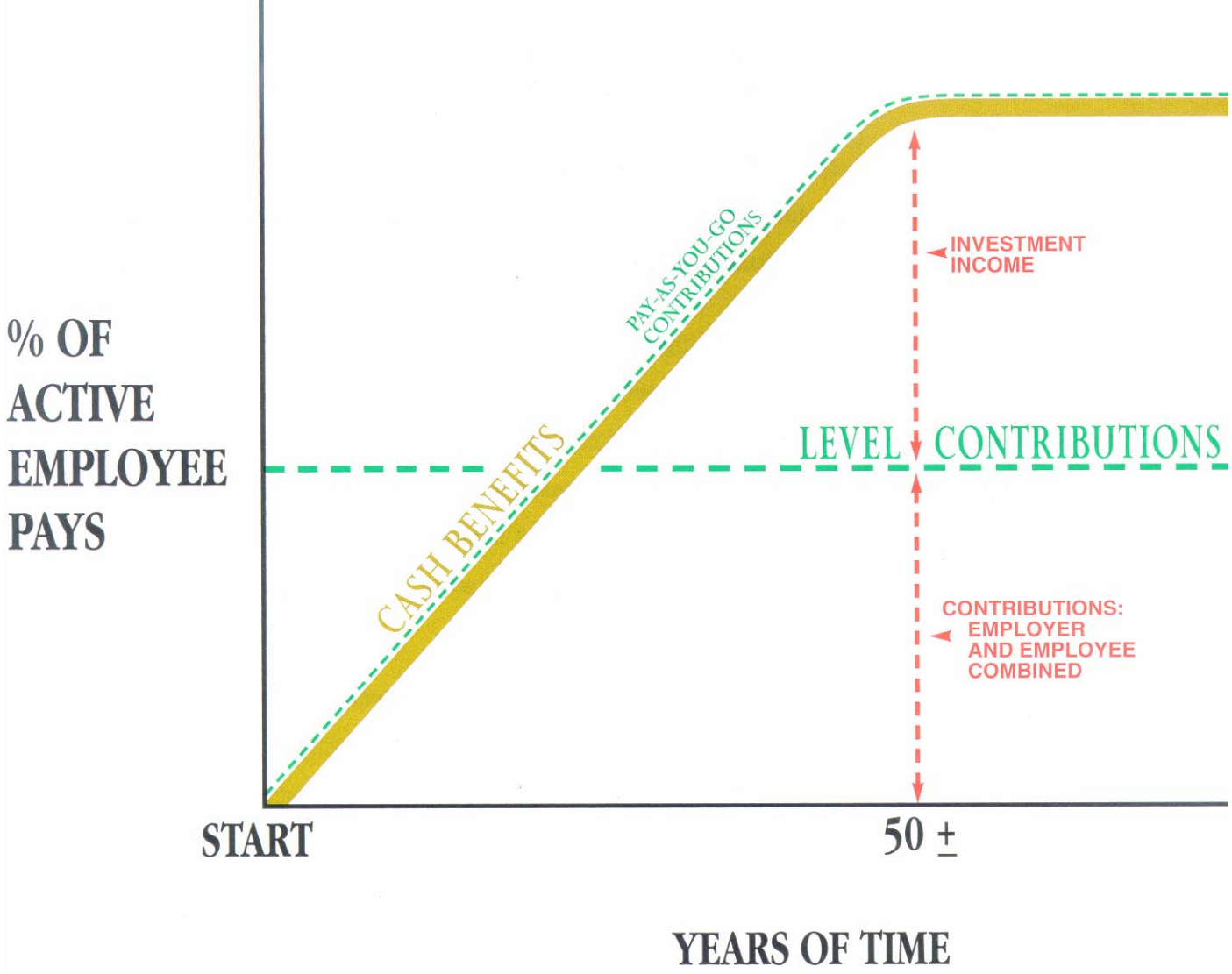
... minus ...

***E**xpenses* 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.

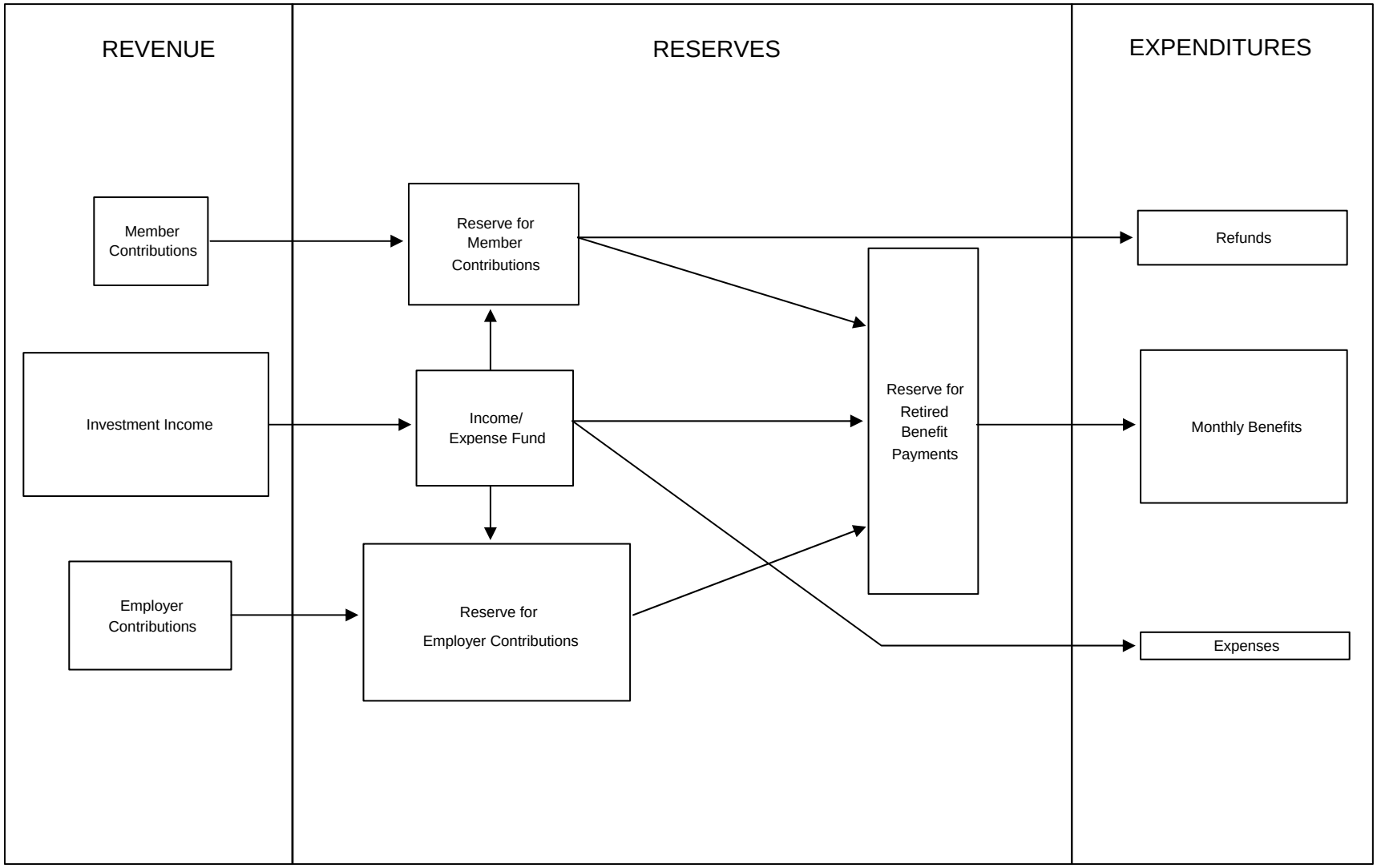


CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

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.

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.

GRS
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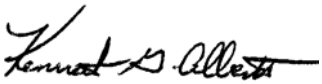
March 25, 2008

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 Revised Actuarial Valuation of the City of Manchester Employees' Contributory Retirement System.

Sincerely,



Kenneth G. Alberts

KGA:bd
Enclosures