MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION City of San Rafael ANNUAL ACTUARIAL VALUATION June 30, 2006

REVISED



City of San Rafael

June 30, 2006 Actuarial Valuation

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January 11, 2007

Board of Retirement Marin County Employees' Retirement Association 3501 Civic Center Drive, Room 408 San Rafael, CA 94903

Members of the Board:

Results of the Annual <u>Actuarial Valuation as of June 30, 2006</u> for the City of San Rafael members of the Marin County Employees' Retirement Association are summarized. The valuation is intended to provide a measure of the funding status of the retirement system. This valuation also forms the basis for the contribution rates for the year beginning July 1, 2007.

	Police	Fire	Miscellaneous	Overall
Normal Costs	17.29%	18.12%	13.14%	15.24%
Unfunded Amortization	35.74%	44.99%	16.56%	27.73%
TOTAL	53.03%	63.11%	29.70%	42.97%

The member statistical data on which the valuation was based was furnished by staff, together with pertinent data on financial operations. Data was reviewed for reasonableness, but was not audited by the actuary.

There was an overall actuarial loss of \$5.03 million, which reflects 1.9% of related actuarial accrued liabilities as of June 30, 2005.

The cooperation of staff in furnishing materials requested for this valuation is deeply acknowledged with appreciation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

Rick Roseden

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Summary of Significant Valuation Results

		June 30, 2005	June 30, 2006	Percent Change
I.	Total Membership			
	A. Active Members	393	380	(3.3)%
	B. Pensioners & Beneficiaries	338	359	6.2%
	C. Vested Deferreds	<u>154</u>	<u>162</u>	5.2%
	D. Total	885	901	1.8%
II.	Salaries at June 30			
	A. Total Annual Payroll	\$28,357,316	\$28,605,882	0.9%
	B. Average Annual Compensation	\$72,156	\$75,279	4.3%
III.	Benefits to Current Pensioners & Beneficiaries			
	A. Total Annual Benefits	\$10,062,454	\$11,263,341	11.9%
	B. Average Monthly Benefit Amount	\$2,481	\$2,615	5.4%
IV.	Total Assets			
	A. Actuarial Value	\$195,697,862	\$209,785,169	7.2%
	B. Market Value	\$197,724,816	\$221,105,029	11.8%
V.	Unfunded Actuarial Accrued Liability/(Surplus)	\$69,507,032	\$93,457,655	34.5%
VI.	Budget Items	FY 2006-2007	FY 2007-2008	
	1. Normal Cost as a Percent of Pay	15.70%	15.24%	(2.9)%
	2. Amortization of UAAL	20.82%	27.73%	33.2%
	3. Total Contribution	36.52%	42.97%	17.7%
VII.	Funded Ratio (Based on Actuarial Value of Assets)	74%	69%	(6.8)%
VIII.	Funded Ratio (Based on Market Value of Assets)	75%	73%	(2.7)%

Marin County Employees' Retirement Association Contribution Reconciliation for June 30, 2006 Valuation

City of San Rafael

June 30, 2006 Valuation Payroll	\$28,605,882					
Projected Payroll for 2007-2008	\$30,339,286					
Contribution Reconciliation	Expected Unfunded				Contribution	Rate
Based on Rate from 2005 Valuation	\$70,112,018				\$11,079,907	36.52%
	Change in Unfunded	Change in	Change in	2006-2007		
	Accrued Liability	Normal Cost	Rate	Contribution		
Reduction in inflation assumption	\$7,071,053	\$142,595	2.56%	\$776,686		
Other assumption changes	\$4,191,156	(\$404,583)	(0.09)%	(\$27,305)		
Benefit Improvements	<u>\$7,053,999</u>	<u>\$175,968</u>	2.67%	<u>\$810,059</u>		
	\$18,316,208	(\$86,020)	5.14%	\$1,559,440	\$12,639,347	41.66%
Gains and Losses						
Investment losses	\$1,676,962	\$0	0.50	\$151,696		
COLA gains	(\$888,791)	\$0	(0.26)	(\$78,882)		
Pay increase losses	\$82,205	\$0	0.02	\$6,068		
Retirant mortality and data						
refinement losses	\$1,005,247	\$0	0.30	\$91,018		
Other demographic losses	<u>\$3,153,806</u>	<u>\$0</u>	<u>0.94</u>	\$285,189		
Subtotal	\$5,029,429	\$0	1.50	\$455,089	\$13,094,436	43.16%
Other Factors						
Miscellaneous ¹	*	\$0	(0.01)	(\$3,034)		
Change in Normal Cost due to demographic factors	\$0	پو (\$54 611)	(0.01) (0.18)	(\$5,054) (\\$54.611)		
Subtotal	*	(\$54,611)	(0.10) (0.19)	(\$57,645)	\$13,036,792	42.97%
Total from 2006 Valuation	\$93,457,655	(\$140,631)	6.45	\$1,956,885	\$13,036,792	42.97%

¹ Reflects impact of contribution rate lag and impact of unexpected changes in payroll on amortization contribution

* Included in Expected Unfunded

Comments & Recommendations

June 30, 2006

<u>COMMENT A:</u> The Retirement Board has requested that our earlier valuation report be revised to reflect updated employee contribution rates. Such rates reflect assumption changes adopted by the Board in September. Also, this report reflects benefit changes, effective as of January 1, 2007, which the City requested to include in this valuation.

<u>COMMENT B</u>: The City contribution rate again significantly increased from 36.52% last year to 42.97% of payroll this year. Page (iii) of this report details the primary reasons for the increase. Of the 6.45% increase, 2.47% is due to the assumption changes adopted by the Retirement Board in September and 2.67% is due to benefit improvements. Among changes adopted, the inflation component of the assumed investment return assumption was lowered from 4.25% to 4%. Also, earlier retirements were assumed for Miscellaneous members and higher rates of duty disability were assumed for Safety members.

<u>COMMENT C:</u> There was an experience loss of \$5.03 million that put upward pressure on the contribution rate. Loss areas included the actuarial value of assets, which incorporates 5-year smoothing. There were also losses related to changes in compensation levels and two significant disabilities at young ages. Investment losses, using the actuarial value of assets, accounted for 0.50% of the contribution increase. The smoothed actuarial value of assets still reflects the last impact of the 2000-02 bear market.

COMMENT D: The good news in the valuation is that the System's deferred gains (the excess of actuarial value over market value) again increased. San Rafael has a deferred gain of \$11.3 million. Deferred gains and losses are a byproduct of your asset smoothing policy. This will serve as a "buffer" against future contribution increases.

Marin County Employees' Retirement Association City of San Rafael Comments & Recommendations June 30, 2006

<u>COMMENT E:</u> The overall funded ratio decreased from 74% to 69% using the actuarial value of assets. The funded ratio would have been 71% in absence of changes in employee contributions and benefits. Using market value of assets, the funded ratio decreased from 75% to 73%.

<u>COMMENT F</u>: We have again used an open 16-year amortization period for financing of unfunded liabilities.

<u>COMMENT G</u>: We have an elaborate estimation procedure to estimate the allocation of assets between Miscellaneous, Fire and Police employees. We would encourage the creation of accounting processes to more accurately track allocated assets if the highest degree of accuracy is desired.

COMMENT H: For the third straight year, the number of active members has declined. Other factors equal, this will increase the percentage rate for the amortization of unfunded liability since the "financing base" is smaller than expected.

<u>COMMENT I:</u> All parties should understand that the newly established 8% assumed investment return is a rate <u>net</u> of administrative expenses and investment expenses.



FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES

City of San Rafael

Financial Principles and Operational Techniques

<u>Promises Made, and To Be Paid For</u>. As each year is completed, the Retirement System in effect hands an "IOU" to each member then acquiring a year of service credit – the "IOU" says: "The City of San Rafael owes you one year's worth of retirement benefits, payments in cash commencing when you qualify for retirement."

The related key financial questions are:

Which generation of taxpayers contributes the money to cover the IOU?

The present taxpayers, who receive the benefit of the member's present year of service?

<u>Or the future taxpayers</u>, who happen to be in San Rafael at the time the IOU becomes a cash demand, years and decades later?

The principle of level percent of payroll financing intends that this year's taxpayers contribute the money to cover the IOUs being handed out this year. By following this principle, the employer contribution rate will remain approximately level from generation to generation (after funding of the System's initial unfunded liability is addressed) – our children and our grandchildren will contribute the same percents of active payroll we contribute now.

(There are systems which have a design for deferring contributions to future taxpayers, lured by a lower contribution rate now and putting aside the consequence that the contribution rate must then relentlessly grow much greater over decades of time.)

An inevitable by-product of the level-cost design is the accumulation of reserve assets, for decades, and income produced when the assets are invested. Invested assets are a by-product and not the objective. Investment income becomes, in effect, the 3^{rd} contributor for benefits to employees, and is interlocked with the contribution amounts required from employees and employer.

(Concluded on next page)

City of San Rafael

Financial Principles and Operational Techniques

(Concluded)

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

Current Cost (the cost of members' service being rendered this year) . . .

plus. . .

Interest on Unfunded Accrued Liabilities (unfunded accrued liabilities are the difference between (i) liabilities for service already rendered and (ii) the accrued assets of the plan).

<u>Computing Contributions To Support System Benefits</u>. From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of <u>an actuarial valuation and a funding method</u>.

An actuarial valuation has a number of ingredients such as: the rate of investment return which plan assets will earn; rates of withdrawal of active members who leave covered employment; rates of mortality; rates of disability; rates of pay increases; and the assumed age or ages at actual retirement. In an actuarial valuation assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the plan can indicate the degree of accuracy of the assumptions.

<u>Reconciling Differences Between Assumed Experience and Actual Experience</u>. Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the wisdom behind the various financial assumptions or the skill of the actuary and the millions of calculations made. The future can be predicted with considerable but not complete precision, except for <u>inflation which defies reliable prediction</u>.

The System copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in the computed employer contribution rates.

THE ACTUARIAL VALUATION PROCESS

<u>The financing diagram</u> on the following page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is an <u>increasing contribution method</u>; and the <u>level contribution method</u> which equalizes contributions between the generations.

The <u>actuarial valuation</u> is the mathematical process by which the level contribution rate is determined. The flow of activity constituting the valuation may be summarized as follows:

A. Covered people data, furnished by the System including:

Retired lives now receiving benefits Former employees with vested benefits not yet payable Active employees

- B. + Asset data (cash & investments), furnished by the System
- C. + <u>Assumptions concerning future experience in various risk areas</u>, which are established by the Board after consulting with the actuary
- D. + <u>The funding method</u> for employer contributions (the long-term, planned pattern for employer contributions)
- E. + Mathematically combining the assumptions, the funding method, and the data
- F. = $\underline{Determination of:}$

Plan Financial Position and/or Employer's New Contribution Rate



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 **VALUATION RESULTS**

FUNDING OBJECTIVE

The funding objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens.

CONTRIBUTION RATES

The System is supported by member contributions, employer contributions, and investment income from Fund assets.

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

- 1. cover the actuarial present value of benefits allocated to the current year by the actuarial cost method (the normal cost); and
- 2. 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).

Computed contributions for the fiscal year beginning July 1, 2007 are shown on the following pages.

City of San Rafael

Computed Contribution Rates

(Expressed as Percents of Active Payroll)

Total Employer Contribution

Valuation Date	<u>2006</u> *	<u>2005</u>
Fiscal Year	2007-2008	2006-2007
Miscellaneous	29.70% (28.56%)	28.20%
Police	53.03% (48.32%)	47.23%
Fire	63.11% (48.74%)	43.64%
Overall	42.97% (37.83%)	36.52%

* Before assumption and benefit changes in parenthesis

Ongoing unfunded actuarial accrued liabilities (UAAL) are a byproduct of actuarial gains and losses, as well as benefit, assumption and methodology changes. Each valuation generates an actuarial gain (loss) for each group valued. This year's gain (loss) is amortized over 16 years.

Amortization is expressed as a percent-of-payroll and added to (or subtracted from) computed normal costs.

City of San Rafael

Computed Contribution Rates

June 30, 2006

(Expressed as Percents of Active Payroll)

Elements of County Normal Cost

	Safety		Miscellaneous	Overall
	Police	Fire		
Normal Retirement	14.88%	15.42%	16.74%	16.01%
Vested Deferred Retirement	2.75%	2.66%	2.65%	2.67%
Death-In-Service ¹	0.59%	0.62%	0.37%	0.48%
Disability ¹	8.82%	9.07%	2.53%	5.48%
Contribution Refunds	1.03%	1.01%	1.35%	1.20%
Total Normal Cost	28.07%	28.78%	23.64%	25.84%
Less Employee Contributions	<u>10.78%</u>	<u>10.66%</u>	<u>10.50%</u>	<u>10.60%</u>
Equals Employer Normal Cost	17.29%	18.12%	13.14%	15.24%

¹ These figures could be viewed as overstated, and Normal Retirement figures understated, since, in many cases, an active member, who dies or becomes disabled will have significant service credit accrued and may be eligible for service retirement at time of disability or death benefit grant.

Marin County Employees' Retirement Association City of San Rafael Member Contributions as of June 30, 2006

Please refer to Appendix A for a detailed list of these rates.

	(Percents of Pay)		
	Weighted Employee Contribution		
	<u>2006</u> *	<u>2005</u>	
Weighted employee contribution rate	10.60% (10.06%)	10.07%	

The rates used in this valuation for each participant were those supplied by the Retirement Office in the individual data.

* Before assumption and benefit changes in parenthesis

Marin County Employees' Retirement Association City of San Rafael Unfunded Actuarial Accrued Liability June 30, 2006

Derivation of Experience Gain (Loss)

The actuarial gains or losses realized in the operation of the System provide an experience test. Gains and losses are expected to cancel each other over a period of years and sizable year-toyear fluctuations are common.

(1)	UAAL* at beginning of year	\$69,507,032
(2)	Expected UAAL payment (17.31% * (28,605,882 + 28,357,316) / 2)	4,930,165
(3)	Interest accrual ((1) * .0825 - (2) * .0404)	5,535,151
(4)	Increase due to change in inflation assumption	7,071,053
(5)	Increase due to change in other assumptions	4,191,156
(6)	Increase due to benefit improvements	7,053,999
(7)	Expected UAAL at end of year $(1) - (2) + (3) + (4) + (5) + (6)$	88,428,226
(8)	Actual UAAL at end of year	93,457,655
(9)	Gain (loss) from actuarial experience (7) - (8)	(5,029,429)
(10)	Gain (loss) as percentage of actuarial accrued liabilities at beginning of year	(1.90)%

Gain/Loss on Unfunded Accrued Liability

June 30, 2006

Components of Actuarial Gain/(Loss) for the Year Ending June 30, 2006

Estimated Gain/(Loss) attributed to pay increases	\$(82,205)
Estimated Gain/(Loss) attributed to employee turnover, mortality, disability incidence, retirement incidence, and miscellaneous factors	(3,153,806)
Estimated Gain/(Loss) attributed to retirant mortality and retirant data refinements	(1,005,247)
Estimated Gain/(Loss) attributed to COLA increase	888,791
Estimated Gain/(Loss) attributed to investment experience	<u>(1,676,962)</u>
Total Estimated Experience Gain/(Loss)	\$(5,029,429)

Unfunded Actuarial Accrued Liability

Total actuarial accrued liabilities	\$303,242,824
Assets allocated to funding	209,785,169
Unfunded Actuarial Accrued Liability	\$93,457,655



City of San Rafael

Funding Progress Indicators

June 30, 2006

There is no single all-encompassing indicator which measures a retirement system's funding progress and current funded status. A traditional measure has been the relationship of valuation assets to unfunded actuarial accrued liability – a measure that is influenced by the choice of actuarial cost method.

<u>We believe a better understanding</u> of funding progress and status can be achieved using the following indicators which are independent of the actuarial cost method.

- 1. <u>The ratio of valuation assets to the actuarial present value of credited projected benefits</u> allocated in the proportion accrued service is to projected total service a plan continuation indicator.
- 2. <u>The ratio of the unfunded actuarial present value of credited projected benefits to member payroll</u> a plan continuation indicator. In a soundly financed retirement system, the amount of the unfunded actuarial present value of credited projected benefits will be controlled and prevented from increasing in the absence of benefit improvements or strengthening of actuarial assumptions. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease in the absence of benefit improvements or strengthening.

City of San Rafael

Funding Progress Indicators – Historic Comparison

Valuation Date	Valuation Assets	Actuarial Accrued <u>Liability</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Member <u>Payroll</u>	UAAL Ratio to <u>Payroll</u>
6/30/97	\$114,506	\$110,198	\$ (4,307)	104%	16,298	(25.3)%
6/30/98	131,142	124,239	(6,903)	106%	20,361	(33.9)%
6/30/99	151,466	134,247	(17,219)	113%	23,293	(73.9)%
6/30/00	171,663	156,806	(14,857)	110%	23,372	(63.6)%
6/30/01	186,085	172,939	(13,146)	108%	25,650	(51.3)%
6/30/02	190,563	187,118	(3,445)	102%	27,223	(12.7)%
6/30/03	185,632	201,294	15,662	92%	27,453	57.1%
6/30/03 ¹	185,632	219,845	34,213	84%	27,453	124.6%
6/30/04 ²	188,956	241,901	52,945	78%	29,299	180.7%
6/30/04 ³	188,956	248,665	59,709	76%	29,299	203.8%
6/30/05	195,698	265,205	69,507	74%	28,357	245.1%
6/30/06 ⁴	209,785	284,927	75,142	74%	28,606	262.7%
6/30/06	209,785	303,243	93,458	69%	28,606	326.7%

(\$ in Thousands)

¹ Includes Miscellaneous and Police 2004 benefit enhancements
² Prior to 2004 assumption changes
³ After the 2004 assumption changes
⁴ Prior to 2006 assumption and benefit changes



City of San Rafael

Actuarial Balance Sheet – June 30, 2006

Present Resources and Expected Future Resources

Present Resources and Expected Future Resources

			<u>Total</u>
A.	Actuarial value of system assets		\$209,785,169
B.	Present value of expected future contributions1. For normal costs for present actives2. For unfunded actuarial accrued liability3. Totals	\$32,214,660 <u>\$93,457,655</u>	\$125,672,315
C.	Present value of expected future member contributions		<u>\$22,406,522</u>
D.	Total Present and Expected Future Resources		\$357,864,006
<u>Pre</u>	sent Value of Expected Future Benefit Payments a	nd Reserve	
A.	To retirants and beneficiaries		\$154,960,827
B.	To vested terminated members		\$20,654,708
C.	 To present active members Allocated to service rendered prior to valuation date Allocated to service likely to be rendered after valuation date Totals 	\$127,627,289 <u>\$54,621,182</u>	\$182,248,471
D.	Total Present Value of Expected Future Benefit Payments		\$357,864,006

SUMMARY OF BENEFIT PROVISIONS

&

VALUATION DATA SUBMITTED BY RETIREMENT SYSTEM

Brief Summary of Benefit Provisions Evaluated

Effective June 30, 2006

- 1. <u>Membership Requirements</u> First day of employment.
- 2. Final Compensation for Benefit Determination

Highest consecutive twelve months of compensation earnable.

- 3. Service Requirement
 - A. <u>Eligibility</u>: Age 50 with 10 years of service, Safety members after 20 years of service, regardless of age, or Miscellaneous members after 30 years of service, regardless of age.
 - B. Benefit Formula Per Year of Service

Miscellaneous – Section 31676.11 (One-sixtieth times years of service times retirement age factor) or 31676.19 (2.7% at 55) will apply to Miscellaneous employees depending upon bargaining group. Effective January 1, 2007, 31676.19 will apply to all Miscellaneous employees.

Safety – Section 31664.2 (3% at 55) for Police and Section 31664 for Fire (we have included benefit enhancements for Fire members, effective as of January 1, 2007.

Above formulas will generally vary by attained age. See Appendix B for Retirement Age Factors.

C. Maximum Benefit - 100% of Final Average Compensation.

City of San Rafael

Brief Summary of Benefit Provisions Evaluated

Effective June 30, 2006

(Continued)

4. Ordinary Disability

- A. <u>Eligibility</u> Five years of continuous service.
- B. <u>Benefit Formula</u> 1.5% (1.8% for Safety members) of Final Compensation for each year of service (including projected years to age 65 for Miscellaneous members (age 55 for Safety members), subject to a maximum of 1/3 of Final Compensation. Notwithstanding, the benefit shall not be less than any service retirement benefit eligible to be received at time of disability.
- 5. <u>Duty Disability</u>
 - A. <u>Eligibility</u> Immediate
 - B. <u>Benefit Formula</u> The greater of 50% of Final Compensation or service retirement benefit eligible to be received at time of disability.

6. Pre-retirement Death Benefit

- A. <u>Eligibility</u> None.
- B. <u>Benefit</u> Refund of employee contributions with interest plus one month of final compensation for each year of service to a maximum of six years
- or
- A1. <u>Eligibility</u> Duty-related death
- B1. <u>Benefit</u> 50% of Final Compensation to a spouse
- or
- A2. <u>Eligibility</u> Qualified for Service Retirement or Ordinary Disability.
- B2. <u>Benefit</u> 60% survivor benefit based on benefit due on member's date of death.

City of San Rafael

Brief Summary of Benefit Provisions Evaluated

Effective June 30, 2006

(Continued)

7. Death After Retirement

- A. Service or Disability Retirement
 - 60% of member's unmodified allowance (100% if Duty Disability) continued to eligible spouse or modified optional continuance selected by the member at the time of retirement.
 - \$5,000 lump sum benefit payable to member's beneficiary
 - If applicable, return of any unused employee contributions and interest

8. Withdrawal Benefits

A. Less than Five Years of Service

Refund of accumulated employee contributions with interest.

B. Five or More Years of Service

If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire.

9. Post-retirement Cost-of-Living Benefits

Each April 1, benefits are increased based on increases in the local CPI, subject to a 3% maximum increase.

10. Employer Contributions

Determined by Entry Age Normal cost method with funding of the Unfunded Actuarial Accrued Liability spread as a level percent of payroll over 16 years.

City of San Rafael

Brief Summary of Benefit Provisions Evaluated

Effective June 30, 2006

(Concluded)

11. Member Contributions

Please refer to Appendix A for entry-age based rates. Member contributions cease upon attainment of 30 years of service. Note that rates will change July 1, 2007 due to the change in actuarial assumptions.

NOTE: The summary of major plan provisions is designed to outline principal plan benefits. If retirement staff or any Employer should find the plan summary not in accordance with the actual provisions, the actuary should be IMMEDIATELY alerted so they can both be sure the proper provisions are valued.

Summary of Reported Asset Information

Submitted for the June 30, 2006 Valuation

Reported Market Value of Assets

Cash/Short-term	\$39,001,160
Receivables	28,979,904
Stocks	907,722,543
Bonds	263,913,330
Real Estate	145,992,241
Miscellaneous	<u>757,651</u>
Total Market Value	\$1,386,366,829
Liabilities	98,283,704
Net Market Value	\$1,288,083,125

Revenues and Disbursements Among Applicable Reserves

Balance - Beginning of year	\$1,163,203,289
Revenues	
Employees' contributions	13,042,829
Employer contributions	43,626,549
Distributed & undistributed investment	
income (net of expenses)	<u>140,614,190</u>
Total Revenues	197,283,568
Disbursements	
Benefit payments	70,203,441
Refunds	821,943
Administrative Expense	<u>1,378,348</u>
Total Disbursements	72,403,732
Balance - End of year	\$1,288,083,125

Actuarial Value of Assets As of June 30, 2006

Fiscal							(1) Total	(2) Expected	(1-2)		
Year	Employer	Member	Total	Total	Market	Average	Market	Market	Investment	Deferred	Deferred
Ending	Contributions	Contributions	Contributions	Benefits	Value	Value	<u>Return</u>	Return	Gain	Factor	Return
2001-02	21,985,559	8,316,789	30,302,348	45,347,094	833,821,520	909,123,622	(62,167,307)	75,002,699	(137,170,006)	0.0	0
2002-03 ¹	134,960,478	10,348,913	145,309,391	51,211,890	935,491,460	852,252,760	7,572,439	70,310,853	(62,738,414)	0.2	(12,547,683)
2003-04	26,890,964	10,247,043	37,138,007	57,897,146	1,082,852,758	938,557,373	168,120,437	77,430,983	90,689,454	0.4	36,275,782
2004-05	30,877,430	11,619,180	42,496,610	65,546,226	1,161,996,104	1,086,766,665	102,192,962	89,658,250	12,534,712	0.6	7,520,827
2005-06	43,626,549	13,042,829	56,669,378	71,025,384	1,288,083,125	1,176,631,376	140,443,027	97,072,088	43,370,939	0.8	34,696,751
1. Total defe	erred return										65,945,677
2. Market V	alue										1,288,083,125
3. Smoothed	l Market Value (Iten	n 2 - Item 1)									1,222,137,448
4. Corridor	Limit										
a. 80% c	of Net Market Value										1,030,466,500
b. 120% o	of Net Market Value										1,545,699,750
5. Actuarial	Value (Item 3 after	corridor applied) Inclu	sive of Health Insu	ance Reserve							1,222,137,448
6. Reserves	at Market Value										\$1,288,083,054
							Γ	Recog	nition of		

	Reserve	Actuarial	Actuarial
	Value	Value Ratio	Value
Marin County and Special Districts	\$957,802,989	0.9488	\$908,766,634
City of San Rafael	\$221,105,017	0.9488	\$209,785,169
Novato Fire Protection District	\$97,375,428	0.9488	\$92,390,127
Health Insurance Reserve	\$11,799,620	0.9488	<u>\$11,195,518</u>
Total	\$1,288,083,054		\$1,222,137,448

Recognition of						
Deferred Return						
Valuation	Amount to be					
Date Recognized						
6/30/2006	\$16,771,338					
6/30/2007	29,319,021					
6/30/2008	11,181,130					
6/30/2009	<u>8,674,188</u>					
Total	\$65,945,677					

¹ Includes \$109,826,000 Pension Obligation Bond

Summary of Reserves and Other Liabilities June 30, 2006

Reserves and Liabilities

Employer Reserves	\$2,059,837
Employee Reserves	\$113,364,109
Death Benefit Reserves	\$668,657
Article 15.5 Reserves	\$1,780,735
Reserve for Pre 7/1/77 San Rafael Retirees	\$12,260,812
Retired Employees Reserve	\$361,455,221
Cost of Living Adjustment Reserves	\$278,301,792
Health Insurance Reserves	\$11,799,690
Contingency and other Reserves	\$64,404,156
Unrestricted Reserves	\$441,988,116
Security Deposits Payable	\$723,647
Health Insurance Payable	\$918,385
Prepaid Contribution	\$5,144,448
Investments Payable & Collateral	\$206,452,768
Other Payables	\$2,064,315

Total Reserves and Liabilities

\$1,503,386,688

City of San Rafael Summary of Reserves and Other Liabilities June 30, 2006

Accrued Liability	Assets
\$109,679,205	\$79,843,779
\$107,622,857	\$107,622,857
\$38,234,321	\$11,561,377
\$47,706,441	<u>\$10,757,156</u>
	<u>Accrued Liability</u> \$109,679,205 \$107,622,857 \$38,234,321 <u>\$47,706,441</u>

Total

\$303,242,824 \$209,785,169

City of San Rafael

Annual Benefit and Membership Distribution

Miscellaneous Retirees and Beneficiaries

Age			Years	of Retireme	ent			
<u>Group</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>Total</u>
35-39 No.		1						1
AVG AMT		26,645						26,645
40-44 No.								
AVG AMT								
45-49 No.		2						2
AVG AMT		9,132						9,132
50-54 No.	7	1	2					10
AVG AMT	24,450	15,126	11,530					20,934
55-59 No.	22	10		2	1	1		36
AVG AMT	37,124	13,350		21,112	20,167	15,073		28,547
60-64 No.	13	10	3	2	2			30
AVG AMT	31,997	15,019	19,635	22,640	23,532			23,914
65-69 No.	6	10	6	3		2		27
AVG AMT	30,150	22,831	19,010	10,314		15,583		21,681
70-74 No.	2	2	7	3	4	1		19
AVG AMT	32,654	26,470	24,832	15,473	13,057	20,168		21,626
75-79 No.	1	1	7	5	5	3	1	23
AVG AMT	28,099	32,917	13,128	14,705	8,827	15,067	1,831	13,809
80-84 No.			2		9	8		19
AVG AMT			6,170		8,433	7,948		7,991
85-89 No.	1		1		2	5	2	11
AVG AMT	4,130		40,829		9,897	12,522	3,245	12,168
90-94 No.					1	4	1	6
AVG AMT					17,897	9,277	1,048	9,342
95-99 No.						1		1
AVG AMT						1,641		1,641
Total No.	52	37	28	15	24	25	4	185
AVG AMT	32,351	17,781	18,390	15,893	11,549	11,062	2,342	19,765

Marin County Employees' Retirement Association City of San Rafael Annual Benefit and Membership Distribution

Safety Retirees and Beneficiaries

Age				Years	of Retirem	ent				
<u>Group</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40-44</u>	<u>Total</u>
25-29 No.	1									1
AVG AMT	44,814									44,814
30-34 No.	1									1
AVG AMT	43,935									43,935
35-39 No.	4	1								5
AVG AMT	33,896	25,505								32,218
40-44 No.	1		1							2
AVG AMT	42,053		30,521							36,287
45-49 No.	2	2			1					5
AVG AMT	11,774	32,983			19,458					21,794
50-54 No.	8	3	2							13
AVG AMT	52,738	35,393	19,435							43,612
55-59 No.	27	8	4	3	2	1				45
AVG AMT	75,588	38,985	24,160	28,444	29,730	15,099				57,984
60-64 No.	7	20	3	3	2	2				37
AVG AMT	61,647	57,585	23,351	22,464	24,875	16,529				48,743
65-69 No.	1	5	6	6	8	1				27
AVG AMT	145,231	40,339	50,081	24,455	26,781	18,894				38,048
70-74 No.			4	4	7	3				18
AVG AMT			48,940	46,178	37,256	18,934				38,781
75-79 No.					5	6	1			12
AVG AMT					40,211	22,573	8,431			28,744
80-84 No.							1			1
AVG AMT							15,644			15,644
85-89 No.						2	2			4
AVG AMT						31,871	11,923			21,897
90-94 No.						2			1	3
AVG AMT						8,159			5,850	7,389
Total No.	52	39	20	16	25	17	4	0	1	174
AVG AMT	64,028	47,767	36,617	30,260	32,191	19,962	11,980	0	5,850	43,717

City of San Rafael

Summary of Monthly Allowances Being Paid

Submitted for the June 30, 2006 Valuation

Miscellaneous

	Annual Allowances						
Service Retirement	Number	<u>Total</u>	Average				
Unmodified	123	\$2,783,464	\$22,630				
Option 1	5	51,410	10,282				
Option 2	9	132,257	14,695				
Option 3	0	0	0				
Total	137	2,967,131	21,658				
Ordinary Disability							
Unmodified	3	36,625	12,208				
Option 1	0	0	0				
Option 2	0	0	0				
Option 3	0	0	0				
Total	3	36,625	12,208				
Duty Disability							
Unmodified	18	371,164	20,620				
Option 1	1	22,547	22,547				
Option 2	0	0	0				
Option 3	0	0	0				
Total	19	393,711	20,722				
Beneficiary							
Unmodified	25	248,785	9,951				
Option 1	0	0	0				
Option 2	1	10,328	10,328				
Option 3	0	0	0				
Total	26	259,113	9,966				
TOTAL	185	\$3,656,580	\$19,765				

City of San Rafael

Summary of Monthly Allowances Being Paid

Submitted for the June 30, 2006 Valuation

<u>Safety</u>

	Annual Allowances						
Service Retirement	<u>Number</u>	<u>Total</u>	<u>Average</u>				
Unmodified	95	\$5,036,577	\$53,017				
Option 1	1	14,682	14,682				
Option 2	4	144,174	36,044				
Option 3	0	0	0				
Total	100	5,195,433	51,954				
Ordinary Disability							
Unmodified	0	0	0				
Option 1	0	0	0				
Option 2	0	0	0				
Option 3	0	0	0				
Total	0	0	0				
Duty Disability							
Unmodified	46	1,816,603	39,491				
Option 1	1	32,910	32,910				
Option 2	1	30,521	30,521				
Option 3	0	0	0				
Total	48	1,880,034	39,167				
Beneficiary							
Unmodified	24	423,808	17,659				
Option 1	0	0	0				
Option 2	2	107,486	53,743				
Option 3	0	0	0				
Total	26	531,294	20,434				
TOTAL	174	\$7,606,761	\$43,717				

City of San Rafael

Summary of Retired Members and Beneficiaries Included

In the June 30, 2006 Actuarial Valuation

Miscellaneous Members

Miscenaneous Menn	bers							
				Averages]	New Retirees	Only
		Annual	Annual	Attained	Age at		Average	Average
Retirees	<u>No.</u>	Allowance	Allowance	Age	Retirement	<u>No.</u>	Allowance	Age
6/30/2006	159	\$3,397,467	\$21,368	68.1	56.6	11	\$27,902	58.4
6/30/2005	148	\$3,061,159	\$20,684	66.9	56.6	21	\$35,561	59.6
Increase	7.4%	11.0%	3.3%					
Beneficiaries								
6/30/2006	26	\$259,113	\$9,966	75.4	N/A	N/A	N/A	N/A
6/30/2005	26	\$252,186	\$9,699	74.4	N/A	N/A	N/A	N/A
Increase	0.0%	2.7%	2.7%					
Total								
6/30/2006	185	\$3,656,580	\$19,765	69.1	56.6	11	\$27,902	58.4
6/30/2005	174	\$3,313,345	\$19,042	68.0	56.6	21	\$35,561	59.6
Increase	6.3%	10.4%	3.8%					

Safety Members

				Averages		New Retirees Only			
		Annual	Annual	Attained	Age at		Average	Average	
Retirees	<u>No.</u>	Allowance	Allowance	Age	<u>Retirement</u>	<u>No.</u>	<u>Allowance</u>	Age	
6/30/2006	148	\$7,075,467	\$47,807	60.8	50.6	9	\$73,124	47.3	
6/30/2005	140	\$6,255,708	\$44,684	62.6	50.8	15	\$76,315	55.1	
Increase	5.7%	13.1%	7.0%						
Beneficiaries									
6/30/2006	26	\$531,294	\$20,434	73.2	N/A	N/A	N/A	N/A	
6/30/2005	24	\$493,401	\$20,558	72.7	N/A	N/A	N/A	N/A	
Increase	8.3%	7.7%	(0.6)%						
Total									
6/30/2006	174	\$7,606,761	\$43,717	62.7	50.6	9	\$73,124	47.3	
6/30/2005	164	\$6,749,109	\$41,153	64.1	50.8	15	\$76,315	55.1	
Increase	6.1%	12.7%	6.2%						
Grand Total 6/30/2006	359	\$11,263,341	\$31,374	66.0	53.7	20	\$48,252	53.4	
Grand Total 6/30/2005	338	\$10,062,454	\$29,771	65.9	53.8	36	\$52,542	57.7	
Increase	6.2%	11.9%	5.4%						

City of San Rafael

Active Membership Summary

In the June 30, 2006 Actuarial Valuation

Active Miscellaneous

City (31676.19)		Averages				
		Annual	Annual			
	<u>No.</u>	Compensation	Compensation	Age	<u>Service</u>	
6/30/2006	199	\$13,335,544	\$67,013	47.7	10.6	
6/30/2005	195	\$12,608,766	\$64,660	47.5	10.8	
Percent Change	2.1%	5.8%	3.6%	0.4%	(1.9)%	

City (31676.11)		Averages					
		Annual	Annual				
	<u>No.</u>	Compensation	Compensation	Age	<u>Service</u>		
6/30/2006	43	\$1,597,927	\$37,161	42.1	6.9		
6/30/2005	48	\$1,685,392	\$35,112	40.3	6.1		
Percent Change	(10.4)%	(5.2)%	5.8%	4.5%	13.1%		

Redevelopment

		Annual	Annual		
	<u>No.</u>	Compensation	Compensation	Age	<u>Service</u>
6/30/2006	4	\$365,000	\$91,250	50.6	8.6
6/30/2005	5	\$433,634	\$86,727	49.0	7.7
Percent Change	(20.0)%	(15.8)%	5.2%	3.3%	11.7%

Averages

Total Miscellane	ous	Averages				
			Annual			
	<u>No.</u>	Compensation	Compensation	Age	Service	
6/30/2006	246	\$15,298,471	\$62,189	46.4	9.8	
6/30/2005	248	\$14,727,792	\$59,386	46.1	9.8	
Percent Change	(0.8)%	3.9%	4.7%	0.7%	0.0%	

City of San Rafael

Active Membership Summary

In the June 30, 2006 Actuarial Valuation

		Active Saf	ety		
Police			Av	verages	
		Annual	Annual		
	<u>No.</u>	Compensation	Compensation	Age	Service
6/30/2006	66	\$6,335,339	\$95,990	38.7	11.9
6/30/2005	78	\$7,229,972	\$92,692	39.5	11.9
	(15.4)			(2.0)	
Percent Change	%	(12.4)%	3.6%	%	0.0%
Fire			Av	verages	
		Annual	Annual		
	<u>No.</u>	Compensation	Compensation	Age	Service
6/30/2006	68	\$6,972,072	\$102,530	45.4	17.1
6/30/2005	67	\$6,399,552	\$95,516	44.6	16.5
Percent Change	1.5%	8.9%	7.3%	1.8%	3.6%
Total Safety			Av	verages	
		Annual	Annual		
	<u>No.</u>	Compensation	Compensation	Age	Service
6/30/2006 Total	134	\$13,307,411	\$99,309	42.1	14.5
6/30/2005 Total	145	\$13,629,524	\$93,997	41.9	14.0
Percent Change	(7.6)%	(2.4)%	5.7%	0.5%	3.6%
		Total Act	ive		
			Av	verages	
		Annual	Annual		
	<u>No.</u>	Compensation	Compensation	Age	Service
6/30/2006 Total	380	\$28,605,882	\$75,279	45.1	11.6
6/30/2005 Total	393	\$28,357,316	\$72,156	44.5	11.4
Percent Change	(3.3)%	0.9%	4.3%	1.3%	1.8%
6/30/2006 Total	162	\$9,758,258	\$60,236	44.2	4.8
6/30/2005 Total	153	\$8,229,589	\$53,788	43.7	4.8

City of San Rafael

Active Members June 30, 2006

By Attained Ages and Years of Service

Safety

Age						Years of Ac	crued Servi	ice					
<u>Group</u>	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35 & Up</u>	<u>Total</u>
20-24 NO.	2	1	0	0	0	0	0	0	0	0	0	0	3
TOT PAY	153,955	75,208	0	0	0	0	0	0	0	0	0	0	229,163
AVG PAY	76,978	75,208	0	0	0	0	0	0	0	0	0	0	76,388
25-29 NO.	4	0	1	2	5	2	0	0	0	0	0	0	14
TOT PAY	293,252	0	77,812	195,176	436,299	191,430	0	0	0	0	0	0	1,193,969
AVG PAY	73,313	0	77,812	97,588	87,260	95,715	0	0	0	0	0	0	85,283
30-34 NO.	2	0	3	2	1	11	1	0	0	0	0	0	20
TOT PAY	161,388	0	255,513	156,936	86,247	1,077,859	91,689	0	0	0	0	0	1,829,632
AVG PAY	80,694	0	85,171	78,468	86,247	97,987	91,689	0	0	0	0	0	91,482
35-39 NO.	1	0	0	4	3	4	7	1	0	0	0	0	20
TOT PAY	82,692	0	0	372,504	271,270	395,575	702,831	103,013	0	0	0	0	1,927,886
AVG PAY	82,692	0	0	93,126	90,423	98,894	100,404	103,013	0	0	0	0	96,394
40-44 NO.	0	0	0	1	0	3	0	7	3	0	0	0	14
TOT PAY	0	0	0	97,590	0	293,915	0	738,061	337,177	0	0	0	1,466,743
AVG PAY	0	0	0	97,590	0	97,972	0	105,437	112,392	0	0	0	104,767
45-49 NO.	0	0	0	1	1	4	0	7	8	4	0	0	25
TOT PAY	0	0	0	92,156	93,998	422,774	0	722,740	846,800	459,490	0	0	2,637,957
AVG PAY	0	0	0	92,156	93,998	105,693	0	103,249	105,850	114,872	0	0	105,518
50-54 NO.	1	0	0	0	0	1	1	0	7	14	2	0	26
TOT PAY	94,117	0	0	0	0	108,434	110,624	0	740,162	1,516,646	226,042	0	2,796,025
AVG PAY	94,117	0	0	0	0	108,434	110,624	0	105,737	108,332	113,021	0	107,539
55-59 NO.	0	0	0	0	0	0	0	1	0	4	6	0	11
TOT PAY	0	0	0	0	0	0	0	89,266	0	419,093	633,369	0	1,141,729
AVG PAY	0	0	0	0	0	0	0	89,266	0	104,773	105,562	0	103,794
60-99 NO.	0	0	0	0	0	0	1	0	0	0	0	0	1
TOT PAY	0	0	0	0	0	0	84,305	0	0	0	0	0	84,305
AVG PAY	0	0	0	0	0	0	84,305	0	0	0	0	0	84,305
TOT NO.	10	1	4	10	10	25	10	16	18	22	8	0	134
TOT AMT	785,403	75,208	333,326	914,363	887,814	2,489,987	989,450	1,653,081	1,924,139	2,395,229	859,411	0	13,307,410
AVG AMT	78,540	75,208	83,331	91,436	88,781	99,599	98,945	103,318	106,897	108,874	107,426	0	99,309

City of San Rafael

Active Members June 30, 2006

By Attained Ages and Years of Service

Miscellaneous

Age						Years of Acc	rued Service						
Group	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35 & Up</u>	Total
20-24 NO.	2	2	0	0	0	0	0	0	0	0	0	0	4
TOT PAY	90,655	103,158	0	0	0	0	0	0	0	0	0	0	193,813
AVG PAY	45,327	51,579	0	0	0	0	0	0	0	0	0	0	48,453
25-29 NO.	1	4	1	2	2	3	0	0	0	0	0	0	13
TOT PAY	21,026	148,491	30,593	85,817	87,335	136,795	0	0	0	0	0	0	510,058
AVG PAY	21,026	37,123	30,593	42,908	43,668	45,598	0	0	0	0	0	0	39,235
30-34 NO.	1	2	0	3	1	10	0	0	0	0	0	0	17
TOT PAY	27,461	72,977	0	166,870	55,093	614,473	0	0	0	0	0	0	936,873
AVG PAY	27,461	36,488	0	55,623	55,093	61,447	0	0	0	0	0	0	55,110
35-39 NO.	2	1	0	3	1	11	2	1	0	0	0	0	21
TOT PAY	128,745	25,055	0	161,978	33,731	629,571	167,222	71,374	0	0	0	0	1,217,675
AVG PAY	64,372	25,055	0	53,993	33,731	57,234	83,611	71,374	0	0	0	0	57,985
40-44 NO.	2	1	0	2	4	13	4	9	5	0	0	0	40
TOT PAY	93,550	76,139	0	108,138	206,015	867,147	250,273	587,307	282,187	0	0	0	2,470,757
AVG PAY	46,775	76,139	0	54,069	51,504	66,704	62,568	65,256	56,437	0	0	0	61,769
45-49 NO.	3	5	1	4	0	16	3	7	3	1	0	0	43
TOT PAY	264,277	375,256	34,552	225,264	0	1,029,849	171,321	514,910	190,282	56,203	0	0	2,861,914
AVG PAY	88,092	75,051	34,552	56,316	0	64,366	57,107	73,559	63,427	56,203	0	0	66,556
50-54 NO.	3	3	2	2	1	16	6	7	6	6	1	0	53
TOT PAY	167,678	249,902	107,973	94,274	66,891	1,068,927	385,584	483,192	391,380	442,764	58,214	0	3,516,779
AVG PAY	55,893	83,301	53,986	47,137	66,891	66,808	64,264	69,027	65,230	73,794	58,214	0	66,354
55-59 NO.	4	1	2	1	0	7	3	4	4	5	1	0	32
TOT PAY	252,660	43,826	112,808	25,176	0	420,694	231,196	380,018	279,140	470,366	63,917	0	2,279,801
AVG PAY	63,165	43,826	56,404	25,176	0	60,099	77,065	95,004	69,785	94,073	63,917	0	71,244
60-64 NO.	1	0	0	1	0	6	5	1	2	0	0	0	16
TOT PAY	62,309	0	0	58,952	0	361,849	337,983	64,178	153,632	0	0	0	1,038,904
AVG PAY	62,309	0	0	58,952	0	60,308	67,597	64,178	76,816	0	0	0	64,932
65-99 NO.	0	0	0	0	0	2	2	1	1	0	1	0	7
TOT PAY	0	0	0	0	0	101,942	11,369	8,242	44,776	0	105,569	0	271,897
AVG PAY	0	0	0	0	0	50,971	5,684	8,242	44,776	0	105,569	0	38,842
TOT NO.	19	19	6	18	9	84	25	30	21	12	3	0	246
TOT AMT	1,108,361	1,094,804	285,926	926,469	449,066	5,231,246	1,554,949	2,109,220	1,341,397	969,333	227,700	0	15,298,471
AVG AMT	58,335	57,621	47,654	51,471	49,896	62,277	62,198	70,307	63,876	80,778	75,900	0	62,189

ACTUARIAL COST METHODS, ACTUARIAL ASSUMPTIONS

AND

DEFINITIONS OF TECHNICAL TERMS

City of San Rafael

Actuarial Cost Methods - June 30, 2006

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

(i) the annual normal costs for each active member, payable from the date of entry into the system to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;

(ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

<u>Financing of Unfunded Actuarial Accrued Liability</u>. The Unfunded Actuarial Accrued Liability is funded (or credited, if negative) in 16 remaining installments on an open basis.

Active member payroll in aggregate is assumed to increase 4.00% (4.25% in previous valuation) a year for the purpose of determining the level percent contributions, although individual annual pay increase rates will increase by greater percentages per year for the purpose of projecting individual pays.

<u>Deferred Member Actuarial Accrued Liability</u>. Data provided includes date of hire, date of birth, date of termination, last pay and an indicator if the deferred member is known to work with a reciprocal employer. Service credit, highest average salary, and deferred retirement age were estimated, based on the data provided. The estimates were used to compute the retirement benefit, upon which the liabilities are based.

City of San Rafael

Actuarial Assumptions Used for the June 30, 2006 Valuation

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

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

- (i) long-term rates of investment return to be generated by the assets of the Fund.
- (ii) patterns of pay increases to members.
- (iii) rates of mortality among members, retirants, and beneficiaries.
- (iv) rates of withdrawal of active members (without entitlement to a retirement benefit).
- (v) rates of disability among members.
- (vi) the age patterns of actual retirements.

In making 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 choice of the assumptions, 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).

(Continued on Next Page)

City of San Rafael

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

<u>The Entry Age Normal Actuarial Cost Method</u> was used in conjunction with the following actuarial assumptions.

<u>The investment return rate</u> used for the actuarial valuation calculations was 8.00%* a year, net of administrative expenses, compounded annually. This assumption, used to equate the value of payments due at different points in time, is adopted by the Retirement Board. The rate is comprised of two elements:

Inflation	4.00%*
Real Rate of Return	<u>4.00%</u>
Total	8.00%*

<u>The general inflation rate</u> used for the actuarial valuation calculations was 4.00%* per year, compounded annually. It represents the difference between the investment return rate and the assumed real rate of return.

Inflation actually experienced, as measured by the Consumer Price Index for urban wage earners in the Bay area, has been as follows:

Consumer Price I	ndex						
Urban Wage Earners and Clerical	Workers Before 1978						
All Urban Consumers	After 1977						
<u>10 Year Moving A</u>	verages						
Lana 20, 1000	1.00/						
June 30, 1966	1.8%						
June 30, 1976	5.8						
June 30, 1986	6.8						
June 30, 1996	3.6						
June 30, 2006 2.6							
50-Year Average	4.1%						

* Inflation component of assumed return reduced from 4.25% in previous valuation.

City of San Rafael

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

<u>Compensation increase rates</u> used to project current pays to those, upon which a benefit will be based, are represented by the following table.

Annual Rate of Com	pensation Increase*

Inflation 4.00%

PLUS

Years of Service at <u>Valuation Date</u>	Miscellaneous	<u>Safety</u>
0	3.00%	8.00%
1	2.25	3.00
2	1.50	1.50
3	0.75	1.00
4 or more	0.50	0.75

No merit increases are assumed upon attainment of age 60.

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

<u>Rates of separation from active membership</u> are shown below (rates do not include separation on account of retirement). This assumption measures the probabilities of members remaining in employment.

% of Active Members Separating Within Next Year (less than 5 years)

Years of	
pleted Service	

Completed Service	<u>Miscellaneous</u>	<u>Safety</u>
0	21%*	14%*
1	9	5
2	7	4
3	6	4
4	6	4

City of San Rafael

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

% of Active Members Separating with Next Year

	(at least 5 years)					rement
	Withdraw	<u>Withdrawal</u>		erred	Death*	
Ages	Miscellaneous	<u>Safety</u>	Miscellaneous	<u>Safety</u>	Male	<u>Female</u>
20	2.30%	1.13%	3.00%	2.06%	.03%	.02%
25	2.30%	1.13%	3.00%	2.24%	.04%	.02%
30	2.30%	0.75%	3.00%	3.53%	.04%	.02%
35	2.00%	0.56%	2.50%	3.41%	.06%	.04%
40	1.20%	0.56%	2.00%	1.14%	.09%	.06%
45	0.80%	0.56%	1.70%	1.70%	.12%	.09%
50	0.00%	0.00%	1.40%	0.27%	.17%	.13%
55	0.00%	0.00%	0.80%	0.00%	.27%	.20%
60	0.00%	0.00%	0.80%	0.00%	.47%	.35%
65	0.00%	0.00%	0.00%	0.00%	.88%	.67%

	Ordinary Di	sability	Duty Disability		
	Miscellaneous	<u>Safety</u>	Miscellaneous	Safety*	
20	.000%	.020%	.050%	.121%	
25	.005%	.030%	.080%	.165%	
30	.010%	.050%	.130%	.396%	
35	.015%	.070%	.160%	.605%	
40	.025%	.160%	.210%	1.298%	
45	.045%	.260%	.260%	1.254%	
50	.090%	.360%	.310%	1.408%	
55	.155%	.460%	.330%	4.290%	
60	.255%	.000%	.370%	.000%	
65	.395%	.000%	.390%	.000%	

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

<u>The post-retirement mortality tables</u> used were the RP-2000 Combined Healthy Mortality Basic Tables, with one-year setback for Males and a two-year setback for Females.* This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. The Male RP-2000 Combined Healthy Mortality Table was set forward three years* for disabled retirees. Related values are shown below.

	Future Life	e Expectancy		
	(Ye	ears)*	% Dying With	in Next Year*
Sample <u>Ages</u>	Men	<u>Women</u>	Men	<u>Women</u>
45	36.7	40.3	.14%	.09%
50	31.7	35.6	.20	.14
55	27.1	30.8	.32	.22
60	22.6	26.2	.59	.39
65	18.4	21.8	1.13	.76
70	14.6	17.8	1.98	1.34
75	11.2	14.1	3.39	2.30

Non-Disabled Retirees

Disabled Retirees

Sample <u>Ages</u>	Future Life Expectancy (Years)*	% Dying Within Next Year*
45	32.7	0.19%
50	28.0	0.29
55	23.5	0.53
60	19.2	1.00
65	15.3	1.79
70	11.8	3.04
75	8.8	5.21

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

<u>The rates of retirement</u> used to measure the probability of eligible members retiring during the next year.

Retirement Ages	Miscellaneous	Retirement Ages	Sa	fety
			<u>3% at 55</u>	<u>2% at 50</u>
50	7.8%*	42	0%	0.64%
51	2.6%*	43	0%	0.64%
52	2.6%*	44	0%	0.64%
53	2.6%*	45	0%	3.77%
54	3.9%*	46	0%	3.77%
55	5.2%*	47	0%	5.65%
56	7.8%*	48	0%	5.45%
57	10.4%*	49	0%	5.24%
58	11.7%*	50	7%	2.62%
59	15.6%*	51	6%	2.51%
60	19%	52	12%	7.21%
61	16%	53	25%	6.23%
62	24%	54	25%	5.25%
63	20%	55	50%	20.95%
64	23%	56	50%	13.05%
65	44%	57	50%	40.00%
66	30%	58	50%	45.00%
67	31%	59	50%	50.00%
68	29%	60	100%	100.00%
69	34%			
70	100%			

Those members, whose accrued benefit is 100% of their final compensation, are assumed to retire immediately.

Actuarial Assumptions Used for the June 30, 2006 Valuation

(Continued)

<u>Survivor Benefits</u>. Marital status and census data of qualified beneficiaries were imputed with respect to active and deferred members.

Marital Status - 80% of male and 50% *(60% in previous valuation) of female members are assumed to have a qualified beneficiary of opposite sex at retirement.

Qualified Beneficiary Census – Females are assumed to be 3 years younger than males.

For current deferred vested members, we assume that benefits will commence at the later of age 55 (50 for Safety) or current attained age. We assume that 40%* of the deferred vested members are reciprocal.

Post-Retirement COLA Assumed - 3.0% per year

<u>Accumulated Employee Contributions</u> - Credited semiannual interest using the assumed investment return assumption.

Comparison of Selected Actuarial Assumptions To Actual Experience

(Continued)

The prior salary increase assumptions project annual increases in total member payroll of 4.25%, the inflation portion of the individual pay increase assumptions. In effect, this assumes no change in the number of active members. Changes actually experienced in areas related to these assumptions have been as follows:

		Year Ended					5-year
	<u>6/30/06</u>	6/30/05	<u>6/30/04</u>	6/30/03	<u>6/30/02</u>	<u>Average</u>	<u>Average</u>
Inflation ¹	3.9%	1.1%	1.4%	1.6%	1.2%	2.1%	1.8%
Assumed						4.25	4.25
Average Pay Increase	4.3	0.2	8.8	(0.9)	7.2	4.4	3.9
Assumed						4.25	4.25
Merit & Longevity Increase	0.4	(0.9)	7.4	(2.5)	6.0	2.2	2.0
Assumed						0.5	0.5
Total Payroll	0.9	(3.2)	6.7	0.8	6.1	1.4	2.2
Assumed						4.25	4.25
Investment Return Rate ²	7.4	4.3	3.5	1.6	4.7	5.0	4.3
Assumed						8.25	8.25
Real Rate of Investment Return ²	3.5	3.2	2.1	0.0	3.5	2.9	2.5
Assumed						4.0	4.0

¹ Based on Consumer Price Index for San Francisco-Oakland-San Jose Area (1982-1984 base period).

² Based on actuarial value of assets <u>NOT</u> market value or book value.

Definitions of Technical Terms

<u>Actuarial Accrued Liability</u>. The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial liability".

<u>Actuarial Assumptions</u>. Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Actuarial 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.

<u>Accrued Service</u>. Service credited under the System which was rendered before the date of the actuarial valuation.

<u>Actuarial Equivalent</u>. A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

<u>Actuarial Cost Method</u>. A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefits between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

<u>Actuarial Gain (Loss)</u>. The difference between actual experience and actuarial assumption anticipated experience during the period between two actuarial valuation dates.

<u>Actuarial Present Value</u>. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

<u>Amortization</u>. Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying off with lump sum payment.

<u>Normal Cost</u>. The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

(Concluded on Next Page)

Marin County Employees' Retirement Association City of San Rafael Definitions of Technical Terms

(Concluded)

<u>Unfunded Actuarial Accrued Liability</u>. The difference between actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

Most retirement systems have unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar). Unfunded actuarial accrued liability should be controlled.

DISCLOSURES REQUIRED BY STATEMENTS NO. 25 AND 27 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

City of San Rafael

GASB No. 25 Disclosure Schedule of Funding Progress Retirement Benefits

(\$ in Thousands)

Valuation Date	Valuation <u>Assets</u>	Actuarial Accrued <u>Liability</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Member <u>Payroll</u>	UAAL Ratio to <u>Payroll</u>
6/30/98	\$131,142	\$124,239	\$ (6,903)	106%	20,361	(33.9)%
6/30/99	151,466	134,247	(17,219)	113%	23,293	(73.9)%
6/30/00	171,663	156,806	(14,857)	110%	23,372	(63.6)%
6/30/01	186,085	172,939	(13,146	108%	25,650	(51.3)%
6/30/02	190,563	187,118	(3,445)	102%	27,223	(12.7)%
6/30/03	185,632	219,845	34,213	84%	27,453	124.6%
6/30/04	188,956	248,665	59,709	76%	29,299	203.8%
6/30/05	195,698	265,205	69,507	74%	28,357	245.1%
6/30/06	209,785	303,243	93,458	69%	28,606	326.7%

City of San Rafael

GASB No. 25 Disclosure Schedule of Employer Contributions Retirement Benefits

	Actuarially
Year	Required
Ended	Contributions
June 30	<u>(ARC)</u>
2000	2,358,000
2001	2,187,000
2002	2,880,000
2003	$2,056,000^1$
2004	3,220,701 ²
2005	7,143,653 ³
2006	$4,230,886^4$

¹ Estimate based on interpolated valuation payroll and 7.52% overall rate.

² Estimate based on interpolated valuation payroll and 11.35% overall rate.

³ Estimate based on interpolated valuation payroll and 24.78% overall rate.

⁴ Estimate based on interpolated valuation payroll and 32.41% overall rate.

APPENDIX A:

MEMBER CONTRIBUTION RATES

Contribution Rates Assumed for Members

(Prior to July 1, 2007) Safety

Age	Basic	COL	<u>Total</u>
16	7.36%	2.82%	10.18%
17	7.39%	2.83%	10.22%
18	7.42%	2.84%	10.26%
19	7.45%	2.85%	10.30%
20	7.48%	2.86%	10.34%
21	7.51%	2.88%	10.39%
22	7.56%	2.89%	10.45%
23	7.61%	2.91%	10.52%
24	7.66%	2.93%	10.59%
25	7.72%	2.96%	10.68%
26	7.78%	2.98%	10.76%
27	7.86%	3.01%	10.87%
28	7.93%	3.04%	10.97%
29	8.01%	3.07%	11.08%
30	8.10%	3.10%	11.20%
31	8.20%	3.14%	11.34%
32	8.30%	3.18%	11.48%
33	8.41%	3.22%	11.63%
34	8.52%	3.26%	11.78%
35	8.64%	3.31%	11.95%
36	8.76%	3.35%	12.11%
37	8.89%	3.40%	12.29%
38	9.02%	3.45%	12.47%
39	9.15%	3.50%	12.65%
40	9.28%	3.55%	12.83%
41	9.41%	3.60%	13.01%
42	9.55%	3.66%	13.21%
43	9.69%	3.71%	13.40%
44	9.83%	3.76%	13.59%
45	9.98%	3.82%	13.80%
46	10.12%	3.87%	13.99%
47	10.27%	3.93%	14.20%
48	10.43%	3.99%	14.42%
49	10.58%	4.05%	14.63%
50 +	10.58%	4.05%	14.63%

Contribution Rates Assumed for Members

(After July 1, 2007)

Safety

Entry <u>Age</u>	Basic	<u>COL</u>	<u>Total</u>	Entry <u>Age</u>	Basic	<u>COL</u>	<u>Total</u>
16	7.20%	2.77%	9.97%	33	8.99%	3.46%	12.45%
17	7.20%	2.77%	9.97%	34	9.15%	3.52%	12.67%
18	7.20%	2.77%	9.97%	35	9.30%	3.58%	12.88%
19	7.19%	2.77%	9.96%	36	9.46%	3.64%	13.10%
20	7.18%	2.76%	9.94%	37	9.63%	3.71%	13.34%
21	7.30%	2.81%	10.11%	38	9.79%	3.77%	13.56%
22	7.43%	2.86%	10.29%	39	9.96%	3.84%	13.80%
23	7.57%	2.91%	10.48%	40	10.13%	3.90%	14.03%
24	7.70%	2.96%	10.66%	41	10.31%	3.97%	14.28%
25	7.84%	3.02%	10.86%	42	10.50%	4.04%	14.54%
26	7.97%	3.07%	11.04%	43	10.69%	4.12%	14.81%
27	8.11%	3.12%	11.23%	44	10.90%	4.20%	15.10%
28	8.25%	3.18%	11.43%	45	11.12%	4.28%	15.40%
29	8.40%	3.23%	11.63%	46	11.37%	4.38%	15.75%
30	8.54%	3.29%	11.83%	47	11.64%	4.48%	16.12%
31	8.69%	3.35%	12.04%	48	11.96%	4.60%	16.56%
32	8.84%	3.40%	12.24%	49	12.29%	4.73%	17.02%

Contribution Rates Assumed for Members

(Prior to July 1, 2007)

Miscellaneous (31676.11)

Age	Basic	COL	<u>Total</u>
16	6.16%	1.75%	7.91%
17	6.18%	1.76%	7.94%
18	6.20%	1.77%	7.97%
19	6.22%	1.77%	7.99%
20	6.24%	1.78%	8.02%
21	6.26%	1.78%	8.04%
22	6.28%	1.79%	8.07%
23	6.30%	1.79%	8.09%
24	6.33%	1.80%	8.13%
25	6.36%	1.81%	8.17%
26	6.40%	1.82%	8.22%
27	6.44%	1.83%	8.27%
28	6.48%	1.85%	8.33%
29	6.53%	1.86%	8.39%
30	6.57%	1.87%	8.44%
31	6.63%	1.89%	8.52%
32	6.68%	1.90%	8.58%
33	6.74%	1.92%	8.66%
34	6.80%	1.94%	8.74%
35	6.86%	1.95%	8.81%
36	6.93%	1.97%	8.90%
37	7.00%	1.99%	8.99%
38	7.07%	2.01%	9.08%
39	7.14%	2.03%	9.17%
40	7.22%	2.06%	9.28%
41	7.30%	2.08%	9.38%
42	7.38%	2.10%	9.48%
43	7.46%	2.12%	9.58%
44	7.54%	2.15%	9.69%
45	7.63%	2.17%	9.80%
46	7.72%	2.20%	9.92%
47	7.82%	2.23%	10.05%
48	7.91%	2.25%	10.16%
49	8.01%	2.28%	10.29%
50	8.12%	2.31%	10.43%
51	8.22%	2.34%	10.56%
52	8.33%	2.37%	10.70%
53	8.44%	2.40%	10.84%
54 +	8.55%	2.44%	10.99%

Contribution Rates Assumed for Members

(After July 1, 2007)

Miscellaneous (31676.11)

Entry				Entry			
Age	Basic	COL	<u>Total</u>	Age	Basic	COL	<u>Total</u>
16	5.35%	1.93%	7.28%	38	7.06%	2.55%	9.61%
17	5.38%	1.94%	7.32%	39	7.19%	2.60%	9.79%
18	5.42%	1.96%	7.38%	40	7.32%	2.64%	9.96%
19	5.45%	1.97%	7.42%	41	7.45%	2.69%	10.14%
20	5.47%	1.98%	7.45%	42	7.59%	2.74%	10.33%
21	5.49%	1.98%	7.47%	43	7.73%	2.79%	10.52%
22	5.51%	1.99%	7.50%	44	7.87%	2.84%	10.71%
23	5.52%	2.00%	7.52%	45	8.02%	2.90%	10.92%
24	5.53%	2.00%	7.53%	46	8.17%	2.95%	11.12%
25	5.53%	2.00%	7.53%	47	8.32%	3.00%	11.32%
26	5.64%	2.04%	7.68%	48	8.48%	3.06%	11.54%
27	5.75%	2.08%	7.83%	49	8.64%	3.12%	11.76%
28	5.86%	2.12%	7.98%	50	8.81%	3.18%	11.99%
29	5.97%	2.16%	8.13%	51	9.01%	3.25%	12.26%
30	6.08%	2.20%	8.28%	52	9.20%	3.32%	12.52%
31	6.20%	2.24%	8.44%	53	9.35%	3.38%	12.73%
32	6.32%	2.28%	8.60%	54+	9.46%	3.42%	12.88%
33	6.44%	2.32%	8.76%				
34	6.56%	2.37%	8.93%				
35	6.68%	2.41%	9.09%				
36	6.80%	2.46%	9.26%				
37	6.93%	2.50%	9.43%				

Contribution Rates Assumed for Members

(Prior to July 1, 2007)

Miscellaneous (31676.19)

Age	Basic	COL	<u>Total</u>
16	7.39%	2.10%	9.49%
17	7.42%	2.11%	9.53%
18	7.44%	2.12%	9.56%
19	7.46%	2.12%	9.59%
20	7.49%	2.14%	9.62%
21	7.51%	2.14%	9.65%
22	7.54%	2.15%	9.68%
23	7.56%	2.15%	9.71%
24	7.60%	2.16%	9.76%
25	7.63%	2.17%	9.80%
26	7.68%	2.18%	9.86%
27	7.73%	2.20%	9.92%
28	7.78%	2.22%	10.00%
29	7.84%	2.23%	10.07%
30	7.88%	2.24%	10.13%
31	7.96%	2.27%	10.22%
32	8.02%	2.28%	10.30%
33	8.09%	2.30%	10.39%
34	8.16%	2.33%	10.49%
35	8.23%	2.34%	10.57%
36	8.32%	2.36%	10.68%
37	8.40%	2.39%	10.79%
38	8.48%	2.41%	10.90%
39	8.57%	2.44%	11.00%
40	8.66%	2.47%	11.14%
41	8.76%	2.50%	11.26%
42	8.86%	2.52%	11.38%
43	8.95%	2.54%	11.50%
44	9.05%	2.58%	11.63%
45	9.16%	2.60%	11.76%
46	9.26%	2.64%	11.90%
47	9.38%	2.68%	12.06%
48	9.49%	2.70%	12.19%
49	9.61%	2.74%	12.35%
50	9.74%	2.77%	12.52%
51	9.86%	2.81%	12.67%
52	10.00%	2.84%	12.84%
53	10.13%	2.88%	13.01%
54	10.26%	2.93%	13.19%
55+	10.26%	2.93%	13.19%

Contribution Rates Assumed for Members

(After July 1, 2007)

Miscellaneous (31676.19)

Entry				Entry			
Age	Basic	COL	<u>Total</u>	Age	<u>Basic</u>	COL	<u>Total</u>
16	6.41%	2.32%	8.73%	38	8.47%	3.06%	11.53%
17	6.46%	2.33%	8.79%	39	8.63%	3.12%	11.75%
18	6.50%	2.35%	8.85%	40	8.78%	3.17%	11.95%
19	6.54%	2.36%	8.90%	41	8.95%	3.23%	12.18%
20	6.57%	2.37%	8.94%	42	9.11%	3.29%	12.40%
21	6.59%	2.38%	8.97%	43	9.28%	3.35%	12.63%
22	6.61%	2.39%	9.00%	44	9.45%	3.41%	12.86%
23	6.63%	2.39%	9.02%	45	9.62%	3.47%	13.09%
24	6.64%	2.40%	9.04%	46	9.80%	3.54%	13.34%
25	6.64%	2.40%	9.04%	47	9.98%	3.61%	13.59%
26	6.77%	2.44%	9.21%	48	10.17%	3.67%	13.84%
27	6.90%	2.49%	9.39%	49	10.37%	3.74%	14.11%
28	7.03%	2.54%	9.57%	50	10.58%	3.82%	14.40%
29	7.16%	2.59%	9.75%	51	10.81%	3.90%	14.71%
30	7.30%	2.64%	9.94%	52	11.04%	3.99%	15.03%
31	7.44%	2.69%	10.13%	53	11.22%	4.05%	15.27%
32	7.58%	2.74%	10.32%	54+	11.36%	4.10%	15.46%
33	7.72%	2.79%	10.51%				
34	7.87%	2.84%	10.71%				
35	8.01%	2.89%	10.90%				
36	8.16%	2.95%	11.11%				
37	8.32%	3.00%	11.32%				

Interest:	8.00%
Sal Scale	6/30/2006 Actuarial Valuation
Mortality:	50% RP-2000 Healthy Male Basic Table setback 1 year &
-	50% RP-2000 Healthy Female Basic Table setback 2 years

APPENDIX B:

RETIREMENT AGE FACTORS

Retirement Age Factors

Miscellaneous

<u>31676.19</u>

2%	at 50
Age	Fraction
50	1.00
51	1.07
52	1.14
53	1.21
54	1.28
55+	1.35

Safety

<u>31664.2</u>				
3% at 55				
<u>Age</u>	Fraction			
41	0.4777			
42	0.5058			
43	0.5347			
44	0.5647			
45	0.5958			
46	0.6280			
47	0.6625			
48	0.6936			
49	0.7269			
50	0.7634			
51	0.8028			
52	0.8457			
53	0.8926			
54	0.9418			
55+	1.0000			

NOTE: Staff has indicated that all factors are non-integrated.