

February 15, 2007

Board of Trustees
City of St. Joseph, Policemen's Pension Fund

Dear Board Members:

The purpose of the annual actuarial valuation of the City of St. Joseph, Policemen's Pension Fund (Plan), January 1, 2007, is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members of the Pension Plan,
- Compare accrued assets with accrued liabilities to assess the funded condition of the Pension Plan, and
- Compute the City's recommended contribution rate for the Fiscal Year beginning July 1, 2007.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. Data concerning active members, retirees and beneficiaries was provided by the City and Citizens Bank & Trust. Asset data was provided by Benefit Trust Company. This data has been reviewed for reasonableness, but no attempt has been made to audit such information. The valuation was based on the provisions of the Pension Fund as amended through January 1, 2007. Each actuarial assumption used in this valuation is reasonably related to the past experience of the Plan and represents reasonable expectations of future experience under the Plan.

Respectfully submitted,

Joseph A. Nichols, A.S.A., M.A.A.A.
Enrollment Number 05-5635

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Enrollment Number 05-6694

***City of St. Joseph
Policemen's Pension Fund***

*Actuarial Valuation as of January 1, 2007
For the Fiscal Year Beginning July 1, 2007*

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Section One:
Valuation Summary



Defined Benefits Inc.

Purpose of Valuation

The purpose of the annual actuarial valuation of the City of St. Joseph, Policemen's Pension Fund (Plan), as of January 1, 2007 is to:

- ❖ Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members of the Pension Plan,
- ❖ Compare accrued assets with accrued liabilities to assess the funded condition of the Pension Plan, and
- ❖ Compute the City's recommended contribution rate for the Fiscal Year beginning July 1, 2007.

Liabilities and Funded Condition of Pension Fund

Accrued liabilities of the Pension Plan as of January 1, 2007, were computed to be \$33,248,289. The funding value of accrued assets was \$22,953,206. The ratio of the funding value of accrued assets to accrued liabilities was 69.0%.

Funding Value of Assets

The market value of assets was used for the January 1, 2007, valuation.

City's Computed Contribution Rate

The City's normal cost contribution rate was computed to be 16.2% of active member payroll. The excess of accrued liabilities over accrued assets was amortized over 20 years as a level percent of payroll and applied in addition to the computed normal cost. The amortization charge was 13.6% of active member payroll. The total recommended contribution for the Fiscal Year beginning July 1, 2007, payable mid-year, is \$1,633,641 or **32.0% of payroll**.

Pension Fund Experience

Overall experience during the short year ended January 1, 2007, was more favorable than expected. A \$1,036,000 gain was created mainly by lower-than-expected salary increases. This gain was increased by higher-than-expected investment return. The overall actuarial gain for the year ended January 1, 2007, was \$2,015,882.

Benefit Provision Changes

There were no Benefit Provision changes used for this valuation:

Assumption and Method Changes

There were no assumption or method changes made for this valuation.

Participant Data

	03/1/2005	03/1/2006	01/01/2007
Active Members	113	114	113
Active Member Payroll	\$5,031,068	\$5,136,368	\$5,104,658
Retirees and Beneficiaries	85	83	87
Annual Pensions	\$1,299,211	\$1,346,407	\$1,441,745

Financial Data

	03/1/2005	03/1/2006	01/01/2007
Market Value of Assets	\$18,233,797	\$20,369,111	\$22,953,206

Conclusion

The Plan is far from meeting what would be considered safe funding levels. However, as long as actual contributions are equal to the recommended contributions, the funded status will continue to improve.



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



Defined Benefits Inc.

Computed Contribution Rates for Fiscal Year 2007-2008

The contribution rates shown below are expressed as percents of active member payroll.

The normal cost can be viewed as the long-term ongoing cost of the Pension Fund.

Accrued liabilities exceeded accrued assets as of January 1, 2007. The excess was amortized as a level percent of payroll over 20 years. This amortization charge was applied to the recommended contribution.

Contribution Recommendation:

	<u>As a Percent Of Current Payroll</u>
Normal Cost	
Regular Retirement	12.4%
Pre-Retirement Death	0.4
Disability	2.2
Withdrawal	0.7
Expenses	0.5
Total Normal Cost	16.2%
Unfunded Actuarial Accrued Liability	13.6%
Interest to Middle of Year	2.2%
Total Computed Contribution	32.0%
Member portion	4.0%
City's Net Computed Contribution Rate	28.0%

Unfunded Actuarial Accrued Liability

	<u>March 1, 2005</u>	<u>March 1, 2006</u>	<u>January 1, 2007</u>
Actuarial accrued liability	\$30,819,539	\$32,390,571	\$33,248,289
Assets allocated to funding	<u>\$18,233,797</u>	<u>\$20,369,111</u>	<u>\$22,953,206</u>
Unfunded actuarial accrued liability	\$12,585,742	\$12,021,460	\$10,295,083

Recommended Total Contributions

Year Ended June 30	Computed Contribution	% of Payroll Contribution Rates
1994	\$718,1869	
1995	873,409	
1996	930,011	
1997	967,639	
1998	986,103	
1999	914,307	
2000	930,699	
2001	Not Valued	
2002	1,293,584	31.5%
2003	1,584,375	37.2
2004	1,552,119	37.2
2005	1,638,524	35.6
2006	1,674,696	33.3
12/31/2006	881,324	34.3
12/31/2007	1,633,641	32.0

* Results prior to 2002 are based on reports provided by previous actuarial firm.

History of Assets and Accrued Liabilities

Valuation Date July 1	Valuation Assets	Actuarial Accrued Liabilities	Funded Ratio	Unfunded Actuarial Accrued Liabilities
1996	9,747,651	19,238,848	50.7	9,491,197
1997	10,708,547	20,278,958	52.8	9,570,411
1998	12,043,392	20,514,009	58.7	8,470,617
1999	13,317,859	21,516,852	61.9	8,198,993
2000	14,383,176	Not Valued	----	-----
2001	13,917,081	25,204,061	55.2	11,286,980
2002	13,636,142	25,954,075	52.5	12,317,933
2003	13,013,882	26,313,571	49.5	13,299,689
2004	16,525,149	28,892,605	57.2	12,367,456
2005	18,233,797	30,819,539	59.2	12,585,742
2006	20,369,111	32,390,571	62.9	12,021,460
01/01/2007	22,953,206	33,248,289	69.0	10,295,083

Note: Beginning January 1, 2007, assets and liabilities are measured on a calendar year basis. From July 1, 2001 to July 1, 2006, a measurement of the prior March 1 was used in measuring the Plan's assets and liabilities.

Results shown throughout this report, for years prior to 2002, were prepared by the previous actuarial firm.



Section Three:

***Retirement Plan
Benefit Provisions***



Defined Benefits Inc.

Benefit Provision Summary

Regular Retirement

Eligibility:

20 or more years of service.

Average Monthly Salary (AMS):

Average of the salary paid during the highest 12 months of service within the past 120 months of service immediately preceding the effective date of retirement.

Annual Benefit:

40% of average monthly salary plus 2% of average monthly salary for each year of service beyond 20 years, prorated monthly, but not to exceed 15 additional years. For members retired on or prior to September 30, 1973, an additional benefit is paid equal to 15% of the monthly benefit for special consulting services. For members who retire after January 1, 1980, an additional \$50 is added to their monthly benefit.

Duty Disability Retirement

Eligibility:

Permanent disability occurring in the line of duty. No age or service requirement.

Annual Benefit:

50% of average monthly salary.

Non-Duty Disability

Eligibility:

Permanent disability after five or more years of service but less than 25 years.

Annual Benefit:

A refund of the member's accumulated contributions less 33-1/3%. No annual benefit is payable.

Death Benefit

Eligibility:

Death of an active or retired member.

Annual Benefit:

To the surviving spouse for life until remarriage a benefit of 50% of the monthly pension the participant would have received had he/she been retired on the date of his/her death or the monthly sum of \$500 whichever is greater.

Death Benefit - continued

In addition, an amount of \$100 per month is paid for each unmarried child under 18. If there is no widow, unmarried children under 18 receive, in equal shares, a total of 50% of the monthly pension the member or pensioner received or would have received.

Upon the death of an active or retired member a lump-sum payment in the amount of \$500 is paid toward the funeral expense.

Member Contributions

Members are required to contribute 4.0% of their pay through payroll deductions.

One hundred percent of member contributions are refundable without interest upon termination of employment for employees with less than 20 years of service. No refund shall be made if the employee has 20 or more years of service.

Post-Retirement Cost-of-Living Adjustments

Retired members and beneficiaries receive annual increases equal to one-half of the CPI up to a maximum of 4% per annum. Increases apply to retired officers and their surviving spouses or their dependent children, when there is no surviving spouse.



Section Four:
***Actuarial Assumptions
And Methods***



Defined Benefits Inc.

Actuarial Assumptions

Economic Assumptions

- (i) Interest Rate 7.5% (net of investment management fees)
- (ii) Salary Increases 4.0%

Demographic Assumptions

- (i) Mortality – Healthy Lives RP 2000 Mortality Table
- (ii) Mortality – Disabled Lives RP 2000 Mortality Table set forward 10 years
- (iii) Sample Rates of Disability

Percent Becoming Disabled Within The Next Year	
Age	Rate
25	.17%
30	.21%
35	.26%
40	.35%
45	.52%
50	.76%
55	1.15%
60	1.93%

(iv) Sample Rates of Termination of Employment

Sample Ages	Percent Terminating
25	5.00%
30	4.50%
35	3.55%
40	1.45%
45	0.75%
50	0.75%
55	0.75%
60	0.75%

(v) Retirement

Members who have attained age 40 with 20 years of service are assumed to retire at a rate of 15% per year with 100% retirement at age 60.

(vi) Marital Status

100% of participants are assumed to be married with males 3 years older than their female spouses.

Actuarial Method Used for the Valuation

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

- ❖ The annual normal costs for each individual active member, payable from date of hire to 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.

Financing of Unfunded Actuarial Accrued Liability. The excess of actuarial accrued liabilities over accrued assets was amortized as a level percent-of-payroll over 18 years and applied as a charge to the computed normal cost.

Active member payroll was assumed to increase 4.0% a year for the purpose of determining the level percent-of-payroll full funding credit.



Section Five:
Valuation Data



Defined Benefits Inc.

Summary of Asset Information Submitted for the Valuation

Statement of Assets

As of January 1, 2007, the net market value of Pension Plan assets was reported to be \$22,953,206.

Revenues and Expenses for the Short Year Ended January 1, 2007

Market Value of Assets as of March 1, 2006	\$20,369,111
a. Revenues	
(i) Member Contributions	\$171,815
(ii) Employer Contributions	1,345,666
(iii) Investment Income (Net of investment fees)	2,271,171
b. Expenses	
(i) Benefits Paid	\$1,181,866
(ii) Expenses	22,691
Market Value of Assets as of January 1, 2007	\$22,953,206

Participant Summary

Retirees and Beneficiaries Included in the Valuation

There were 87 retirees and beneficiaries included in the valuation, with annual pensions totaling \$1,441,745. The breakdown by age division is as follows:

Beneficiaries

Age	Number	Average Annual Pensions
Under 25	3	\$1,200
25-29		
30-34		
35-39	1	8,941
40-44	1	10,027
45-49		
50-54	1	16,906
55-59	1	6,606
60-64	2	6,663
65-69	1	11,918
70-74	4	9,482
75-79	1	7,005
Over 80	4	6,760
Total	19	\$7,542

Retirees

Age	Number	Average Annual Pensions
Under 40		
40-44		
45-49		
50-54	10	\$20,420
55-59	14	22,179
60-64	12	19,848
65-69	10	16,121
70-74	10	16,870
75-79	5	24,947
Over 80	7	12,987
Total	68	\$19,095

Active Members – Age and Service Distribution

Age	Service							Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	Over 30	
20 - 24	2							2
25 - 29	7	4						11
30 - 34	4	15	4					23
35 - 39	8	3	12	10				33
40 - 44		2	7	8	6			23
45 - 49	1		1	3	1	1		7
50 - 54					3	6	1	10
55 - 59						1	1	2
60 - 64						1	1	2
65+								
Total	22	24	24	21	10	9	3	113

	2004	2005	2006	2007
Active Members	112	113	114	113
Valuation Payroll	\$4,607,684	\$5,031,068	\$5,136,368	\$5,104,658
Average Compensation	\$41,140	\$44,253	\$45,056	\$45,174
Average Age (yrs.)	37.8	38.5	39.4	39.2
Average Service (yrs.)	11.9	12.5	13.1	12.9



Section Six:
Accounting Disclosures



Defined Benefits Inc.

GASB Statement No. 25 Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date:	January 1, 2007
Actuarial Cost Method:	Individual Entry Age
Amortization method:	Level percent of payroll, closed
Remaining amortization period:	20 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0%

Membership data as of January 1, 2007, is indicated in Section Five of this report.

Analysis of Funding Progress

Valuation Date July 1	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) UAAL As a % Of Covered Payroll
1991*	\$5,983,584	\$14,199,392	42.1%	\$8,215,808	\$2,122,197	387.1%
1993	7,725,430	15,348,661	50.3	7,623,231	2,414,536	315.7%
1994	7,963,291	16,974,384	46.9	9,011,093	2,956,065	304.8%
1995	9,025,175	18,984,749	47.5	9,959,574	2,937,486	339.1%
1996	9,747,651	19,238,848	50.7	9,491,197	3,054,451	310.7%
1997	10,708,547	20,278,958	52.8	9,570,411	3,057,587	313.0%
1998	12,043,392	20,514,009	58.7	8,470,617	3,131,189	270.5%
1999	13,317,859	21,516,852	61.9	8,198,993	3,288,215	249.3%
2000	14,383,176	Not valued	----	-----	Not valued	-----
2001	13,917,081	25,204,061	55.2	11,286,980	4,112,441	274.5%
2002	13,636,142	25,954,075	52.5	12,317,933	4,256,330	289.4%
2003	13,013,882	26,313,571	49.5	13,299,689	4,169,675	319.0%
2004	16,525,149	28,892,605	57.2	12,367,456	4,607,684	268.4%
2005	18,233,797	30,819,539	52.9	12,585,742	5,031,068	250.2%
2006	20,369,111	32,390,571	62.9	12,021,460	5,136,368	234.0%
01/01/2007	22,953,206	33,248,289	69.0	10,295,083	5,104,658	201.7%

**Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percent Contributed
1994	\$718,186	116.3%
1995	873,409	98.2%
1996	930,011	104.6%
1997	967,639	101.0%
1998	986,103	103.3%
1999	914,307	118.8%
2000	930,699	121.8%
2001	930,699	121.8%
2002	994,184	100.0%
2003	1,173,490	100.0%
2004	1,313,448	100.0%
2005	1,439,705	100.0%
2006	1,473,453	100.0%
2007	1,557,192	
2008	1,429,455	

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