Principal Financial Group

Principal Life
Insurance Company

April 17, 2009

PERSONAL & CONFIDENTIAL
JIM BARKSDALE
CITY OF JONESBORO ARKANSAS
515 WEST WASHINGTON
P.O. BOX 1845
JONESBORO, AR 72401-2782

RE Retirement Plan For Employees Of City Of Jonesboro, Arkansas
Annuity Contract No: 4-49993

Dear Jim

I have enclosed your 2009 Actuarial Valuation Report, which provides information you need to determine your pension plan contribution.

Please make checks payable to Principal Life Insurance Company. Be sure to note the 2009 plan year on the check stub or with the correspondence included with each deposit.

If you have any questions about this report, please contact me at the number below. Thank you.

Sincerely

Donna L. Day
Pension Actuarial Analyst
Retirement Actuarial Services
Phone (515) 247-5886
Fax (866) 704-3481

Enclosure

cc Richard S. Darouse
Retirement Services Office - Memphis
Rae T. Willis
Melissa L. Ballagh
Russell Anthofer

Deposit Overview

Retirement Plan for Employees of City of Jonesboro, Arkansas
4-49993

Plan Year Beginning 01/01/2009

This overview is a summary of deposit information shown in your actuarial valuation report. It will help you determine your current year contribution to your retirement plan. You may deposit any amount in excess of your annual required contribution. Refer to your actuarial valuation report, Section III–Deposit Information, for this calculation.

Annual Required Contribution	**Your annual required contribution is $853,015.** This is the amount needed to keep your plan currently funded.
Deposits Received	We have not received any deposits for the 2009 plan year as of 04/13/2009.
Additional Information	For additional information, please see the 2009 actuarial valuation report.

Principal Financial Group

Retirement Plan for Employees of City of Jonesboro, Arkansas 4-49993

Actuarial Valuation Report

For the plan year January 1, 2009 through December 31, 2009

Principal®

WE'LL GIVE YOU AN EDGE℠

Table of Contents

This actuarial valuation report is for your defined benefit retirement plan. It gives you the amounts needed to fund the benefits described in your plan document. This report is based on employee data and other information you provide us.

Amounts in this report are not what you need for your financial statements. Upon request, we will prepare another report for your accounting disclosure.

Funding Method

Defined benefit plans, as the name suggests, define the benefits given to employees. Your goal is to have enough funds to pay for these benefits. To do this, we use a funding method. It sets the yearly deposit needed to pay for your plan's benefits.

Assumptions

We use assumptions to estimate how much funding you'll need for benefits. For instance:

- How much interest will your funds earn?
- How many employees will leave the plan?
- What will be employees' future salaries?
- How many employees will become disabled?

Deposit levels change when actual events differ from what was assumed. To see the assumptions used for your plan, refer to Section VII of this report.

Using This Report

We give you a minimum deposit level. Your deposit may have to be more than this to fund upcoming benefits. We'll advise you if you need to fund at a higher level. For a summary of these results refer to Section II. More detailed information is found in the remaining sections of this report.

Actuarial Certification

To the best of my knowledge, this report is complete and accurate. It complies with all relevant pension actuarial standards and legal requirements.

In preparing this report, I have relied on (1) information provided by the plan sponsor and (2) plan documents and plan asset information on file with Principal Life Insurance Company. Appropriate tests of reasonableness and accuracy have been made.

In my opinion, each assumption used in combination represents my best estimate of anticipated experience under the plan. Each assumption used is reasonable (taking into account the experience of the plan and reasonable expectations), or would, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption were reasonable.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

4/17/2009
Date

Gregory W. Gosselink, EA, MAAA
Consulting Actuary
Retirement Actuarial Services
Principal Financial Group
Des Moines, IA 50306-9394
(515) 248-2293

This summary is for Retirement Plan for Employees of City of Jonesboro, Arkansas. It includes:

- Annual required contribution for the plan year ending 12/31/2009
- Deposit options
- Changes recognized in this report
- Analysis of results

Deposit Information

A summary of the results of the actuarial valuation is as follows:

Total normal cost	$575,290
Total normal cost as a percentage of member compensation	7.11%
Annual required contribution	853,015

Deposit Options

The table below explains the effects of depositing at different levels. The impact on next year's costs is based on all actuarial assumptions being met. Costs will vary based on actual plan experience and timing of deposits.

If you deposit	You will
Less than $853,015	➢ Increase your next year's annual required contribution.
Exactly $853,015	➢ Meet your annual required contribution.
More than $853,015	➢ Exceed your annual required contribution. ➢ Decrease next year's annual required contribution.

Deposits Received

In addition to $14,710 in deposits received during the last plan year, we used $590,268 in deposits received after 12/31/2008 for your 2008 plan year. Since these deposits have been used for the prior plan year, additional deposits will be required to meet your 2009 annual required contribution. See Section IV - Plan Assets for a list of the 2008 plan year deposits.

We have not yet received any deposits for the current plan year as of 04/13/2009.

Plan Changes

This report reflects changes in maximum benefit limits under Internal Revenue Code (IRC) Section 415 and in maximum compensation limits under IRC Section 401. This change had only a minor impact on plan costs.

Assumption Changes

While completing this valuation, we reviewed the actuarial assumptions. This report includes the following assumption changes:

- The mortality table has been updated to the 2009 IRS Prescribed Mortality-Optional Combined Table for Small Plans, male and female. .

The assumptions used are shown in Section VII. See Section IX for the effects of this change.

Analysis

During the last year, your plan experienced an actuarial loss of $2,219,609. This loss was due to less than expected return on assets. This was partially offset by less than expected salary increases and greater than expected employee terminations.

For Additional Information

For additional information you may contact your Pension Actuarial Analyst, Donna Day, by:

- Phone – 1-800-543-4015 extension 75886, or 515-247-5886
- Email – day.donna@principal.com

You may also contact your local Principal Financial Group Retirement Services sales office.

Normal Cost

	01/01/2009	01/01/2008
Total normal cost	$575,290	$535,292
Annual member compensation	8,092,412	7,909,631
Total normal cost as a percentage of member compensation	7.11%	6.77%

Deposit Levels

			01/01/2009	01/01/2008
Annual Required Contribution	a)	Employer normal cost	$575,290	$535,292
	b)	Amortization amounts	218,212	27,478
	c)	Valuation interest to the end of the plan year on a and b	59,513	42,208
	d)	Annual required contribution (a+b+c)	$853,015	$604,978

	Actuarial Value	Market Value
Principal Life Insurance Company Accounts		
Flexible Pension Investment (FPI) grouped accounts	$4,536,927	$4,536,927
Value of deposit received 01/05/2009 and applied to the plan year ending 12/31/2008	590,268	590,268
Total Value	$5,127,195	$5,127,195

This valuation includes the retired lives under the benefit index option of your contract. The market value of assets for this retired life liability is $2,982,924.

Development of Normal Cost

Normal cost is the portion of cost assigned to each year. Under the entry age normal cost method used in this valuation, each member's annual cost is calculated as described in Section VII - Actuarial Assumptions and Methods. The sum of the annual costs for all members plus an estimate of plan expenses to be paid from the fund is the total normal cost for the year.

a) Normal cost	$541,221
b) Estimated expenses	34,069
c) Total normal cost (a+b)	$575,290

Schedule of Amortization Bases

Your cost method allocates a portion of plan funding to be amortized in equal annual installments, rather than to be paid through future normal costs. The minimum period over which the bases are amortized are described by law or regulations.

Date Created	Reason	Outstanding Balance	30 Year Amortization	10 Year Amortization
01/01/2009	Unfunded Actuarial Accrued Liability	$2,770,453	$218,212	$375,457

Unfunded Actuarial Accrued Liability

a)	Unfunded actuarial accrued liability (as of 01/01/2008)	$348,860
b)	Changes made during the plan year	0
c)	Employer normal cost (as of 01/01/2008)	535,292
d)	Interest on the above items	66,312
e)	Total (a+b+c+d)	$950,464
f)	Employer contributions	$604,978
g)	Interest on employer contributions	82
h)	Total (f+g)	$605,060
i)	Expected unfunded actuarial accrued liability (as of 01/01/2009) (e-h)	$345,404
j)	Actuarial accrued liability	$7,692,208
k)	Actuarial value of assets	5,127,195
l)	Actual unfunded actuarial accrued liability (as of 01/01/2009) (actuarial accrued liability less actuarial value of assets) (j-k)	$2,565,013
m)	Actuarial (gain) or loss (actual less expected unfunded actuarial accrued liability) (l-i)	$2,219,609
n)	Increase due to a benefit change	767
o)	Increase due to a change in assumptions	204,673
p)	Redetermined actual unfunded actuarial accrued liability (as of 01/01/2009) (l+n+o)	$2,770,453

Employer contributions include $590,268 received 01/05/2009 and applied to the plan year ending 12/31/2008.

Census Data

The census data is based on data supplied by the plan sponsor.

Age Group	Active Participants Number	Active Participants Projected Monthly Pension [1]	Inactive Participants Number	Inactive Participants Monthly Pension
Under 25	7	$55,877		
25 - 29	27	206,226	1	$27
30 - 34	24	138,192	5	957
35 - 39	32	161,258	7	654
40 - 44	27	82,797	10	3,241
45 - 49	34	69,023	4	1,034
50 - 54	40	60,091	2	1,351
55 - 59	27	28,479	8	3,756
60 - 64	15	8,059	2	760
65 & over	10	4,071		
Totals	243	$814,073	39	$11,780

[1] Projected monthly pension was calculated on the assumption that employees would experience annual compensation increases. Benefit amounts have been calculated at normal retirement age (current age if later).

Retired Participants

Age Group	Number	Monthly Benefit
60 - 64	5	$2,985
65 - 69	22	10,305
70 - 74	10	3,850
75 - 79	3	1,845
80 - 84		
85 & over		
Totals	40	$18,985

Emerging Retirement Liability

This page is provided to help you evaluate your asset liquidity needs. For this purpose, the charges shown can be compared to the market value of the funds in your contract, less the current benefit index. As of the current anniversary date, this amount is $934,448.

Plan Year Beginning	Number Retiring	Projected Monthly Benefit	Expected Charge to Assets	Cumulative Charges
01/01/2009	5	$3,128	$683,215	$683,215
01/01/2010	2	948	212,835	896,050
01/01/2011	5	1,707	383,224	1,279,274
01/01/2012	4	2,262	520,849	1,800,123
01/01/2013	9	3,964	905,413	2,705,536
01/01/2014	5	3,306	753,759	3,459,295
01/01/2015	6	4,138	944,846	4,404,141
01/01/2016	10	9,101	2,090,730	6,494,871
01/01/2017	5	4,157	954,871	7,449,742
01/01/2018	8	9,861	2,248,133	9,697,875

Number retiring recognizes only those who have benefits that will commence in that year.

Projected monthly benefit was calculated using the salary scale shown on the assumption page of this report.

Expected charge to assets is an estimate of the benefit index allocation to your contract. This display is based on the benefit index rates and your investment mix as of the current anniversary date. Since both of these may change from time to time, you should consider these amounts estimates.

Actuarial Valuation Assumptions

	01/01/2009	01/01/2008
Valuation Interest (net of investment expenses)		
Preretirement	7.50%	7.50%
Postretirement	7.50%	7.50%
Interest Rate For Employee Accumulations	2.48%	4.31%
Mortality		
Preretirement	2009 IRS Prescribed Mortality-Optional Combined Table for Small Plans, male and female.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.
Postretirement	2009 IRS Prescribed Mortality-Optional Combined Table for Small Plans, male and female.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.
Expenses	A dollar estimate of administrative expenses is included in normal cost.	A dollar estimate of administrative expenses is included in normal cost.
Salary Scale	4.50% increase each year until retirement.	4.50% increase each year until retirement.
Retirement Age	Normal retirement age as defined in Summary of Plan Provisions.	Normal retirement age as defined in Summary of Plan Provisions.
Disability	None.	None.

Withdrawal

	2003 Society of Actuaries Small Plan Age Table, multiplied by .60.	2003 Society of Actuaries Small Plan Age Table, multiplied by .60.
	Selected rates of withdrawal are shown below:	Selected rates of withdrawal are shown below:

Age	Rate of withdrawal	Age	Rate of withdrawal	Age	Rate of withdrawal	Age	Rate of withdrawal
20	14.58%	40	5.64%	20	14.58%	40	5.64%
25	11.70%	45	4.38%	25	11.70%	45	4.38%
30	9.30%	50	3.36%	30	9.30%	50	3.36%
35	2.52%	55	2.52%	35	2.52%	55	2.52%

The actuarial valuation assumptions used in this report differ from those used in the previous report. This year we updated the mortality assumption. This assumption were changed to better reflect the anticipated experience of your plan.

Actuarial Methods

	01/01/2009	01/01/2008
Actuarial cost method	Entry age normal	Entry age normal
Actuarial value of assets		
Principal Life Insurance Company accounts		
FPI grouped accounts	Market value	Market value
Deposits after the plan year end	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.
Retirees	Assets and liabilities for retirees who receive monthly (guaranteed and non-guaranteed) benefits from plan assets are included in your valuation.	Assets and liabilities for retirees who receive monthly (guaranteed and non-guaranteed) benefits from plan assets are included in your valuation.

Description of Actuarial Cost Method
Entry Age Normal

Ultimate Cost

The ultimate cost of your pension plan is:
- Benefit payments
- Plus expenses
- Less investment income

This cost can't be determined until the last benefit has been paid. Regardless of which actuarial cost method is used, the ultimate cost remains the same.

Cost Methods

A cost method is a budgeting tool. It helps to ensure that your pension plan is adequately and systematically funded. Cost methods differ based on how they assign an annual cost to the current year and how they treat gains and losses.

Normal Cost

The portion of cost assigned to each year is called the normal cost. The normal cost may be shared by the employer and the employees based on plan provisions.

Entry Age Normal

The entry age normal cost method is used for this valuation. This method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data you have supplied.

Costs are spread evenly from a member's date of hire to assumed retirement age. This annual cost is spread as a level percentage of compensation if benefits are salary related or as a level dollar amount if not salary related. The sum of each member's annual cost is the normal cost.

There are some accumulated costs for past years. The value of these past costs is the actuarial accrued liability (AAL). Each year the unfunded actuarial accrued liability (UAAL) is the AAL less the actuarial value of assets, but not less than zero. The UAAL is adjusted when there are plan or assumption changes (a liability base is created).

Actuarial Gains/Losses

An actuarial gain or loss occurs when actual plan experience differs from what was assumed. The actuarial gain or loss is calculated separately and is amortized in accordance with the Internal Revenue Code.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document.

Plan Eligibility

Class:	Any full-time employee (other than an elected official, uniformed police officer, or firefighter) who is employed for more than 20 hours per week and more than five months per year.

Normal Retirement Benefit

Age:	Attained age 65.
Service:	Five years of accrual service
Form:	Monthly annuity payable for ten years certain and life thereafter (optional forms may be elected in advance of retirement).
Amount (accrued benefit):	1.5% of average compensation multiplied by accrual service.

Minimum Benefit: $25 monthly accrued benefit.

Early Retirement Benefit

Age:	Attained age 55.
Service:	Five years of accrual service
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on early retirement date reduced by 6 7/10% for each year up to five and 3 3/10% for each year between five and ten that the early retirement date precedes normal retirement date.

Late Retirement Benefit

Age:	No maximum age.
Form:	Same as normal retirement benefit.
Amount:	Accrued benefit on late retirement date

Termination Benefit

Vesting percentage:	100% after five years of vesting service.
Form:	Same as normal retirement benefit with income deferred until normal retirement date.
Amount:	The greater of the accrued benefit multiplied by the vesting percentage or the participant's contribution account as of date of termination.

Single Sum Death Benefit

Form:	Cash payment.
Amount:	Participant's contribution account as of date of death.

Definitions

Average Compensation:	The monthly average of total pay received for the five compensation years prior to normal retirement date.
Participant's Contribution Account:	Participant's contributions accumulated to date of determination with interest.
Optional Forms of Benefit Payments	The optional forms of benefit payments are: ➢ Monthly annuity payable for life or 10 years certain and life ➢ Monthly annuity payable as a survivorship life annuity with survivorship percentages of 50, 75, or 100 ➢ Single sum payment equal to the Required Contribution Account of the retirement benefit

Section IX-Accounting Disclosure Information for SFAS35

Present Value of Accumulated Plan Benefits

Present value of vested and nonvested accrued benefits are based on the **valuation assumptions** shown in Section VII of this report (salary scale, if any, is not included in the calculation of accrued benefits). If the valuation includes retirees under the floor or benefit index option of the plan's funding arrangement, then those liabilities are also included below. This information may be used for Statement of Financial Accounting Standards No. 35 (SFAS35). These amounts should not be used for other purposes such as estimating plan termination sufficiency.

	01/01/2009	01/01/2008
Present Value of Vested Benefits		
Retired members	$2,222,756	$1,884,526
Inactive members	496,079	399,328
Active members	2,412,340	2,216,045
Total	$5,131,175	$4,499,899
Present Value of Nonvested Benefits		
Inactive members	$0	$0
Active members	317,960	231,742
Total	$317,960	$231,742
Total Present Value of Accumulated Plan Benefits	$5,449,135	$4,731,641

The following changes have had these effects, on an annual basis, as of the valuation date:

	Normal Cost	Unfunded Actuarial Accrued Liability	Present Value of Vested Benefits	Present Value of Nonvested Benefits
Benefits	$556	$767	$0	$0
Assumptions	15,030	204,673	133,554	8,223

Change in Present Value of Accumulated Plan Benefits

Present Value of Accumulated Plan Benefits as of 01/01/2008	$4,731,641
Increase (decrease) during the year due to:	
Increase for interest due to decrease in the discount period	354,873
Benefits paid	(216,032)
Benefits accumulated and plan experience	436,876
Change in assumptions	141,777
Plan amendment	0
Method changes	0
Present Value of Accumulated Plan Benefits as of 01/01/2009	$5,449,135

Section X - Accounting Disclosure Information for SGAS 27

Carryforward of Net Pension Obligation:

a)	Annual required contribution for 2008 plan year	$604,978
b)	Interest on net pension obligation	0
c)	Adjustment to annual required contribution	0
d)	Annual pension cost for 2008 plan year (a+b-c)	604,978
e)	Actual contributions made	604,978
f)	Increase/(decrease) in net pension obligation	0
g)	2008 beginning of year net pension obligation	0
h)	2008 end of year net pension obligation	$0

Annual Pension Cost for 2009 Plan Year:

a)	Normal cost with interest	$618,437
b)	Amortization with interest	234,578
c)	Annual required contribution (a+b) but not less than zero	853,015
d)	Interest on net pension obligation	0
e)	Adjustment to annual required contribution	0
f)	Annual pension cost (c+d-e)	$853,015

Calculation of Net Pension Obligation

(a) Year	(b) Val'n Rate	(c) Amort. Period	(d) ARC	(e) Interest On NPO (l py x b)	(f) ARC Adjust. (l py / g)	(g) Amort. Factor (c yrs @ b%)	(h) APC (d+e-f)	(i) Actual Deposit	(j) Loss/ (Gain) (d-i)	(k) Change In NPO (h-i)	(l) NPO Balance (l py+k)
1997	7.00%	30	159,583	-	-	-	159,583	159,583	0	0	0
Transition											
1998	7.00%	30	166,472	0	0	12.4090	166,472	166,472	0	0	0
1999	7.00%	30	455,620	0	0	12.4090	455,620	455,620	0	0	0
2000	7.00%	30	458,013	0	0	12.4090	458,013	458,013	0	0	0
2001	7.00%	30	497,337	0	0	12.4090	497,337	497,337	0	0	0
2002	7.50%	30	514,037	0	0	11.8104	514,037	514,037	0	0	0
2003	7.50%	30	581,770	0	0	11.8104	581,770	581,770	0	0	0
2004	7.50%	30	481,229	0	0	11.8104	481,229	481,229	0	0	0
2005	7.50%	30	459,814	0	0	11.8104	459,814	459,814	0	0	0
2006	7.50%	30	504,064	0	0	11.8104	504,064	504,064	0	0	0
2007	7.50%	30	512,673	0	0	11.8104	512,673	512,673	0	0	0
2008	7.50%	30	604,978	0	0	11.8104	604,978	604,978	0	0	0
2009	7.50%	30	853,015	0	0	11.8104	853,015				