

RETIREMENT PLAN FOR EMPLOYEES  
OF THE CITY OF JONESBORO

ACTUARIAL VALUATION  
AS OF JANUARY 1, 2010

CONTRIBUTIONS APPLICABLE TO THE  
PLAN/FISCAL YEAR ENDED DECEMBER 31, 2010

October 21, 2010

Jim Eagan  
City of Jonesboro  
515 W. Washington Ave  
Jonesboro, AR 72401

Re: Retirement Plan for Employees of the City of Jonesboro

Dear Jim:

We are pleased to present to the Board this report of the annual actuarial valuation of the Retirement Plan for Employees of the City of Jonesboro. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

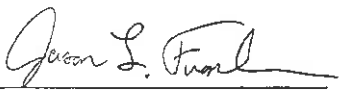
Jim Eagan  
October 21, 2010  
Page Two

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Jonesboro, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Retirement Plan for Employees of the City of Jonesboro. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 847-325-5582.

Respectfully submitted,

Foster & Foster, Inc.

By:   
Jason L. Franken  
Enrolled Actuary #08-6888

JLF/lsw

Enclosures

## TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	1
	b. Changes Since Prior Valuation	3
	c. Comparative Summary of Principal Valuation Results	4
II	Valuation Information	
	a. Development of January 1, 2010 Amortization Payment	9
	b. Projection of Benefit Payments	10
	c. Actuarial Assumptions and Funding Methods	11
	d. Valuation Notes	12
III	Trust Fund	14
IV	Member Statistics	
	a. Eligibility for Retirement	16
	b. Statistical Data	17
	c. Age and Service Distribution	18
	d. Member Reconciliation	19
V	Summary of Plan Provisions	20
VI	Governmental Accounting Standards Board Statements No. 25 and No. 27 Disclosure Information	22

SECTION I  
INTRODUCTION

## SUMMARY OF REPORT

The regular annual actuarial valuation of the Retirement Plan for Employees of the City of Jonesboro, performed as of January 1, 2010, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended December 31, 2010.

The contribution requirements, compared with those set forth in the January 1, 2009 actuarial report provided by Principal Financial Group, are as follows:

Valuation Date	1/1/2009	1/1/2010
Applicable Plan/Fiscal Year End	<u>12/31/2009</u>	<u>12/31/2010</u>
Total Required Contribution	\$853,015	\$690,346
% of Total Annual Payroll	10.6%	9.2%

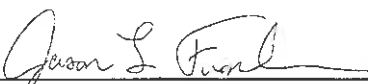
This is our first actuarial valuation performed for the Retirement Plan for Employees of the City of Jonesboro. Since much of the historical data typically shown in our report is not readily available, we are not able to provide all of the information we would like to include. As a result, we have shown an "N/A" where the data was not available. In future years, the N/A's will be replaced with actual results.


As can be seen, the Total Required Contribution has decreased due to a favorable experience during the past 12 months. The main component of this favorable experience is attributable to an 18.87% investment return (Market Value basis) that greatly exceeded the 7.5% assumption.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Jason L. Franken, FSA, EA, MA

By:   
Kurt T. Baxley

Plan Changes Since Prior Valuation

No plan changes have been made since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

No assumption or method changes have been made since the prior valuation.



## Comparative Summary of Principal Valuation Results

	<u>1/1/2010</u>	<u>1/1/2009</u>
<b>A. Participant Data</b>		
Number Included		
Actives	219	243
Service Retirees	43	40
Beneficiaries	2	0
Terminated Vested	52	39
Total	<u>316</u>	<u>322</u>
Total Annual Payroll	\$7,487,589	\$8,092,412
Payroll Under Assumed Ret. Age	7,487,589	8,092,412
Annual Rate of Payments to:		
Service Retirees	244,537	227,820
Beneficiaries	3,834	0
Terminated Vested	197,612	141,360
<b>B. Assets</b>		
Actuarial Value	6,776,314	5,127,195
Market Value	6,776,314	5,127,195
<b>C. Liabilities</b>		
Present Value of Benefits *		
Active Members		
Retirement Benefits	8,256,281	8,522,974
Death Benefits	2,062	1,976
Vested Benefits	1,430,105	1,541,724
Refund of Contributions	0	0
Service Retirees	2,306,723	2,222,756
Beneficiaries	32,091	0
Terminated Vested	729,409	496,079
Total	<u>12,756,671</u>	<u>12,785,509</u>

\* The January 1, 2009 actuarial report provided by Principal Financial Group does not include this specific information.

	<u>1/1/2010</u>	<u>1/1/2009</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	70,269,556	N/A
Present Value of Future Member Cont.	0	N/A
Normal Cost (Entry Age Normal)		
Retirement Benefits	395,515	N/A
Death Benefits	90	N/A
Vested Benefits	78,443	N/A
Refund of Contributions	0	N/A
Total Normal Cost	<u>474,048</u>	<u>541,221</u>
Present Value of Future Normal Costs	4,278,240	N/A
Actuarial Accrued Liability (Entry Age Normal)		
Retirement Benefits	4,765,401	4,533,961
Death Benefits	1,404	1,627
Vested Benefits	643,403	643,225
Refund of Contributions	0	0
Inactives	3,068,223	2,718,835
Total Actuarial Accrued Liability	<u>8,478,431</u>	<u>7,897,648</u>
Unfunded Actuarial Accrued Liab (UAAL)	1,702,117	2,770,453
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	3,068,223	2,718,835
Actives	2,594,250	2,339,701
Member Contributions	69,130	72,639
Total	<u>5,731,603</u>	<u>5,131,175</u>
Non-vested Accrued Benefits	<u>310,960</u>	<u>317,960</u>
Total Present Value Accrued Benefits	6,042,563	5,449,135
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	423,434	
Benefits Paid	(230,064)	
Interest	400,058	
Other	0	
Total:	<u>593,428</u>	

Valuation Date	1/1/2010	1/1/2009
Applicable to Fiscal Year Ending	<u>12/31/2010</u>	<u>12/31/2009</u>

## E. Pension Cost

Normal Cost (with interest)	\$509,602	\$581,813
% of Total Annual Payroll*	6.8	7.2
Administrative Expense (with interest)	36,624	36,624
% of Total Annual Payroll*	0.5	0.5
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 01/1/2010)	144,120	234,578
% of Total Annual Payroll*	1.9	2.9
Total Required Contribution	690,346	853,015
% of Total Annual Payroll*	9.2	10.6
Expected Member Contributions	0	0
% of Total Annual Payroll*	0.0	0.0
Expected City Contribution	690,346	853,015
% of Total Annual Payroll*	9.2	10.6

## F. Past Contributions

Plan Year Ending:	<u>12/31/2009</u>
Total Required Contribution	853,015
City Requirement	853,015
Actual Contributions Made:	
Members	0
City	853,015
Total	<u>853,015</u>

G. Net Actuarial Gain (Loss) 1,008,276

\* Contributions developed as of 01/1/10 are expressed as a percentage of projected annual payroll at 01/1/10 of \$7,487,589.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2010	\$1,702,117
2011	1,685,655
2012	1,667,959
2017	1,557,466
2022	1,398,839
2032	844,175
2040	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation

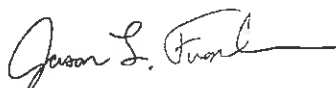
		<u>Actual</u>	<u>Assumed</u>
Year Ended	12/31/2009	N/A	4.5%
Year Ended	12/31/2008	N/A	4.5%
Year Ended	12/31/2007	N/A	N/A

(ii) 3 Year Comparison of Investment Return on Actuarial Value

		<u>Actual</u>	<u>Assumed</u>
Year Ended	12/31/2009	18.9%	7.5%
Year Ended	12/31/2008	N/A	7.5%
Year Ended	12/31/2007	N/A	7.5%

### Statement by Enrolled Actuary

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and adhere to the Actuarial Standards of Practice. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



---

Jason L. Franken, FSA, EA, MAAA  
Enrolled Actuary #08-6888

SECTION II  
VALUATION INFORMATION

# Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of January 1, 2009	\$2,770,453
(2)	City's Normal Cost Applicable for the year	575,290
(3)	Interest on (1) and (2)	249,653
(4)	Sponsor Contributions to the System during the year ending December 31, 2009	853,015
(5)	Interest on (4)	31,988
(6)	Expected UAAL as of January 1, 2010 (1)+(2)+(3)-(4)-(5)	2,710,393
(7)	Change in UAAL Due to Actuarial (Gain)/Loss	(1,008,276)
(8)	Unfunded Accrued Liability as of January 1, 2010	1,702,117

	<u>Date Established</u>	<u>Years Remaining</u>	<u>1/1/2010 Amount</u>	<u>Amortization Amount</u>
UAAL	1/1/2010	30	1,702,117	134,065

## Projection of Benefit Payments

Year	Payments for Current Actives	Payments for Current Inactives	Total Payments
2010	28,695	247,308	276,003
2011	42,542	244,873	287,415
2012	58,584	251,153	309,737
2013	87,741	247,686	335,427
2014	135,118	243,555	378,673
2015	159,990	241,423	401,413
2016	214,230	247,424	461,654
2017	277,197	254,329	531,526
2018	305,599	260,495	566,094
2019	401,313	265,277	666,590
2020	474,758	268,797	743,555
2021	570,413	261,013	831,426
2022	720,929	266,295	987,224
2023	747,040	267,488	1,014,528
2024	823,853	257,906	1,081,759
2025	1,033,629	247,536	1,281,165
2026	1,074,628	235,128	1,309,756
2027	1,182,550	225,703	1,408,253
2028	1,259,879	221,322	1,481,201
2029	1,354,758	212,210	1,566,968
2030	1,406,390	203,065	1,609,455
2031	1,479,191	192,986	1,672,177
2032	1,600,137	187,576	1,787,713
2033	1,650,368	183,912	1,834,280
2034	1,701,615	185,368	1,886,983
2035	1,797,952	181,841	1,979,793
2036	1,920,011	171,552	2,091,563
2037	2,178,072	165,534	2,343,606
2038	2,166,884	153,349	2,320,233
2039	2,185,332	144,513	2,329,845
2040	2,166,099	136,168	2,302,267
2041	2,186,165	126,965	2,313,130
2042	2,237,679	129,406	2,367,085
2043	2,208,189	120,520	2,328,709
2044	2,225,191	114,400	2,339,591
2045	2,295,643	105,712	2,401,355
2046	2,266,350	98,548	2,364,898
2047	2,210,237	91,430	2,301,667
2048	2,192,731	85,195	2,277,926
2049	2,227,264	78,962	2,306,226



## ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

### Assumptions

Mortality Rate	2009 IRS Prescribed Mortality Optional Combined Table for Small Plans
Interest Rate	7.5% per year compounded annually, net of investment related expenses
Retirement Age	100% retiring at age 65.
Termination Rate	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.60. See below.
Salary Increases	4.5% per year until the assumed Retirement Age.
Administrative Expenses	\$34,069
Disability	None
Interest Rate for Member Contributions	2.95% (2.48% last year)

<u>Age</u>	<u>% Terminating During the Year</u>
20	14.58%
30	9.30
40	5.64
50	3.36

### Funding Method

Entry Age Normal Actuarial Cost Method.

### Actuarial Asset Method

Market Value of Assets

### Amortization Method

Level Dollar, Open

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year following the valuation date of all covered members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Accrued Liability is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

SECTION III  
TRUST FUND

City of Jonesboro  
Retirement Plan for Employees

14

BALANCE SHEET  
December 31, 2009

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Receivable:		
Additional City Contributions	853,015.00	853,015.00
Total Receivable	853,015.00	853,015.00
Flexible Pension Investments	5,923,298.64	5,923,298.64
TOTAL ASSETS	6,776,313.64	6,776,313.64
<u>LIABILITIES AND NET ASSETS</u>		
Total Liabilities	0.00	0.00
Net Assets:		
Active and Retired Members' Equity	6,776,313.64	6,776,313.64
Total Net Assets	6,776,313.64	6,776,313.64
TOTAL LIABILITIES AND NET ASSETS	6,776,313.64	6,776,313.64

## 15

## INCOME

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

SECTION IV  
MEMBER STATISTICS

## STATISTICAL DATA \*

	<u>1/1/2007</u>	<u>1/1/2008</u>	<u>1/1/2009</u>	<u>1/1/2010</u>
<u>Active Members</u>				
Number				219
Average Current Age				44.8
Average Age at Employment				37.4
Average Past Service				7.4
Average Annual Salary				\$34,190
<u>Retirees &amp; Beneficiaries</u>				
Number				45
Average Current Age				68.8
Average Annual Benefit				\$5,519
<u>Terminated Vested Members</u>				
Number				52
Average Current Age				45.4
Average Annual Benefit				\$3,800

\* Foster & Foster does not have enough historical data to include data prior to 1/1/2010. We will add historical data going forward.



## AGE AND SERVICE DISTRIBUTION

## PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	1	0	0	0	0	0	0	0	0	0	0	1
20 - 24	0	1	1	0	0	0	0	0	0	0	0	2
25 - 29	2	3	5	8	1	5	1	0	0	0	0	25
30 - 34	4	3	6	4	3	3	2	0	0	0	0	25
35 - 39	0	4	6	3	0	6	3	2	0	0	0	24
40 - 44	3	2	1	5	0	9	8	1	0	0	0	29
45 - 49	1	6	6	1	1	5	3	1	1	1	0	26
50 - 54	3	5	5	5	2	4	8	4	2	2	0	40
55 - 59	1	2	2	0	0	6	6	3	1	3	0	24
60 - 64	0	2	2	0	2	0	5	0	1	3	0	15
65+	0	0	0	3	1	1	1	1	1	0	0	8
Total	15	28	34	29	10	39	37	12	6	9	0	219

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 01/1/2009	243
b. Terminations	
i. Vested (partial or full) with deferred benefits	13
ii. Non-vested or full lump sum distribution received	24
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Retired	5
e. Voluntary withdrawal	0
f. Continuing participants	201
g. New entrants	18
h. Total active life participants in 01/1/2010 valuation	219

## 2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	40	0	39	79
b. In	5	2	13	20
c. Out	2	0	0	2
d. Number current valuation	43	2	52	97

SECTION V  
SUMMARY OF PLAN PROVISIONS

## SUMMARY OF CURRENT PLAN

<u>Eligibility</u>	Any full-time employee who is employed for more than 20 hours per week and more than five months per year.
<u>Accrual Service</u>	Years and fractional parts of years (to the nearest month) of service as employed by the City.
<u>Compensation</u>	Gross annual compensation, without reduction for flexible spending account contributions.
<u>Average Compensation</u>	The monthly average of the five latest Compensation Years.
<u>Normal Retirement</u>	
Date	Age 65 and 5 years of Accrual Service.
Benefit	1.5% for each year of Accrual Service times average compensation. Minimum of \$25 per month.
Form of Benefit	For the Retiree's lifetime with 120 payments guaranteed.
<u>Early Retirement</u>	
Date	Age 55 and 5 years of Accrual Service.
Benefit	Accrued benefit, reduced 6.7% per year for the first five years then 3.3% per year for the next five years.
Form of Benefit	For the Retiree's lifetime with 120 payments guaranteed.

Vesting

Schedule	100% after 5 years of Accrual Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Death Benefit

Benefit	100% refund of Member's contribution account.
---------	---

## SECTION VI

GOVERNMENTAL ACCOUNTING STANDARDS  
BOARD STATEMENTS NO. 25 AND NO. 27 INFORMATION

**DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
01/01/10	6,776,314	8,478,431	1,702,117	79.9%	7,487,589	22.7%
01/01/09	5,127,195	7,897,648	2,770,453	64.9%	8,092,412	34.2%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES**

Year Ended December 31	Annual Required Contribution	City Contribution	Percentage Contributed
2009	853,015	853,015	100.0%
2008	604,978	604,978	100.0%
2007	512,673	512,673	100.0%
2006	504,064	504,064	100.0%

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION \*

Contribution rates as of 12/31/2009

City	853,015
Plan Members	0
Actuarially Determined Contribution	853,015
Contributions made	853,015
Actuarial valuation date	1/1/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	30 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase*	4.5%
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Percentage of APC * Contributed</u>	<u>Net Pension Obligation</u>
12/31/2009	853,015	100%	0
12/31/2008	604,978	100%	0
12/31/2007	512,673	100%	0

\* Annual Pension Cost from City sources.