

RETIREMENT PLAN FOR EMPLOYEES
OF THE CITY OF JONESBORO

ACTUARIAL VALUATION
AS OF JANUARY 1, 2012

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED DECEMBER 31, 2012

April 20, 2012

Ben Barylske, Chief Financial Officer
City of Jonesboro
515 W. Washington Ave.
Jonesboro, AR 72401

Re: Retirement Plan for Employees of the City of Jonesboro

Dear Ben:

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.

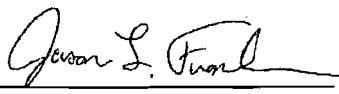
The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the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

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 #11-6888

JLF/rv

Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	5
	b. Changes Since Prior Valuation	7
	c. Comparative Summary of Principal Valuation Results	8
II	Valuation Information	
	a. Development of January 1, 2012 Amortization Payment	13
	b. Projection of Benefit Payments	14
	c. Actuarial Assumptions and Funding Methods	15
	d. Valuation Notes	16
III	Trust Fund	18
IV	Member Statistics	
	a. Eligibility for Retirement	20
	b. Statistical Data	21
	c. Age and Service Distribution	22
	d. Member Reconciliation	23
V	Summary of Plan Provisions	24
VI	Governmental Accounting Standards Board Statements No. 25 and No. 27 Disclosure Information	26

SUMMARY OF REPORT

The regular annual actuarial valuation of the Retirement Plan for Employees of the City of Jonesboro, performed as of January 1, 2012, 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, 2012.

The contribution requirements, compared with those set forth in the January 1, 2011 actuarial valuation, are as follows:

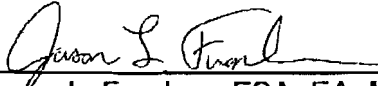
Valuation Date	1/1/2011	1/1/2012
Applicable Plan/Fiscal Year End	<u>12/31/2011</u>	<u>12/31/2012</u>
Total Required Contribution	\$625,256	0\$
% of Total Annual Payroll	8.6%	0.0%

During the last twelve months, the experience has been slightly less favorable than expected, relative to the Plan's actuarial assumptions. The primary sources of unfavorable experience included a 0.6% investment return (Market Value Basis) and average increases in Pensionable Compensation that were slightly higher than the assumed rate. The funding requirements have decreased due to the Plan being frozen for pay and service effective December 31, 2011.

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

Plan Changes Since Prior Valuation

Since the prior valuation the plan has been frozen effective December 31, 2011.

Actuarial Assumption/Method Changes Since Prior Valuation

Since the prior valuation, the cost method has been changed from the Entry Age Normal Cost Method to the Projected Unit Credit Cost Method.

	New Method <u>1/1/2012</u>	Old Method <u>1/1/2012</u>	Old Method <u>1/1/2011</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	61,365,448	61,365,448	66,416,339
Present Value of Future Member Cont.	0	0	0
Normal Cost*			
Retirement Benefits	0	90,935	377,493
Death Benefits	0	76	74
Vested Benefits	0	62,873	76,792
Refund of Contributions	0	0	0
Total Normal Cost	0	153,884	454,359
Present Value of Future Normal Costs	0	1,036,907	3,922,047
Actuarial Accrued Liability*			
Retirement Benefits	3,375,038	2,821,451	5,412,092
Death Benefits	1,816	1,290	1,277
Vested Benefits	625,042	142,248	693,077
Refund of Contributions	0	0	0
Inactives	2,972,569	2,972,569	3,077,370
Total Actuarial Accrued Liability	6,974,465	5,937,558	9,183,816
Unfunded Actuarial Accrued Liab (UAAL)	(1,448,301)	(2,485,208)	1,183,358
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	2,972,569	2,972,569	3,077,370
Actives	3,648,082	3,648,082	3,127,616
Member Contributions	64,653	64,653	64,653
Total	6,685,304	6,685,304	6,269,639
Non-vested Accrued Benefits	289,161	289,161	333,720
Total Present Value Accrued Benefits	6,974,465	6,974,465	6,603,359
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	0	0	
New Accrued Benefits	0	138,901	
Benefits Paid	0	(253,540)	
Interest	0	485,744	
Other	0	0	
Total:	0	371,106	

Refers to PY

*The Liabilities are calculated under Projected Unit Credit in the New Method column, and under the Entry Age Normal Cost Method in the Old Method Columns.

Valuation Date Applicable to Fiscal Year Ending	New Method 1/1/2012 <u>12/30/2012</u>	Old Method 1/1/2012 <u>12/31/2013</u>	Old Method 1/1/2011 <u>12/31/2011</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll*	\$0 0.0	\$165,425 2.4	\$488,436 6.7
Administrative Expense (with interest) % of Total Annual Payroll*	36,624 0.5	36,624 0.5	36,624 0.5
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 01/1/2012) % of Total Annual Payroll*	(122,630) (1.8)	(210,426) (3.0)	100,196 1.4
Total Required Contribution % of Total Annual Payroll*	0 0.0	0 0.0	625,256 8.6
Expected Member Contributions % of Total Annual Payroll*	0 0.0	0 0.0	0 0.0
Expected City Contribution % of Total Annual Payroll*	0 0.0	0 0.0	625,256 8.6

,005,260,936

F. Past Contributions

Plan Year Ending:	<u>12/31/2011</u>
Total Required Contribution	625,256
City Requirement	625,256
Actual Contributions Made:	
Members	0
City	625,256
Total	<u>625,256</u>

G. Net Actuarial Gain (Loss) (8,793)

* Contributions developed as of 01/1/12 are expressed as a percentage of Total Annual Payroll at 01/1/12 of \$6,961,498.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	(\$1,448,301)
2013	(1,434,294)
2014	(1,419,237)
2019	(1,325,217)
2024	(1,190,240)
2034	(718,271)
2042	0

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

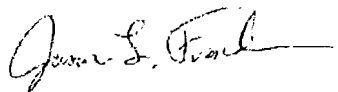
		<u>Actual</u>	<u>Assumed</u>
Year Ended	12/31/2011	5.8%	4.5%
Year Ended	12/31/2010	2.2%	4.5%
Year Ended	12/31/2009	N/A	4.5%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	12/31/2011	0.6%	7.5%
Year Ended	12/31/2010	11.0%	7.5%
Year Ended	12/31/2009	18.9%	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 #11-6888

Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of January 1, 2011	\$1,183,358	74
(2)	Sponsor Normal Cost developed as of January 1, 2011	454,359	
(3)	Expected Administrative expenses for the fiscal year ended December 31, 2011	34,069	
(4)	Interest on (1), (2) and (3)	124,106	
(5)	Sponsor Contributions to the System during the year ending December 31, 2011	625,256	
(6)	Interest on (4)	0	
(7)	Expected UAAL as of January 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	1,170,636	
(8)	Change in UAAL due to Plan Freeze	(3,664,637)	
	Change in UAAL due to Method Change	1,036,907	
	Change in UAAL due to Actuarial Loss	8,793	
(9)	Unfunded Accrued Liability as of January 1, 2012	(\$1,448,301)	

	<u>Date Established</u>	<u>Years Remaining</u>	<u>1/1/2012 Amount</u>	<u>Amortization Amount</u>
UAAL	1/1/2012	30	(\$1,448,301)	(\$114,074)

Projection of Benefit Payments

Year	<i>Possible Retirees</i> Payments for Current Actives	<i>Retirees</i> Payments for Current Inactives	Total Payments
2012	62,017	250,078	312,095
2013	83,764	247,225	330,989
2014	115,850	243,715	359,565
2015	133,076	242,042	375,118
2016	154,344	244,117	398,461
2017	193,723	251,563	445,286
2018	208,914	254,903	463,817
2019	263,025	260,327	523,352
2020	300,849	252,140	552,989
2021	343,902	244,015	587,917
2022	392,061	253,770	645,831
2023	396,010	255,421	651,432
2024	410,301	246,284	656,585
2025	474,510	236,375	710,884
2026	478,371	225,205	703,576
2027	498,923	216,353	715,276
2028	504,997	213,184	718,181
2029	515,112	204,716	719,827
2030	507,981	198,298	706,278
2031	501,014	189,344	690,358
2032	503,697	184,151	687,847
2033	501,616	181,259	682,876
2034	499,587	183,448	683,035
2035	500,505	185,549	686,054
2036	508,787	175,827	684,614
2037	516,193	177,662	693,855
2038	501,032	165,886	666,918
2039	479,907	155,336	635,243
2040	458,583	147,829	606,412
2041	444,053	138,810	582,863
2042	429,171	141,422	570,593
2043	409,405	132,644	542,050
2044	389,196	126,585	515,781
2045	375,285	117,167	492,452
2046	358,120	109,869	467,989
2047	335,037	101,310	436,347
2048	323,265	94,664	417,930
2049	309,696	88,324	398,020
2050	292,947	81,827	374,774
2051	273,165	75,947	349,111

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%

*Can we
- e lower*

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

Funding Method

Projected Unit Credit 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.

Projected Unit Credit Cost Method - Under this method, the normal cost for an active participant is the present value of the projected increase in the benefit earned during the year. The total normal cost is the sum of the individual normal costs for all active participants.

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 the accrued benefits with projections made for salary increases. 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.

Retirement Plan for Employees
of the City of Jonesboro

BALANCE SHEET
December 31, 2011

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	2,907.93
Money Market	1,359,655.16
Total Cash and Equivalents	1,362,563.09
Total Receivable	0.00
Investments:	
Mutual Funds: Principal	
Fixed Income	2,948,851.88
Equity	2,581,742.90
International Equity	721,716.48
Pooled/Common/Commingled Funds: Stephens	
Fixed Income	272,555.95
Equity	535,336.03
Total Investments	7,060,203.24
TOTAL ASSETS	8,422,766.33
 <u>LIABILITIES AND NET ASSETS</u>	
Total Liabilities	0.00
Net Assets:	
Active and Retired Members' Equity	8,422,766.33
Total Net Assets	8,422,766.33
TOTAL LIABILITIES AND NET ASSETS	8,422,766.33

Retirement Plan for Employees
of the City of Jonesboro

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2011
Market Value Basis

REVENUES		
Contributions:		
City	625,256.00	
Total Contributions		625,256.00
Earnings from Investments		
Miscellaneous Income	1,590.14	
Unrealized Gain (Loss)	72,033.59	
Total Earnings and Investment Gains		73,623.73
EXPENDITURES		
Expenses:		
Investment Related*	23,031.20	
Total Expenses		23,031.20
Distributions to Members:		
Benefit Payments	236,029.34	
Termination Payments	17,510.64	
Total Distributions		253,539.98
Change in Net Assets for the Year		422,308.55
Net Assets Beginning of the Year		8,000,457.78
Net Assets End of the Year		8,422,766.33

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

ELIGIBILITY FOR RETIREMENT

Members are eligible for Normal Retirement based upon the following criteria:

- 1) Attained Age 65 with 5 Years of Accrual Service

Members are eligible for Early Retirement based upon the following criteria:

- 1.) Attained Age 55 with 5 years of Accrual Service

As of the date of this valuation, the following list of Members are eligible for:

Normal Retirement

Hathcoat, Joe
Hensley, Boyce
Leonard, Royce
Rook, Jean
Simpson, Arvil
Ulkarim, Muhammad
Vaccari, Phyllis
Watts, Major
Weaver, Paul

Early Retirement

Adams, Jerry
Bryant, Harold
Cardwell, William
Clayton, Richard
Cofield, Arthur
Darby, Shirley
Dyer, Guy
Edwards, Michael
Gann, Linda
Gibson, Donnie
Graddy, Gordon
Holt, Tommie
Hutchison, Earl
Jackson, Larry Sr.
Johnson, Michael
Kent, Steve
Lynch, David
Mallard, Connie
Murray, Daniel
Myers, Michael
Parnell, Betty
Rainwater, Gary
Saddler, Kenneth
Sanders, Ronald
Sharp, Becky
Sharp, Brenda
Shaver, Ronnie
Shaver, Teresa
Small, Bobby
Sparks, Thomas
Story, Myra
Sumrall, Rebecca
Turner, Donald
Welbourne, Bradley
Wheeley, Eddie
Williams, Leo
Wilson, Lezle

STATISTICAL DATA *

	<u>1/1/2009</u>	<u>1/1/2010</u>	<u>1/1/2011</u>	<u>1/1/2012</u>
<u>Active Members</u>				
Number		219	211	208
Average Current Age		44.8	45.7	46.2
Average Age at Employment		37.4	37.5	37.5
Average Past Service		7.4	8.2	8.7
Average Annual Salary		\$34,190	\$34,683	\$33,469
<u>Retirees & Beneficiaries</u>				
Number		45	45	46
Average Current Age		68.8	69.8	69.8
Average Annual Benefit		\$5,519	\$5,519	\$5,263
<u>Terminated Vested Members</u>				
Number		52	55	53
Average Current Age		45.4	46.4	47.1
Average Annual Benefit		\$3,800	\$3,877	\$3,484

* Data prior to 2010 is not available.

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	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	1	2	1	0	0	0	0	0	0	0	0	4
25 - 29	6	3	0	3	2	9	0	0	0	0	0	23
30 - 34	1	3	1	2	1	7	2	0	0	0	0	17
35 - 39	5	2	2	1	4	4	0	2	0	0	0	20
40 - 44	3	1	0	0	3	8	10	4	0	0	0	29
45 - 49	2	2	0	1	4	8	3	2	1	0	0	23
50 - 54	3	0	2	4	1	4	8	3	2	2	0	29
55 - 59	1	1	0	4	3	7	5	3	2	5	0	31
60 - 64	2	1	1	1	2	1	8	2	2	2	0	22
65+	0	0	0	1	0	5	1	1	1	1	0	10
Total	24	15	7	17	20	53	37	17	8	10	0	208

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 1/1/2011	211
b. Terminations	
i. Vested (partial or full) with deferred benefits	3
ii. Non-vested or full lump sum distribution received	25
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Retired	2
e. Voluntary withdrawal	0
f. Continuing participants	181
g. New entrants	27
h. Total active life participants in 01/1/2012 valuation	208

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

	Service Retirees, Vested Receiving Benefits	Receiving Death Benefits	Vested Deferred	Total
a. Number prior valuation	43	2	55	100
b. In	5	0	3	8
c. Out	3	1	5	9
d. Number current valuation	45	1	53	99

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 through December 31, 2011.
<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 through December 31, 2011.
<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.
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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) - PUC* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
01/01/12	8,422,766	6,974,465	(1,448,301)	120.8%	6,961,498	-20.8%
01/01/11	8,000,458	9,183,816	1,183,358	87.1%	7,318,088	16.2%
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
2011	625,256	625,256	100.0%
2010	690,346	690,346	100.0%
2009	853,015	853,015	100.0%
2008	604,978	604,978	100.0%
2007	512,673	512,673	100.0%

*The AAL was determined using the Entry Age Normal Cost method prior to 1/1/12.

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

ANNUAL PENSION COSTS AND RELATED INFORMATION *

Contribution rates as of 12/31/2011

City	625,256
Plan Members	0
Actuarially Determined Contribution	625,256
Contributions made	625,256
Actuarial valuation date	1/1/2011
Actuarial cost method	Entry Age Normal (as of 1/1/11)
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>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2011	625,256	100%	0
12/31/2010	690,346	100%	0
12/31/2009	853,015	100%	0