Public Employees Police and Fire Fund

Actuarial Valuation and Review
as of July 1, 2006

SEGAL

The Segal Company
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November 15, 2006

Ms. Mary Most Vanek
Public Employees Retirement Association of Minnesota
Public Employees Police and Fire Fund
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103-2088

Dear Ms. Most Vanek:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2007 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Fund. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in the valuation are consistent with those in the statute, and reasonably represent the experience of the plan.

Sincerely,

THE SEGAL COMPANY

By:

Thomas D. Levy, FSA, MAAA, EA	*Andre Latia, FSA, MAAA, EA*	*Susan M. Hogarth, MAAA, EA*
Senior Vice President and Chief Actuary	*Senior Vice President and Consulting Actuary*	*Consulting Actuary*

cc:	*Legislative Commission on Pensions and Retirement (3 copies)*
Minnesota Legislative Reference Library (6 copies)
Minnesota Department of Finance (2 copies)

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Public Employees Retirement Association of Minnesota (Public Employees Police and Fire Fund) as of July 1, 2006. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Section 356.215 of the Minnesota Statutes;
- The benefit provisions of the Fund, as administered by the PERA;
- The data as provided and confirmed by the PERA staff;
- The characteristics of covered active members, inactive vested members, pensioners and beneficiaries as of July 1, 2006, provided by the Fund;
- The assets of the Fund as of June 30, 2006, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The statutory contribution rate under Chapter 353 is equal to 18.50% of payroll compared to the required contribution rate under Chapter 356 of 25.57% of payroll. Therefore, the contribution deficiency is 7.07% of payroll or $47,214,278. Each year there is a contribution deficiency leads to an increased deficiency in all future years.
- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2006 is 95.39% compared to 97.15% as of July 1, 2005. This ratio is a measure of funding status, and its history is a measure of funding progress, and is the ratio required to be reported under GASB 25.
- The member and employer statutory contribution rates (as a percentage of salary) will change as shown in the schedule below:

Date of Increase	Member	Employer
Current	7.0%	10.5%
January 2007	7.8%	11.7%
January 2008	8.6%	12.9%
January 2009	9.4%	14.1%

  The effective dates of the rate increases are January 1st of each year. However, benefits are valued as of the July 1st valuation date prior to each corresponding increase date.

- The only change to the plan provisions is a change in the eligibility to apply for disability benefits effective July 1, 2006. Members age 55 or older with 20 or more years of Allowable Service are no longer eligible to apply for duty related disability benefits. Members age 55 or older with 15 or more years of Allowable Service are no longer eligible to apply for non-duty related disability benefits. This change decreased the total actuarial accrued liability by $760,970 and decreased the contribution deficiency by 0.01% of payroll.
- There were no changes in actuarial assumptions or actuarial cost methods since the prior valuation.

Summary of Key Valuation Results

	2006	2005
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 353*	18.50%	16.50%
Required – Chapter 356	25.57%	24.24%
Sufficiency/(Deficiency)	-7.07%	-7.74%
Funding elements for plan year beginning July 1:		
Normal cost	$149,097,708	$139,384,787
Market value of assets	5,167,417,402	4,820,781,271
Actuarial value of assets (AVA)	5,017,950,719	4,814,961,076
Actuarial accrued liability (AAL)	5,260,564,020	4,956,339,899
Unfunded/(Overfunded) actuarial accrued liability	242,613,301	141,378,823
Funded ratios:		
Accrued Benefit Funded Ratio	98.45%	100.29%
Current assets (AVA)	$5,017,950,719	$4,814,961,076
Current benefit obligations	5,097,120,530	4,801,003,844
Projected Benefit Funded Ratio	92.06%	90.84%
Current and expected future assets	$6,334,536,420	$5,889,973,287
Current and expected future benefit obligations (Present Value of Benefits)	6,880,802,208	6,483,862,835
GASB 25/27 for plan year beginning July 1:		
Annual required employer contributions	$107,680,788	$89,827,860
Accrued Liability Funded Ratio (AVA/AAL)	95.39%	97.15%
Covered actual payroll	$618,435,042	$580,723,080
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	6,801	6,615
Number of vested terminated members	999	927
Number of other non-vested terminated members	757	729
Number of active members	10,591	10,235
Total projected payroll**	$668,088,065	$625,806,943
Average projected compensation**	63,081	61,144

** The statutory contribution rate as of July 1, 2006 is shown as a blended rate of ½ of the current rate and ½ of the rate increase effective January 1, 2007.*
*** Calculated as covered actual payroll, projected one year with salary scale.*

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, pensioners and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, C, D, E and F.

A historical perspective of how the member population has changed over the past five valuations can be seen in this chart.

CHART 1

Member Population: 2002 – 2006

Year Ended June 30	Active Members	Vested Terminated Members*	Pensioners and Beneficiaries	Ratio of Non-Actives to Actives
2002	9,940	637	5,971	0.66
2003	9,948	758	6,208	0.70
2004	10,055	878	6,632	0.75
2005	10,235	927	6,615	0.74
2006	10,591	999	6,801	0.74

* *Excludes terminated members due a refund of employee contributions.*

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 10,591 active members with an average age of 39.3, average years of service of 11.3 years and average projected compensation of $63,081. The 10,235 active members in the prior valuation had an average age of 39.2, average service of 11.3 years and average projected compensation of $61,144.

Inactive Members

In this year's valuation, there were 999 members with a vested right to a deferred or immediate vested benefit.

In addition there were 757 other non-vested terminated members entitled to a return of their employee contributions.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2006

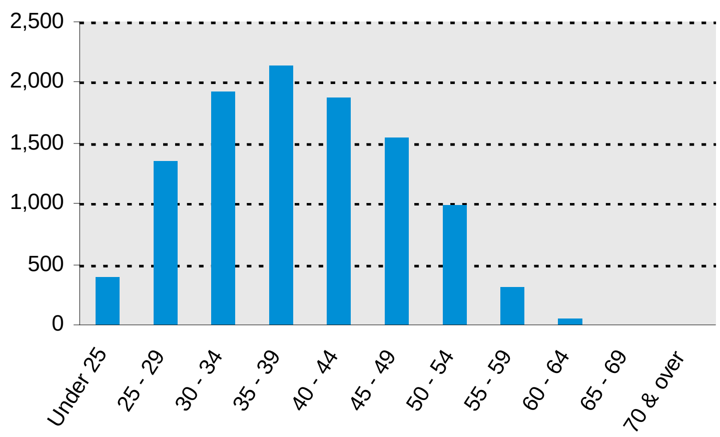
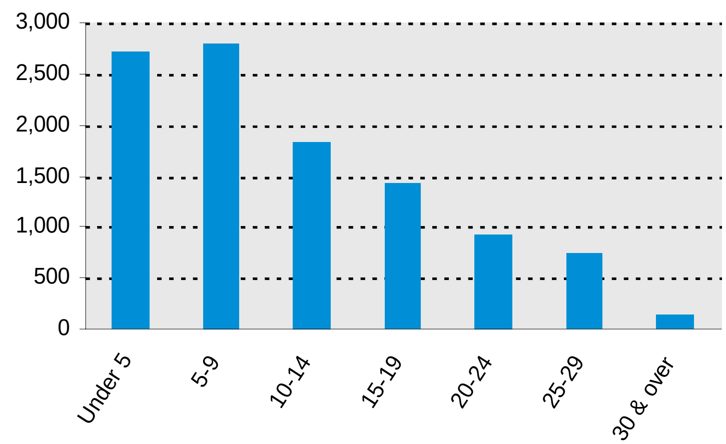


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2006



Pensioners and Beneficiaries

As of June 30, 2006, 5,521 pensioners (4,756 retired and 765 disableds) and 1,280 beneficiaries were receiving monthly benefits of $22,162,718. For comparison, in the previous valuation, there were 5,354 pensioners (4,668 retired and 686 disableds) and 1,261 beneficiaries receiving monthly benefits of $21,087,407.

These graphs show a distribution of the current pensioners and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Pensioners and Beneficiaries by Type and by Monthly Amount as of June 30, 2006

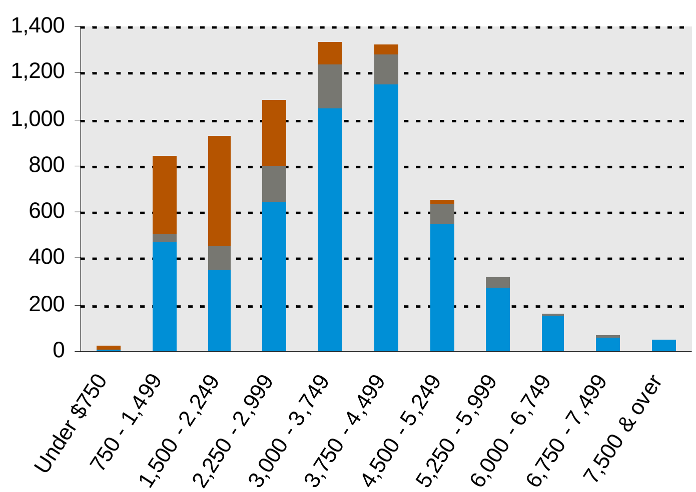
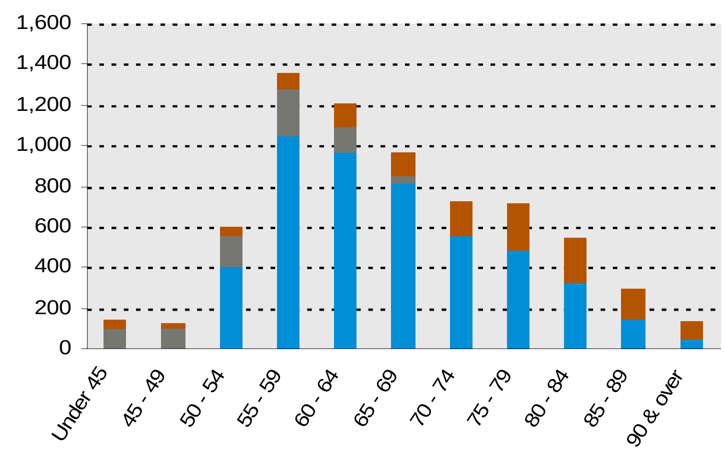


CHART 5

Distribution of Pensioners and Beneficiaries by Type and by Age as of June 30, 2006



Survivor
Disability
Service

B. FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, Minnesota Statutes require an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 6

Determination of Actuarial Value of Assets for Year Ended June 30, 2006

1.	Market value of assets available for benefits				$5,167,417,402
			Original Amount	% Not Recognized	
2.	Calculation of unrecognized return				
	(a)	Year ended June 30, 2006	$93,192,478	80%	$74,553,982
	(b)	Year ended June 30, 2005	54,936,569	60%	32,961,941
	(c)	Year ended June 30, 2004	181,199,900	40%	72,479,960
	(d)	Year ended June 30, 2003	-152,646,000	20%	-30,529,200
	(e)	Total unrecognized return			$149,466,683
3.	Actuarial value of assets ("Current Assets"): (1) – (2e)				$5,017,950,719
4.	Actuarial value as percent of market value				97.1%

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

For the year ended June 30, 2006, the total loss is $49,847,859, including a loss of $46,176,197 from investments and a loss of $3,671,662 from all other sources. The net experience variation from individual sources other than investments was 0.07% of the total actuarial accrued liability, which is less than 1.00% of the total actuarial accrued liability, and includes age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.

This chart provides a summary of the actuarial experience during the past year.

CHART 7

Actuarial Experience for Year Ended June 30, 2006

1.	Net gain/(loss) from investments	-$46,176,197
2.	Net gain/(loss) from other experience	-3,671,662
3.	Net experience gain/(loss): (1) + (2)	-$49,847,859

D. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Section 4, Exhibit III presents a schedule of this information of the Fund.

The other critical piece of information regarding the Fund's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

GASB requires that the actuarial value of assets be used to determine the funded ratio, as shown in Section 4, Exhibit IV.

EXHIBIT A
Table of Plan Coverage

Category	Year Ended June 30 2006	Year Ended June 30 2005	Change From Prior Year
Active members in valuation:			
Number	10,591	10,235	3.5%
Average age	39.3	39.2	N/A
Average service	11.3	11.3	N/A
Total projected payroll	$668,088,065	$625,806,943	6.8%
Average projected compensation	$63,081	$61,144	3.2%
Total active vested members	8,836	8,711	1.4%
Vested terminated members	999	927	7.8%
Retired participants:			
Number in pay status	4,756	4,668	1.9%
Average age	66.0	65.8	N/A
Average monthly benefit	$3,567	$3,494	2.1%
Disabled members:			
Number in pay status	765	686	11.5%
Average age	54.0	52.9	N/A
Average monthly benefit	$3,414	$3,365	1.5%
Beneficiaries:			
Number in pay status	1,280	1,261	1.5%
Average age	74.4	73.6	N/A
Average monthly benefit	$2,024	$1,958	3.4%
Other non-vested terminated members	757	729	3.8%

EXHIBIT B

Members in Active Service as of June 30, 2006
By Age, Years of Service, and Average Projected Compensation

		Years of Service						
Age	**Total**	**Under 5**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & Over**
Under 25	400	400	- -	- -	- -	- -	- -	- -
	$37,104	$37,104	- -	- -	- -	- -	- -	- -
25 - 29	1,344	1,036	306	2	- -	- -	- -	- -
	51,150	47,925	$61,910	$75,636	- -	- -	- -	- -
30 - 34	1,923	557	1,134	232	- -	- -	- -	- -
	59,243	46,809	63,596	67,823	- -	- -	- -	- -
35 - 39	2,133	342	763	793	235	- -	- -	- -
	63,685	46,867	62,876	69,014	$72,809	- -	- -	- -
40 - 44	1,883	164	345	512	634	227	1	- -
	68,331	46,000	64,150	68,833	74,107	$73,670	$42,715	- -
45 - 49	1,542	112	141	195	368	452	272	2
	70,403	38,931	61,927	69,917	71,384	76,586	76,523	$67,813
50 - 54	984	54	77	68	134	191	382	78
	73,063	50,022	59,693	65,838	69,196	76,583	78,891	77,994
55 - 59	318	35	26	22	44	52	75	64
	69,208	52,801	63,552	60,734	63,808	70,477	76,633	77,373
60 - 64	57	10	8	7	10	10	6	6
	55,858	56,840	50,192	49,603	52,357	56,836	55,269	73,868
65 - 69	5	1	1	1	2	- -	- -	- -
	63,592	11,365	91,270	70,305	72,510	- -	- -	- -
70 & over	2	- -	1	- -	1	- -	- -	- -
	50,728	- -	56,363	- -	45,093	- -	- -	- -
Total	10,591	2,711	2,802	1,832	1,428	932	736	150
	$63,081	$45,602	$63,061	$68,625	$72,239	$75,322	$77,544	$77,428

EXHIBIT C
Retired Participants as of June 30, 2006
By Age, Years Retired and Average Annual Benefit

		Years Retired							
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	477	472	1	1	3	- -	- -	- -	- -
	$39,799	$39,812	$45,194	$42,058	$35,249	- -	- -	- -	- -
55 - 59	1,072	507	527	13	17	6	2	- -	- -
	41,784	43,483	40,505	39,211	35,745	$34,684	$37,627	- -	- -
60 - 64	948	111	635	142	33	15	9	3	- -
	43,217	31,742	46,901	38,479	39,430	35,008	34,597	$21,001	- -
65 - 69	768	42	219	353	123	13	15	3	- -
	45,050	21,129	45,230	50,110	40,319	35,483	39,789	33,211	- -
70 - 74	545	4	68	182	200	69	19	3	- -
	44,466	50,460	35,957	48,924	44,815	41,855	37,292	41,108	- -
75 - 79	477	3	3	89	115	182	76	6	3
	44,767	8,104	81,075	45,914	43,783	45,596	44,223	35,836	$30,117
80 - 84	301	- -	- -	5	69	104	92	25	6
	41,034	- -	- -	60,039	38,971	42,809	39,986	41,648	31,629
85 - 89	122	- -	- -	- -	5	37	47	21	12
	36,708	- -	- -	- -	42,488	33,261	39,316	33,109	41,007
90 & Over	46	- -	- -	- -	- -	2	23	11	10
	39,222	- -	- -	- -	- -	42,848	40,251	36,564	39,055
Total	4,756	1,139	1,453	785	565	428	283	72	31
	$42,802	$39,925	$43,886	$47,128	$42,254	$42,405	$40,655	$36,662	$37,508

EXHIBIT D
Disabled Members as of June 30, 2006
By Age, Years Disabled and Average Annual Benefit

		Years Disabled								
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	102	66	29	7	- -	- -	- -	- -	- -
	$29,078	$29,402	$28,045	$30,296	- -	- -	- -	- -	- -
45 - 49	103	48	45	5	5	- -	- -	- -	- -
	32,952	33,897	31,531	41,440	$28,189	- -	- -	- -	- -
50 - 54	170	90	53	13	10	4	- -	- -	- -
	39,369	42,333	35,422	35,897	39,163	$36,796	- -	- -	- -
55 - 59	234	71	140	23	- -	- -	- -	- -	- -
	46,500	46,116	47,011	44,568	- -	- -	- -	- -	- -
60 - 64	113	15	57	41	- -	- -	- -	- -	- -
	48,500	39,732	49,094	50,882	- -	- -	- -	- -	- -
65 - 69	38	- -	12	26	- -	- -	- -	- -	- -
	46,724	- -	46,127	46,999	- -	- -	- -	- -	- -
70 - 74	4	- -	2	2	- -	- -	- -	- -	- -
	31,555	- -	24,582	38,528	- -	- -	- -	- -	- -
75 - 79	1	- -	1	- -	- -	- -	- -	- -	- -
	25,445	- -	25,445	- -	- -	- -	- -	- -	- -
80 - 84	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
85 - 89	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
90 & Over	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	765	290	339	117	15	4	- -	- -	- -
	$40,969	$38,785	$41,645	$45,266	$35,505	$36,796	- -	- -	- -

EXHIBIT E
Beneficiaries as of June 30, 2006
By Age, Years Since Death and Average Annual Benefit

		Years Since Death							
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	42	21	13	6	2	- -	- -	- -	- -
	$22,359	$19,262	$25,409	$22,673	$34,106	- -	- -	- -	- -
45 - 49	25	10	5	4	5	1	- -	- -	- -
	32,106	31,803	25,172	35,562	39,953	$16,737	- -	- -	- -
50 - 54	38	16	7	8	1	5	1	- -	- -
	30,818	29,983	36,497	32,380	35,874	24,064	$20,634	- -	- -
55 - 59	81	20	19	15	10	11	4	2	- -
	30,261	29,273	28,675	38,238	28,463	29,752	24,544	$18,603	- -
60 - 64	109	35	28	16	13	6	7	2	2
	27,209	25,353	26,288	35,093	24,320	28,844	25,996	25,698	$29,146
65 - 69	118	32	35	11	17	10	8	4	1
	27,297	29,727	28,038	22,587	30,530	25,801	22,194	19,986	5,451
70 - 74	167	44	30	32	13	16	17	7	8
	25,920	26,698	21,167	30,407	32,701	26,658	24,067	22,282	16,153
75 - 79	233	57	50	37	25	25	15	16	8
	23,811	26,469	21,935	24,756	27,346	23,608	23,192	16,079	18,447
80 - 84	223	41	44	30	33	26	17	14	18
	22,007	20,317	21,876	23,207	24,818	22,246	21,901	20,287	20,120
85 - 89	160	23	26	23	21	21	17	13	16
	19,460	18,433	15,862	23,794	18,584	21,932	20,840	18,251	17,969
90 & Over	84	7	15	16	12	7	8	6	13
	19,501	17,261	20,144	20,041	21,731	17,168	21,508	16,238	18,771
Total	1,280	306	272	198	152	128	94	64	66
	$24,286	$25,123	$23,466	$27,141	$26,332	$23,994	$22,702	$18,758	$18,700

EXHIBIT F
Reconciliation of Member Data

	Active Members	Vested Terminated Members	Other Non-Vested Terminated Members	Disableds	Retired Participants	Beneficiaries	Total
A. Number as of July 1, 2005	10,235	927	729	686	4,668	1,261	18,506
B. Data Adjustments	-1	12	-12	-	-	-	-1
C. Additions	786	142	88	93	228	72	1,409
D. Deletions:							
1. Terminated – Nonvested	-77	-1	-	-	-	-	-78
2. Terminated – Vested	-131	-	-	-	-	-	-131
3. Retirements	-169	-48	-	-6	-	-	-223
4. Disability	-47	-8	-	-	-	-	-55
5. Died with Beneficiary	-5	-	-	-	-	-	-5
6. Died without Beneficiary	-	-1	-4	-6	-100	-53	-164
7. Return to Active	-	-24	-15	-	-	-	-39
8. Other Deletions	-	-	-29	-2	-40	-	-71
E. Number as of June 30, 2006	10,591	999	757	765	4,756	1,280	19,148

EXHIBIT G

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2006

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of period	$2,531,988,284	$2,288,792,987	$4,820,781,271
B. Operating revenues:			
1. Member contributions	$42,969,988	-	$42,969,988
2. Employer contributions	63,602,774	-	63,602,774
3. MPRIF income	-	$200,470,120	200,470,120
4. Net investment income			
(a) Interest and dividends	$80,290,344	-	$80,290,344
(b) Net appreciation/(depreciation)	229,019,118	-	229,019,118
(c) Securities lending income	1,691,259	-	1,691,259
(d) Investment expenses	-6,853,958	-	-6,853,958
(e) Net subtotal	$304,146,763	-	$304,146,763
5. Other	1,917,098	-	1,917,098
6. Total additions	$412,636,623	$200,470,120	$613,106,743
C. Operating expenses:			
1. Benefits	$43,323,308	$221,277,921	$264,601,229
2. Refunds	867,658	-	867,658
3. Administrative expenses	706,534	-	706,534
4. Other	295,191	-	295,191
5. Total operating expenses	$45,192,691	$221,277,921	$266,470,612
D. Other changes in reserves:			
1. Annuities awarded	-$116,618,207	$116,618,207	-
2. Mortality gain/(loss)	4,090,833	-4,090,833	-
3. Change in MPRIF assumptions	-	-	-
4. Total other changes	-$112,527,374	$112,527,374	-
E. Assets available at end of period	$2,786,904,842	$2,380,512,560	$5,167,417,402

F. Determination of current year unrecognized asset return (UAR)	
1. Average balance:	
(a) Non-MPRIF Assets available at BOY: (A)	$2,531,988,284
(b) Non-MPRIF Assets available at EOY*: (E) – (D.2)	2,782,814,009
(c) Average balance: [(F.1(a)) + (F.1(b)) – (B.4(e)) – (B.5)]/2	2,504,369,216
2. Expected return: 8.50% x (F.1(c))	212,871,383
3. Actual return: (B.4(e)) + (B.5)	306,063,861
4. Current year UAR: (F.3) – (F.2)	$93,192,478

** Before adjustment for MPRIF Mortality Gain / Loss.*

EXHIBIT H

Table of Financial Information for Year Ended June 30, 2006

	Market Value	Cost Value
Assets in trust		
Cash, equivalents, short-term securities	$29,202,857	$29,202,857
Fixed income	640,637,220	672,505,773
Equity	1,786,525,107	1,749,450,901
Equity in MPRIF	2,380,512,560	2,380,512,560
Invested securities lending collateral	573,861,420	573,861,420
SBI alternative	307,336,383	259,699,872
Total assets in trust	$5,718,075,547	$5,665,233,383
Assets receivable	$25,595,674	$25,595,674
Total assets	$5,743,671,221	$5,690,829,057
Amounts currently payable		
Securities lending collateral	-$573,861,420	-$573,861,420
Other	-2,392,399	-2,392,399
Total amounts currently payable	-$576,253,819	-$576,253,819
Assets available for benefits		
MPRIF reserves	$2,380,512,560	$2,380,512,560
Member reserves	382,955,100	382,955,100
Other non-MPRIF reserves	2,403,949,742	2,351,107,578
Total assets available for benefits	$5,167,417,402	$5,114,575,238
Net Assets at Market/Cost Value	$5,167,417,402	$5,114,575,238

EXHIBIT I

Development of the Fund Through June 30, 2006

Year Ended June 30	Employer Contributions	Member Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2002	$90,664,000	$33,801,000	$285,708,000	$647,000	$212,405,000	$4,707,255,000
2003	50,917,000	34,751,000	147,435,000	675,000	226,077,000	4,713,606,000
2004	52,769,621	36,312,917	182,944,236	712,122	238,086,158	4,746,834,494
2005	55,801,917	37,873,145	227,317,742	703,408	252,162,814	4,814,961,076
2006	63,602,774	42,969,988	362,592,302	706,534	265,468,887	5,017,950,719

** Net Investment Return on an Actuarial Value of Assets basis and net of investment fees.*

EXHIBIT J

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2006

1.	Unfunded/(Overfunded) actuarial accrued liability at beginning of year		$141,378,823
2.	Normal cost at beginning of year		139,384,787
3.	Total contributions		106,572,762
4.	Interest		19,335,564
5.	Expected unfunded/(overfunded) actuarial accrued liability (1) + (2) - (3) + (4)		$193,526,412
6.	Changes due to (gain)/loss from:		
	(a) Investments	$46,176,197	
	(b) MPRIF mortality	-4,090,833	
	(c) Salary increases	-29,275,893	
	(d) Other demographics*	37,038,388	
	(e) Total changes due to (gain)/loss		$49,847,859
7.	Changes due to plan provision change		-$760,970
8.	Unfunded/(Overfunded) actuarial accrued liability at end of year		$242,613,301

** Includes (gain)/loss due to age/service retirements, disability, mortality (pre and post-retirement) and withdrawal.*

EXHIBIT K
Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Fund is calculated including: (a) Investment return — the rate of investment yield that the Fund will earn over the long-term future; (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates; (c) Retirement rates — the rate or probability of retirement at a given age; (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Normal Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Actuarial Accrued Liability For Actives:	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability For Pensioners:	The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Unfunded Actuarial Accrued Liability:	The extent to which the actuarial accrued liability of the Fund exceeds the assets of the Fund. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability: Payments made over a period of years equal in value to the Fund's unfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

Accrued Benefit Funded Ratio: A current year funded status that measures the percent of benefits covered by Current Assets. This ratio is based on benefits earned to the valuation date (accrued service) and includes future salary increases to retirement. The liability for these benefits is defined as the Current Benefit Obligations. The Accrued Benefit Funded Ratio is calculated as the Actuarial Value of Assets (Current Assets) divided by the Current Benefit Obligations.

Projected Benefit Funded Ratio: A projected funded status that measures contribution sufficiency/deficiency, which is based on a present value of all plan benefits for the lifetime of all plan members. The liability for these benefits is defined as the Current and Expected Future Benefit Obligations, or Present Value of Benefits. The Current and Expected Future Assets are determined as the sum of the Actuarial Value of Assets (Current Assets), the Present Value of Expected Future Statutory Supplemental Contributions and the Present Value of Future Normal Costs. The Projected Benefit Funded Ratio is calculated as the Current and Expected Future Assets divided by the Current and Expected Future Benefit Obligations. If the ratio is equal to or more than 100%, there is a contribution sufficiency, and if it is less than 100% there is a contribution deficiency.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Pensioners as of the valuation date (including 1,280 beneficiaries in pay status)		6,801
2.	Members inactive during year ended June 30, 2006 with vested rights		999
3.	Members active during the year ended June 30, 2006		10,591
	Fully vested	8,836	
	Not vested	1,755	
4.	Other non-vested terminated members as of June 30, 2006		757

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability			
1. Active members:			
(a) Retirement benefits	$3,190,787,612	$1,215,346,729	$1,975,440,883
(b) Disability benefits	469,327,794	244,936,164	224,391,630
(c) Death benefits	77,923,733	44,444,395	33,479,338
(d) Withdrawal benefits	143,164,997	115,510,900	27,654,097
(e) Total	$3,881,204,136	$1,620,238,188	$2,260,965,948
2. Vested terminated members	$124,712,017	-	$124,712,017
3. Other non-vested terminated members	1,077,016	-	1,077,016
4. Annuitants in MPRIF	2,380,512,560	-	2,380,512,560
5. Annuitants not in MPRIF	493,296,479	-	493,296,479
6. Total	$6,880,802,208	$1,620,238,188	$5,260,564,020
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			$5,260,564,020
2. Actuarial Value of Assets			5,017,950,719
3. Unfunded Actuarial Accrued Liability: (B.1) – (B.2)			$242,613,301
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through the amortization date of June 30, 2020			$7,726,526,389
2. Supplemental contribution rate: (B.3) / (C.1)			3.14%
D. Determination of GASB Amortization Rate			
1. Present value of future payrolls through the amortization date of June 30, 2020			$7,296,222,306
2. Supplemental contribution rate: (B.3) / (D.1)			3.33%

EXHIBIT II
Actuarial Balance Sheet

		Non-Vested	Vested	Total
A.	Current Assets			$5,017,950,719
B.	Expected Future Assets			
	1. Present Value of Expected Future Statutory Supplemental Contributions			-$303,652,487
	2. Present Value of Future Normal Costs			1,620,238,188
	3. Total Expected Future Assets			$1,316,585,701
C.	Total Current and Expected Future Assets			$6,334,536,420
D.	Current Benefit Obligations	**Non-Vested**	**Vested**	**Total**
	1. Benefit recipients:			
	(a) Retirement annuities	-	$2,213,611,625	$2,213,611,625
	(b) Disability benefits	-	372,061,952	372,061,952
	(c) Beneficiaries	-	288,135,462	288,135,462
	2. Vested terminated members	-	124,712,017	124,712,017
	3. Other non-vested terminated members	-	1,077,016	1,077,016
	4. Active members	$22,104,059	2,075,418,399	2,097,522,458
	5. Total Current Benefit Obligations	$22,104,059	$5,075,016,471	$5,097,120,530
E.	Expected Future Benefit Obligations			1,783,681,678
F.	Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)			$6,880,802,208
G.	Current Unfunded Actuarial Liability (D.5 - A)			$79,169,811
H.	Current and Future Unfunded Actuarial Liability (F - C)			$546,265,788

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Actuarially Required Contribution Rate[1] (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Employer Contributions [(a) x (b)] – (c) = (d)	Actual Employer Contributions[2] (e)	Percentage Contributed (e) / (d)
1991	17.56%	$238,230,000	$17,636,000	$24,197,000	$26,440,000	109.27%
1992	17.54%	239,158,000	19,217,000	22,731,000	28,766,000	126.55%
1993	18.60%	253,666,000	20,406,000	26,776,000	30,434,000	113.66%
1994	17.45%	277,566,000	21,806,000	26,629,000	32,536,000	122.18%
1995	17.28%	293,919,000	22,356,000	28,433,000	33,548,000	117.99%
1996	16.49%	316,189,000	24,065,000	28,075,000	36,066,000	128.46%
1997	15.11%	346,319,000	26,354,000	25,975,000	39,508,000	152.10%
1998	15.69%[3]	375,131,000	28,552,000	30,306,000	42,786,000	141.18%
1999	12.32%[3]	352,066,000	30,897,000	12,478,000	46,280,000	370.89%
2000	12.87%[3]	392,796,000	31,214,000	19,339,000	53,178,000	274.98%
2001	12.21%[3], [4], [5]	500,839,000	31,341,000	29,811,000	52,960,000	177.65%
2002	12.61%	522,153,000	33,801,000	32,042,000	90,664,000	282.95%
2003	12.52%[3], [5], [6]	560,503,000	34,751,000	35,424,000	50,917,000	143.74%
2004	19.47%[3], [5], [7]	551,266,068	36,312,917	71,018,586	52,769,621	74.30%
2005	21.99%[3]	580,723,080	37,873,145	89,827,860	55,801,917	62.12%
2006	24.36%[3]	618,435,042	42,969,988	107,680,788	63,602,774	59.07%
2007	25.76%[3], [8]					

(1) Actuarially Required Contributions determined for years ended 1995, 1996, and 1997 did not comply with the parameters of the GASB Statement No. 25 since a one percent growth in covered population is assumed in the amortization calculation.
(2) Includes contributions from other sources (if applicable).
(3) Actuarially Required Contributions calculated according to parameters of GASB 25 with no assumption for growth of covered population.
(4) Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 11.41%.
(5) Excludes amounts receivable from municipalities with positive amortizable bases.
(6) Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 12.33%.
(7) Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 15.36%.
(8) Actuarially Required Contribution Rate prior to change in Plan Provisions is 25.77%.

EXHIBIT IV

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
07/01/1991	$839,560,000	$794,295,000	-$45,265,000	105.70%	$238,230,000	-19.00%
07/01/1992	979,981,000	888,826,000	-91,155,000	110.26%	239,158,000	-38.11%
07/01/1993	1,118,342,000	1,009,226,000	-109,116,000	110.81%	253,666,000	-43.02%
07/01/1994	1,234,961,000	1,099,221,000	-135,740,000	112.35%	277,566,000	-48.90%
07/01/1995	1,385,901,000	1,196,795,000	-189,106,000	115.80%	293,919,000	-64.34%
07/01/1996	1,633,010,000	1,334,202,000	-298,808,000	122.40%	316,189,000	-94.50%
07/01/1997	1,974,635,000	1,556,483,000	-418,152,000	126.87%	346,319,000	-120.74%
07/01/1998	2,337,313,000	1,741,344,000	-595,969,000	134.22%	375,131,000	-158.87%
07/01/1999	3,679,551,000	3,004,637,000	-674,914,000	122.46%	352,066,000	-191.70%
07/01/2000	4,145,351,000	3,383,187,000	-762,164,000	122.53%	392,796,000	-194.04%
07/01/2001	4,472,041,000(1)	3,712,360,000	-759,681,000	120.46%	500,839,000	-151.68%
07/01/2002	4,672,679,000(1)	3,886,311,000	-786,368,000	120.23%	522,153,000	-150.60%
07/01/2003	4,683,115,000(1)	4,390,953,000	-292,162,000	106.65%	560,503,000	-52.12%
07/01/2004	4,746,834,494	4,692,190,387	-54,644,107	101.16%	551,266,068	-9.91%
07/01/2005	4,814,961,076	4,956,339,899	141,378,823	97.15%	580,723,080	24.35%
07/01/2006	5,017,950,719	5,260,564,020	242,613,301	95.39%	618,435,042	39.23%

(1) *Excludes amounts receivable from municipalities with positive amortizable bases.*

EXHIBIT V

Determination of Contribution Sufficiency

		July 1, 2006	
A.	**Statutory Contributions* – Chapter 353**	**Percent of Payroll**	**Dollar Amount**
1.	Member Contributions	7.40%	$49,438,517
2.	Employer Contributions	11.10%	74,157,775
3.	Total	18.50%	$123,596,292
B.	**Required Contributions – Chapter 356**		
1.	Normal Cost:		
	(a) Retirement benefits	16.78%	$112,097,421
	(b) Disability benefits	3.42%	22,845,505
	(c) Death	0.63%	4,188,089
	(d) Withdrawal benefits	1.49%	9,966,693
	(e) Total	22.32%	$149,097,708
2.	Amortization of Supplemental Contribution UAAL	3.14%	20,977,965
3.	Allowance for Administrative Expenses	0.11%	734,897
4.	Total	25.57%	$170,810,570
C.	**Contribution Sufficiency (Deficiency) (A.3 – B.4)**	-7.07%	-$47,214,278
	Projected annual payroll for fiscal year beginning on the valuation date**		$668,088,065

** The statutory contribution rates as of July 1, 2006 are shown as a blended rate of ½ of the current rate and ½ of the rate increase effective January 1, 2007.*

*** Calculated as covered actual payroll, projected one year with salary scale.*

EXHIBIT VI

Supplementary Information Required by the GASB

Valuation date	July 1, 2006	
Actuarial cost method	Entry Age Normal	
Amortization method	Level percentage of payroll, assuming payroll increases at 5.00% per annum	
Remaining amortization period	14 years remaining as of July 1, 2006	
Asset valuation method	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).	
Actuarial assumptions:		
Investment rate of return:		
Pre-retirement	8.50% per annum	
Post-retirement	8.50% per annum (payment of earnings on retired reserves or excess of 6.00% accounted for by 6.00% post-retirement assumption)	
Plan membership:		
Pensioners and beneficiaries receiving benefits	6,801	
Terminated vested members entitled to, but not yet receiving benefits	999	
Other non-vested terminated members	757	
Active members	10,591	
Total	19,148	

EXHIBIT VII

Actuarial Assumptions and Actuarial Cost Method

Net Investment Return:		
Pre-Retirement:	8.50% per annum.	
Post-Retirement:	8.50% per annum.	
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumption.	
Salary Increases:	Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to the ultimate rate table below.	
Mortality Rates:		
Healthy Pre-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back six years.
	Female:	1983 Group Annuity Mortality Table for females set back six years.
Healthy Post-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back one year.
	Female:	1983 Group Annuity Mortality Table for females set back one year.
Disabled:	Male:	1965 RRB rates up to age 40. For ages 41 to 59, graded rates between 1965 RRB and the Healthy Post-Retirement Mortality Table. For ages 60 and later, the Healthy Post-Retirement Mortality Table.
	Female:	1965 RRB rates up to age 40. For ages 41 to 59, graded rates between 1965 RRB and the Healthy Post-Retirement Mortality Table. For ages 60 and later, the Healthy Post-Retirement Mortality Table.

Retirement Rates:	Rates as shown in table.
Withdrawal Rates:	Select and ultimate rates based on plan experience through June 30, 2002. Ultimate rates after the third year are shown in the rate table. Select rates are as follows: First Year 3.50% Second Year 3.50% Third Year 3.50%
Disability Rates:	Rates as shown in the rate table.
Allowance for Combined Service Annuity:	Liabilities for active members are increased by 0.00% and liabilities for former members are increased by 30.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.
Expenses:	Prior year expenses expressed as percentage of prior year payroll.
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.
Percent Married:	85% of male members and 65% of female members are assumed to be married.
Age of Spouse:	Females are assumed to be four years younger than males.
Eligible Children:	Assume members have no children.
Special Consideration:	Married members assumed to elect subsidized joint and survivor form of annuity as follows:

	Males	Females
50% J & S option	40.00%	15.00%
100% J & S option	45.00%	15.00%

Actuarial Cost Method:	Entry Age Normal Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
Asset Valuation Method:	On and after July 1, 2000, Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year). Transition rules apply between July 1, 2000 and July 1, 2003, when the method is fully in effect.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date assuming payroll increases of 6.0% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.

Summary of Rates: Shown below for selected ages:

	Rates - (%)					
	Death					
Age	Male	Female	Withdrawal	Disability	Retirement	Ultimate Rate of Salary Increases
20	0.03%	0.01%	6.01%	0.11%	0.00	11.50%
25	0.04	0.02	3.24	0.13	0.00	9.50
30	0.04	0.02	1.90	0.16	0.00	8.00
35	0.06	0.03	1.46	0.19	0.00	7.00
40	0.08	0.04	1.26	0.29	0.00	6.00
45	0.11	0.06	0.91	0.54	0.00	5.50
50	0.19	0.09	0.50	1.04	10.00	5.25
55	0.35	0.15	0.11	2.03	30.00	5.25
60	0.57	0.23	0.00	0.00	25.00	5.25
65	0.84	0.38	0.00	0.00	50.00	5.25
70	1.39	0.64	0.00	0.00	100.00	5.25

Changes in Actuarial Assumptions and Actuarial Cost Methods: There have been no changes made to the actuarial assumptions or actuarial cost methods since the prior valuation.

EXHIBIT VIII

Summary of Plan Provisions

This summary of provisions reflects the interpretation of applicable Statutes for purposes of preparing this valuation. This interpretation is not intended to create or rescind any benefit rights in conflict with any Minnesota Statutes.

General:

Eligibility: All full-time and certain part-time, police officers and fire fighters, who are not contributing to any other local retirement fund.

Contributions: Shown as a percent of salary:

Date of Increase	Member	Employer
Current	7.0%	10.5%
January 2007	7.8%	11.7%
January 2008	8.6%	12.9%
January 2009	9.4%	14.1%

Allowable Service: Police and fire service during which member contributions were deducted. May also include certain leaves of absence and military service.

Salary: Includes amounts deducted for deferred compensation or supplemental retirement plans, net income from fees and sick leave payments funded by the employer. Excludes lump sum annual leave and sick leave payments and Workers' Compensation benefits.

Average Salary: Average of the five highest successive years of salary. Average Salary is based on all Allowable Service if less than five years.

Retirement:

<u>Normal Retirement Benefit</u>:	
Age/Service Requirement:	Age 55 and three years of Allowable Service. Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service.
Amount:	3.00% of Average Salary for each year of Allowable Service.
<u>Early Retirement Benefit</u>:	
Age/Service Requirement:	Age 50 and three years of Allowable Service.
Amount:	Normal Retirement Benefit based on Allowable Service and Average Salary at retirement date and a 0.10% reduction for each month the member is under age 55.
Form of Payment:	Life annuity with return on death of any balance of contributions over aggregate monthly payments. Actuarially equivalent options are: 25%, 50%, 75%, or 100% joint and survivor with bounce back feature without additional reduction.

Benefit Increases:	Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Benefit recipients receiving benefits for at least one full month but less than 12 full months will receive a partial increase.
	Members retired under law in effect before July 1, 1973 receive an additional lump sum payment each year. In 1989, this lump sum payment is the greater of $25 times each full year of Allowable Service or the difference between $400 times each full year of Allowable Service and the sum of the benefits paid from any Minnesota public pension plan plus cash payments from the Social Security Administration for the preceding fiscal year July 1, 1988 through June 30, 1989. In each following year, the lump sum payment will increase by the same percentage increase that is applied to regular annuities paid from MPRIF. Effective January 1, 2002, annual lump sum payment is divided by 12 and paid as a monthly life annuity in the annuity form elected.

[*] *Effective July 1, 1999. From July 1, 1996 through June 30, 1999, the reduction is 0.2% for each month the Member is under age 55. Prior to July 1, 1996, an actuarial reduction is used assuming augmentation of the normal benefit to age 55 at 3% per year.*

Disability:

Duty Disability Benefit:

Age/Service Requirement:	Physically or mentally unable to perform duties as a police officer or fire fighter as a direct result of an act of duty. Members age 55 or older with 20 or more years of Allowable Service are not eligible to apply for disability benefits.
Amount:	60.00% of Average Salary plus 3.00% of Average Salary for each year in excess of 20 years of Allowable Service. The disability benefit is reduced to that amount which when added to Workers' Compensation and actual earnings, does not exceed salary or 125.00% of pay for an employee at same position. Payments change to retirement annuity at age 65. If a member became disabled prior to July 1, 1997 but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in post-retirement interest rates from 5.00% to 6.00%.

Non-Duty Disability Benefits:

Age/Service Requirement:	Physically or mentally unable to perform duties as a police officer or fire fighter with one year of Allowable Service. Members age 55 or older with 15 or more years of Allowable Service are not eligible to apply for disability benefits.
Amount:	Normal Retirement Benefit based on Allowable Service (minimum of 15 years) and average salary at disability without reduction for commencement before age 55. Payments change to retirement annuity at age 65. If a member became disabled prior to July 1, 1997 but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in post-retirement interest rates from 5.00% to 6.00%.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.

Retirement Benefits:	
Age/Service Requirement:	Age 55.
Amount:	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 55 or the normal retirement benefit available at age 55, or an actuarially equivalent optional annuity.
Form of Payment:	Same as for retirement.
Benefit Increases:	Same as for retirement.

Death:

Surviving Spouse Benefit:	
Age/Service Requirement:	Active or Disabled member with surviving spouse, married for at least one year unless death in the line of duty.
Amount:	50.00% of salary averaged over last six months. Benefit paid until spouse's death but no payments while spouse is remarried prior to July 1, 1991. If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.
Surviving Dependent Child Benefit:	
Age/Service Requirement:	Active or Disabled member with dependent child.
Amount:	10.00% of salary averaged over last six months for each child. Family benefit minimum (including spouse's benefit) of 50.00% of salary and maximum of 70.00% of salary. Benefits paid until child marries, dies, or attains age 18 (age 23 if full-time student). If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

<u>Surviving Spouse Optional Annuity</u>:	
Age/Service Requirement:	Active or Disable member dies before age 55, benefits commence when member would have been age 55 or as early as age 50 if qualified for early retirement except that benefits commence immediately if member had 30 years of service.
Amount:	Survivor's payment of the 100% joint and survivor benefit the member could have elected if terminated. Alternatively, spouse may elect refund of deceased's contributions with interest if there are no dependent children. If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.

Termination:

<u>Refund of Contributions</u>:	
Age/Service Requirement:	Termination of public service.
Amount:	Member's contributions with 5.00% interest compounded annually if termination occurred before May 16, 1989 and 6.00% interest if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund if three or more years of Allowable Service.
<u>Deferred Annuity</u>:	
Age/Service Requirement:	Three years of Allowable Service.
Amount:	Benefit computed under law in effect at termination and increased by the following percentage compounded annually: 0.00% before July 1, 1971; 5.00% from July 1, 1971 to January 1, 1981; and 3.00% thereafter until January of the year following attainment of age 55 and 5.00% thereafter until the annuity begins. Amount is payable at normal or early retirement. If a member terminated employment prior to July 1, 1997 but was not eligible to commence their pension before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Changes in Plan Provisions:	The only change to the plan provisions is a change in the eligibility to apply for disability benefits, effective July 1, 2006. Members age 55 or older with 20 or more years of Allowable Service are no longer eligible to apply for duty related disability benefits. Members age 55 or older with 15 or more years of Allowable Service are no longer eligible to apply for non-duty related disability benefits.