Local Government Correctional Service Retirement Fund

Actuarial Valuation and Review
as of July 1, 2007

SEGAL

The Segal Company
101 North Wacker Drive, Suite 500 Chicago, IL 60606-1724
T 312.984.8500 F 312.984.8590 www.segalco.com

November 28, 2007

Ms. Mary Most Vanek
Public Employees Retirement Association of Minnesota
Local Government Correctional Service Retirement 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, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Public Employees' Retirement Association of Minnesota. 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 (Local Government Correctional Service Retirement Fund) as of July 1, 2007. 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 Retirement 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, 2007, provided by the Fund;
- The assets of the Fund as of June 30, 2007, 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 353E is equal to 14.58% of payroll compared to the required contribution rate under Chapter 356 of 12.36% of payroll. Therefore, statutory contributions are sufficient to meet the required contribution rate. The decrease in the required contribution rate from July 1, 2006 (12.68% of payroll) to July 1, 2007 (12.36% of payroll) is primarily due to the decrease in the unfunded actuarial accrued liability from $7,529,873 as of July 1, 2006 to $2,621,449 as of July 1, 2007, hence decreasing the supplemental contribution rate.
- There were no changes in plan provisions or actuarial assumptions since the last valuation.
- The only change in actuarial cost methods since the prior valuation was a modification to the asset valuation method, effective with the July 1, 2007 valuation. Assets allocated to the Minnesota Post Retirement Investment Fund (MPRIF) must equal the Market Value of Assets on the valuation date. This change resulted in a decrease to the Actuarial Value of Assets and increase to the Unfunded Actuarial Accrued Liability of $719,241. The Supplemental Contribution increased by $59,517, which directly impacted the Contribution Sufficiency, resulting in total sufficiency of 2.22% of payroll.
- The actuarial accrued liability funded ratio based on the actuarial value of assets, under the new asset valuation method, as of July 1, 2007 is 98.38% compared to 94.35% as of July 1, 2006. The funded ratio based on this calculation under the old asset valuation method would have increased to 98.83% as of July 1, 2007; hence, the decrease in the funded ratio from 98.83% to 98.38% is entirely attributable to the asset valuation method change. The majority of the funded ratio increase from 2006 to 2007 is due to investment gain, increasing the market and actuarial value of assets as of June 30, 2007. This ratio is a measure of funding status, and its history is a measure of funding progress.

Summary of Key Valuation Results

	2007*	2006
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 353E	14.58%	14.58%
Required – Chapter 356	12.36%	12.68%
Sufficiency/(Deficiency)	2.22%	1.90%
Funding elements for plan year beginning July 1:		
Normal cost	$17,985,024	$17,134,103
Market value of assets	174,280,940	131,696,690
Actuarial value of assets (AVA)	159,547,801	125,775,917
Actuarial accrued liability (AAL)	162,169,250	133,305,790
Unfunded/(Overfunded) actuarial accrued liability	2,621,449	7,529,873
Funded ratios:		
<u>Accrued Benefit Funded Ratio</u>	108.20%	104.19%
Current assets (AVA)	$159,547,801	$125,775,917
Current benefit obligations	147,453,664	120,717,463
<u>Projected Benefit Funded Ratio</u>	113.96%	113.37%
Current and expected future assets	$349,360,704	$308,444,067
Current and expected future benefit obligations (Present Value of Benefits)	306,577,164	272,069,496
GASB 25/27 for plan year beginning July 1:		
Annual employer required contributions	$8,711,660	$8,506,632
Accrued Liability Funded Ratio (AVA/AAL)	98.38%	94.35%
Covered Actual Payroll	$134,116,624	$125,189,428
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	275	223
Number of vested terminated members	1,337	1,100
Number of other non-vested terminated members	1,291	1,086
Number of active members	3,566	3,531
Total projected payroll**	$148,793,559	$141,083,054
Average projected compensation	41,726	39,956

** The 2007 results reflect a change in the Asset Valuation Method, with MPRIF Reserves equal to Market Value.*
*** 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 several valuations can be seen in this chart.

CHART 1

Member Population: 2002 – 2007

Year Ended June 30	Active Members	Vested Terminated Members*	Pensioners and Beneficiaries	Ratio of Non-Actives to Actives
2002	3,270	282	63	0.11
2003	3,155	590	100	0.22
2004	3,251	758	139	0.28
2005	3,352	915	180	0.33
2006	3,531	1,100	223	0.37
2007	3,566	1,337	275	0.45

* *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 3,566 active members with an average age of 39.1, average years of service of 4.7 years and average projected compensation of $41,726. The 3,531 active members in the prior valuation had an average age of 38.7, average service of 4.2 years and average projected compensation of $39,956.

Inactive Members

In this year's valuation, there were 1,337 members with a vested right to a deferred or immediate vested benefit.

In addition, there were 1,291 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, 2007

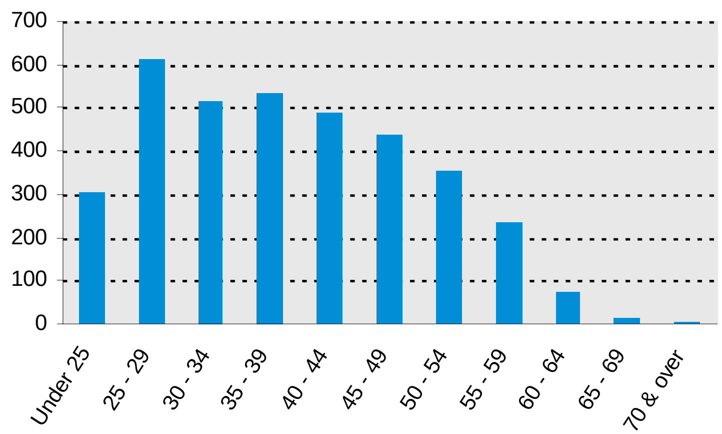
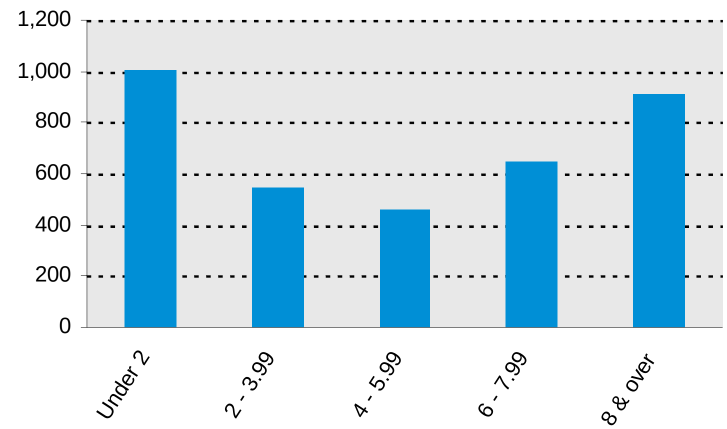


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2007



Pensioners and Beneficiaries

As of June 30, 2007, 262 pensioners (175 retired and 87 disableds) and 13 beneficiaries were receiving monthly benefits of $162,787. For comparison, in the previous valuation, there were 214 pensioners (144 retired and 70 disableds) and 9 beneficiaries receiving monthly benefits of $122,191.

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, 2007

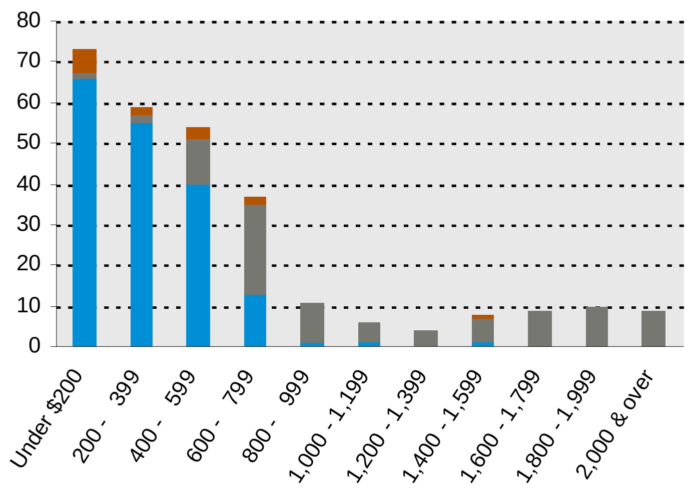
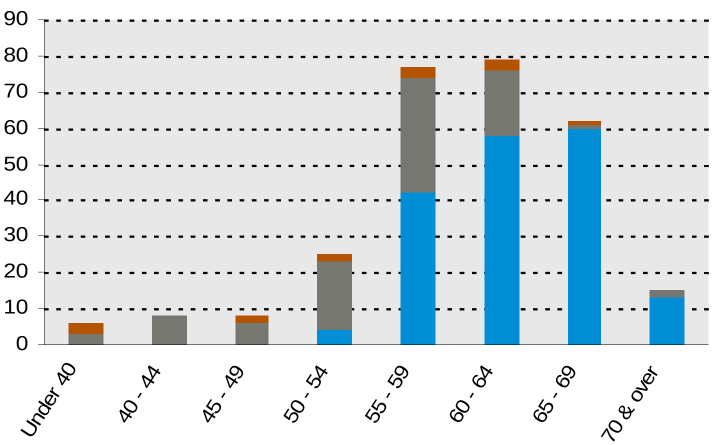


CHART 5

Distribution of Pensioners and Beneficiaries by Type and by Age as of June 30, 2007



B. FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the 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.

Effective with the July 1, 2007 valuation, the Asset Valuation Method was changed such that assets allocated to the Minnesota Post Retirement Investment Fund (MPRIF) must equal the Market Value of Assets on the valuation date. The next page summarizes the determination of the Actuarial Value of Assets for the Year Ended June 30, 2007, before and after this method change.

The chart shows the determination of the actuarial value of assets as of the valuation date, before the asset valuation method change.

CHART 6A

Determination of Actuarial Value of Assets for Year Ended June 30, 2007 – Before Asset Valuation Method Change

		Original Amount	% Not Recognized	
1.	Market value of assets available for benefits			$175,000,181
2.	Calculation of unrecognized return			
	(a) Year ended June 30, 2007	$13,050,378	80%	$10,440,302
	(b) Year ended June 30, 2006	3,874,605	60%	2,324,763
	(c) Year ended June 30, 2005	1,967,298	40%	786,919
	(d) Year ended June 30, 2004	5,905,774	20%	1,181,155
	(e) Total unrecognized return			$14,733,139
3.	Actuarial value of assets ("Current Assets"): (1) – (2e)			$160,267,042
4.	Actuarial value as a percent of market value			91.6%

The chart shows the determination of the actuarial value of assets as of the valuation date, after the valuation method change.

CHART 6B

Determination of Actuarial Value of Assets for Year Ended June 30, 2007 – After Asset Valuation Method Change

		Original Amount	% Not Recognized	
1.	Market value of assets available for benefits			$174,280,940
2.	Calculation of unrecognized return			
	(a) Year ended June 30, 2007	$13,050,378	80%	$10,440,302
	(b) Year ended June 30, 2006	3,874,605	60%	2,324,763
	(c) Year ended June 30, 2005	1,967,298	40%	786,919
	(d) Year ended June 30, 2004	5,905,774	20%	1,181,155
	(e) Total unrecognized return			$14,733,139
3.	Actuarial value of assets ("Current Assets"): (1) – (2e)			$159,547,801
4.	Actuarial value as a percent of market value			91.5%

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 plan year ended June 30, 2007, the total gain is $3,139,126, including a gain of $5,018,484 from investments and a loss of $1,879,358 from all other sources. The net experience variation from individual sources other than investments was 1.16% of the total actuarial accrued liability, which 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, 2007

1.	Net gain from investments	$5,018,484
2.	Net (loss) from other experience	-1,879,358
3.	Net experience gain: (1) + (2)	$3,139,126

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 in accordance with the GASB actuarially required contributions. 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 2007	2006	Change From Prior Year
Active members in valuation:			
Number	3,566	3,531	1.0%
Average age	39.1	38.7	N/A
Average service	4.7	4.2	N/A
Total projected payroll*	$148,793,559	$141,083,054	5.5%
Average projected compensation	41,726	39,956	4.4%
Total active vested members	2,253	2,218	1.6%
Vested terminated members	1,337	1,100	21.5%
Retired participants:			
Number in pay status	175	144	21.5%
Average age	63.6	63.3	N/A
Average monthly benefit	$306	$268	14.2%
Disabled members:			
Number in pay status	87	70	24.3%
Average age	54.8	54.4	N/A
Average monthly benefit	$1,201	$1,144	5.0%
Beneficiaries:			
Number in pay status	13	9	44.4%
Average age	56.6	47.6	N/A
Average monthly benefit	$368	$390	-5.6%
Other non-vested terminated members	1,291	1,086	18.9%

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

EXHIBIT B

Members in Active Service as of June 30, 2007
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	304	303	1	--	--	--	--	--
	$25,990	$25,943	$40,240	--	--	--	--	--
25 - 29	612	510	102	--	--	--	--	--
	34,050	31,907	44,764	--	--	--	--	--
30 - 34	517	281	236	--	--	--	--	--
	40,623	34,792	47,565	--	--	--	--	--
35 - 39	534	228	306	--	--	--	--	--
	43,274	32,310	51,444	--	--	--	--	--
40 - 44	486	165	321	--	--	--	--	--
	47,358	35,644	53,380	--	--	--	--	--
45 - 49	436	138	298	--	--	--	--	--
	47,300	35,187	52,909	--	--	--	--	--
50 - 54	353	79	274	--	--	--	--	--
	48,465	35,059	52,330	--	--	--	--	--
55 - 59	235	46	189	--	--	--	--	--
	48,379	32,864	52,156	--	--	--	--	--
60 - 64	73	14	59	--	--	--	--	--
	44,948	30,154	48,458	--	--	--	--	--
65 - 69	12	4	8	--	--	--	--	--
	37,036	4,502	53,303	--	--	--	--	--
70 & Over	4	--	4	--	--	--	--	--
	25,464	--	25,464	--	--	--	--	--
Total	3,566	1,768	1,798	--	--	--	--	--
	$41,726	$32,090	$51,200	--	--	--	--	--

EXHIBIT C
Retired Participants as of June 30, 2007
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 & Over**
Under 45	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
50 - 54	4	4	--	--	--	--	--	--
	$4,041	$4,041	--	--	--	--	--	--
55 - 59	41	41	--	--	--	--	--	--
	4,593	4,593	--	--	--	--	--	--
60 - 64	57	49	8	--	--	--	--	--
	3,906	4,217	$1,997	--	--	--	--	--
65 - 69	60	34	26	--	--	--	--	--
	3,089	3,755	2,218	--	--	--	--	--
70 - 74	11	4	7	--	--	--	--	--
	2,570	2,547	2,583	--	--	--	--	--
75 - 79	2	--	2	--	--	--	--	--
	1,003	--	1,003	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
Total	175	132	43	--	--	--	--	--
	$3,673	$4,159	$2,180	--	--	--	--	--

EXHIBIT D
Disabled Members as of June 30, 2007
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 & Over**
Under 45	8	5	3	--	--	--	--	--
	$14,457	$11,757	$18,956	--	--	--	--	--
45 - 49	9	8	1	--	--	--	--	--
	18,083	17,447	23,169	--	--	--	--	--
50 - 54	19	15	4	--	--	--	--	--
	14,296	13,897	15,794	--	--	--	--	--
55 - 59	32	27	5	--	--	--	--	--
	14,681	13,422	21,481	--	--	--	--	--
60 - 64	18	10	8	--	--	--	--	--
	12,597	11,557	13,897	--	--	--	--	--
65 - 69	1	1	--	--	--	--	--	--
	6,829	6,829	--	--	--	--	--	--
70 - 74	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
75 - 79	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
Total	87	66	21	--	--	--	--	--
	$14,407	$13,509	$17,228	--	--	--	--	--

EXHIBIT E
Beneficiaries as of June 30, 2007
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 & Over
Under 45	1	1	--	--	--	--	--	--
	$5,524	$5,524	--	--	--	--	--	--
45 - 49	3	2	1	--	--	--	--	--
	1,030	1,099	$891	--	--	--	--	--
50 - 54	2	1	1	--	--	--	--	--
	2,103	3,135	1,070	--	--	--	--	--
55 - 59	3	2	1	--	--	--	--	--
	9,811	13,170	3,092	--	--	--	--	--
60 - 64	3	3	--	--	--	--	--	--
	4,882	4,882	--	--	--	--	--	--
65 - 69	1	1	--	--	--	--	--	--
	446	446	--	--	--	--	--	--
70 - 74	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
75 - 79	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
Total	13	10	3	--	--	--	--	--
	$4,411	$5,229	$1,685	--	--	--	--	--

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 June 30, 2006	3,531	1,100	1,086	70	144	9	5,940
B. Data Adjustments*	-1	47	-46	- -	- -	- -	- -
C. Additions	560	209	306	20	33	4	1,132
D. Deletions:							
1. Terminated – Nonvested	-270	- -	-41	- -	- -	- -	-311
2. Terminated – Vested	-202	- -	- -	- -	- -	- -	-202
3. Retirements	-28	-4	- -	-1	- -	- -	-33
4. Disability	-20	-1	- -	- -	- -	- -	-21
5. Death	-4	-1	-1	-2	-2	- -	-10
6. Return to Active	- -	-13	-13	- -	- -	- -	-26
7. Other	- -	- -	- -	- -	- -	- -	- -
E. Number as of June 30, 2007	3,566	1,337	1,291	87	175	13	6,469

**Adjustments made by PERA to the 2006 data subsequent to the 2006 actuarial valuation.*

EXHIBIT G

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2007

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of year (BOY)	$126,047,303	$5,649,387	$131,696,690
B. Operating revenues:			
1. Member contributions	$8,334,563	--	$8,334,563
2. Employer contributions	12,499,087	--	12,499,087
3. MPRIF income	--	$512,971	512,971
4. Net investment income			
(a) Interest and dividends	$4,366,028	--	$4,366,028
(b) Net appreciation/(depreciation)	20,238,744	--	20,238,744
(c) Securities lending income	60,607	--	60,607
(d) Investment expenses	-223,341	--	-223,341
(e) Net subtotal	$24,442,038	--	$24,442,038
5. Other	21,950	--	21,950
6. Total additions	$45,297,638	$512,971	$45,810,609
C. Operating expenses:			
1. Benefits	$1,208,590	$626,958	$1,835,548
2. Refunds	474,279	--	474,279
3. Administrative expenses	185,346	--	185,346
4. Other	11,945	--	11,945
5. Total operating expenses	$1,880,160	$626,958	$2,507,118
D. Other changes in reserves:			
1. Annuities awarded	-$2,492,572	$2,492,572	--
2. Mortality gain/(loss)	289,659	-289,659	--
3. Change in MPRIF Asset Valuation Method	--	-719,241	-$719,241
4. Total other changes	-$2,202,913	$1,483,672	-$719,241
E. Assets available at end of year (EOY)	$167,261,868	$7,019,072	$174,280,940

F. Determination of current year unrecognized asset return (UAR)	
1. Average balance:	
(a) Non-MPRIF Assets available at BOY: (A)	$126,047,303
(b) Non-MPRIF Assets available at EOY*: (E) – (D.2)	166,972,209
(c) Average balance: [(F.1(a)) + (F.1(b)) – (B.4(e)) – (B.5)]/2	134,277,762
2. Expected return: 8.50% x (F.1(c))	11,413,610
3. Actual return: (B.4(e)) + (B.5)	24,463,988
4. Current year UAR: (F.3) – (F.2)	$13,050,378

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

EXHIBIT H

Table of Financial Information for Year Ended June 30, 2007

	Market Value	Cost Value
Assets in trust		
Cash, equivalents, short-term securities	$3,989,217	$3,989,217
Fixed income	36,506,137	37,540,833
Equity	108,260,446	94,159,980
Equity in MPRIF*	7,019,072	7,019,072
Invested securities lending collateral	27,032,522	27,032,522
SBI alternative	17,689,237	15,768,749
Total assets in trust	$200,496,631	$185,510,373
Assets receivable	$1,049,240	$1,049,240
Total assets	$201,545,871	$186,559,613
Amounts currently payable		
Securities lending collateral	-$27,032,522	-$27,032,522
Other	-232,409	-232,409
Total amounts currently payable	-$27,264,931	-$27,264,931
Assets available for benefits		
MPRIF reserves	$7,019,072	$7,019,072
Member reserves	38,697,056	38,697,056
Other non-MPRIF reserves	128,564,812	113,578,554
Total assets available for benefits	$174,280,940	$159,294,682
Net Assets at Market/Cost Value	$174,280,940	$159,294,682

**The Cost Value of the Equity in the MPRIF is stated as Market Value in the MPRIF. The actual liability of the MPRIF Reserve is $7,738,313.*

EXHIBIT I

Actuarial Value of Assets Calculation History Through June 30, 2007

Year Ended June 30	Employer Contributions	Member Contributions	Net Investment Return*	Change in Asset Method	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2002	$8,830,000	$5,882,000	$1,126,000	--	$137,000	$610,000	$40,105,000
2003	9,645,000	6,430,000	1,424,000	--	149,000	968,000	56,487,000
2004	10,029,408	6,671,647	3,881,483	--	161,861	1,392,532	75,515,145
2005	10,814,425	7,192,028	6,542,230	--	175,961	1,731,982	98,155,975
2006	11,825,800	7,880,664	10,060,256	--	186,478	1,960,300	125,775,917
2007	12,499,087	8,334,563	16,152,648	-$719,241	185,346	2,309,827	159,547,801

** 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, 2007

1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year		$7,529,873
2. Normal cost at beginning of year		17,134,103
3. Total contributions		20,833,650
4. Interest		1,211,008
5. Expected unfunded/(overfunded) actuarial accrued liability (1) + (2) – (3) + (4)		$5,041,334
6. Changes due to (gain)/loss from:		
(a) Investments	-$5,018,484	
(b) MPRIF Mortality	-289,659	
(c) Salary increases	-1,070,392	
(d) Other demographics*	3,239,409	
(e) Total changes due to (gain)/loss		-$3,139,126
7. Changes due to change in asset valuation method		$719,241
8. Unfunded/(Overfunded) actuarial accrued liability at end of year		$2,621,449

** 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 often 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 IA

Summary of Actuarial Valuation Data

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

1.	Pensioners as of the valuation date (including 13 beneficiaries in pay status)		275
2.	Members inactive during year ended June 30, 2007 with vested rights		1,337
3.	Members active during the year ended June 30, 2007		3,566
	Fully vested	2,253	
	Not vested	1,313	
4.	Other non-vested terminated members as of June 30, 2007		1,291

EXHIBIT IB

Summary of Actuarial Valuation Results (Before Asset Valuation Method Change)

	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	$186,690,251	$92,269,685	$94,420,566
(b) Disability benefits	27,027,479	17,029,500	9,997,979
(c) Death benefits	8,115,804	4,538,419	3,577,385
(d) Withdrawal benefits	43,183,371	30,570,310	12,613,061
(e) Total	$265,016,905	$144,407,914	$120,608,991
2. Vested terminated members	$17,918,744	--	$17,918,744
3. Other non-vested terminated members	1,424,147	--	1,424,147
4. Annuitants in MPRIF	7,738,313	--	7,738,313
5. Annuitants not in MPRIF	14,479,055	--	14,479,055
6. Total	$306,577,164	$144,407,914	$162,169,250
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			$162,169,250
2. Actuarial Value of Assets			160,267,042
3. Unfunded Actuarial Accrued Liability: (B.1) – (B.2)			$1,902,208
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through amortization date of July 1, 2023			$1,923,940,233
2. Supplemental contribution rate: (B.3) / (C.1)			0.10%
D. Determination of GASB Amortization Rate			
1. Present value of future payrolls through amortization date of July 1, 2023			$1,802,032,576
2. Supplemental contribution rate: (B.3) / (D.1)			0.11%

EXHIBIT IC

Summary of Actuarial Valuation Results (After Asset Valuation Method Change)

	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	$186,690,251	$92,269,685	$94,420,566
(b) Disability benefits	27,027,479	17,029,500	9,997,979
(c) Death benefits	8,115,804	4,538,419	3,577,385
(d) Withdrawal benefits	43,183,371	30,570,310	12,613,061
(e) Total	$265,016,905	$144,407,914	$120,608,991
2. Vested terminated members	$17,918,744	--	$17,918,744
3. Other non-vested terminated members	1,424,147	--	1,424,147
4. Annuitants in MPRIF	7,738,313	--	7,738,313
5. Annuitants not in MPRIF	14,479,055	--	14,479,055
6. Total	$306,577,164	$144,407,914	$162,169,250
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			$162,169,250
2. Actuarial Value of Assets			159,547,801
3. Unfunded Actuarial Accrued Liability: (B.1) – (B.2)			$2,621,449
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through amortization date of July 1, 2023			$1,923,940,233
2. Supplemental contribution rate: (B.3) / (C.1)			0.14%
D. Determination of GASB Amortization Rate			
1. Present value of future payrolls through amortization date of July 1, 2023			$1,802,032,576
2. Supplemental contribution rate: (B.3) / (D.1)			0.15%

SEGAL

EXHIBIT II

Actuarial Balance Sheet

A.	Current Assets				$159,547,801
B.	Expected Future Assets				
	1. Present Value of Expected Future Statutory Supplemental Contributions				$45,404,989
	2. Present Value of Future Normal Costs				144,407,914
	3. Total Expected Future Assets				$189,812,903
C.	Total Current and Expected Future Assets				$349,360,704
D.	Current Benefit Obligations		**Non-Vested**	**Vested**	**Total**
	1. Benefit recipients:				
		(a) Retirement annuities	--	$7,135,336	$7,135,336
		(b) Disability benefits	--	14,479,055	14,479,055
		(c) Beneficiaries	--	602,977	602,977
	2. Vested terminated members		--	17,918,744	17,918,744
	3. Other non-vested terminated members		--	1,424,147	1,424,147
	4. Active members		$5,047,834	100,845,571	105,893,405
	5. Total Current Benefit Obligations		$5,047,834	$142,405,830	$147,453,664
E.	Expected Future Benefit Obligations				159,123,500
F.	Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				$306,577,164
G.	Current Unfunded/(Surplus) Actuarial Liability (D.5 - A)				-$12,094,137
H.	Current and Future Unfunded/(Surplus) Actuarial Liability (F - C)				-$42,783,540

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Actuarially Required Contribution Rate[2] (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Employer Contributions [(a) x (b)] – (c) = (d)	Actual Employer Contributions[1] (e)	Percentage Contributed (e) / (d)
2000	15.03%	$70,690,000	$4,382,000	$6,243,000	$6,487,000	103.91%
2001	14.36% [3]	91,025,000	5,308,000	7,763,000	8,054,000	103.75%
2002	14.21%	101,309,000	5,882,000	8,514,000	8,830,000	103.71%
2003	14.10% [4]	110,296,000	6,430,000	9,122,000	9,645,000	105.74%
2004	14.15%	109,600,235	6,671,647	8,836,786	10,029,408	113.50%
2005	13.06%	116,848,904	7,192,028	8,068,439	10,814,425	134.03%
2006	13.09%	125,189,428	7,880,664	8,506,632	11,825,800	139.02%
2007	12.71%	134,116,624	8,334,563	8,711,660	12,499,087	143.48%
2008	12.37%[5]					

(1) *Includes contributions from other sources (if applicable).*

(2) *Actuarially Required Contribution Rate calculated according to parameters of GASB 25 with no assumption for growth of covered population.*

(3) *Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 14.38%.*

(4) *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 14.08%.*

(5) *Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 12.33%.*

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)
07/01/2000	$11,116,000	$10,195,000	-$921,000	109.03%	$70,690,000	-1.30%
07/01/2001	25,014,000	25,453,000	439,000	98.28%	91,025,000	0.48%
07/01/2002	40,105,000	42,144,000	2,039,000	95.16%	101,309,000	2.01%
07/01/2003	56,487,000	62,542,000	6,055,000	90.32%	110,296,000	5.49%
07/01/2004	75,515,145	85,693,412	10,178,267	88.12%	109,600,235	9.29%
07/01/2005	98,155,975	108,926,147	10,770,172	90.11%	116,848,904	9.22%
07/01/2006	125,775,917	133,305,790	7,529,873	94.35%	125,189,428	6.01%
07/01/2007	159,547,801	162,169,250	2,621,449	98.38%	134,116,624	1.95%

EXHIBIT VA

Determination of Contribution Sufficiency (Before Asset Valuation Method Change)

	July 1, 2007	
A. Statutory Contributions – Chapter 353E	**Percent of Payroll**	**Dollar Amount**
1. Member Contributions	5.83%	$8,674,664
2. Employer Contributions	8.75%	13,019,436
3. Total	14.58%	$21,694,100
B. Required Contributions – Chapter 356		
1. Normal Cost:		
(a) Retirement benefits	8.02%	$11,930,777
(b) Disability benefits	1.48%	2,202,418
(c) Death	0.36%	529,189
(d) Withdrawal benefits	2.23%	3,322,640
(e) Total	12.09%	$17,985,024
2. Amortization of Supplemental Contribution UAAL	0.10%	148,794
3. Allowance for Administrative Expenses	0.13%	193,432
4. Total	12.32%	$18,327,250
C. Contribution Sufficiency (Deficiency) (A.3 – B.4)	2.26%	$3,366,850
Projected annual payroll* for fiscal year beginning on the valuation date		$148,793,559

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

EXHIBIT VB

Determination of Contribution Sufficiency (After Asset Valuation Method Change)

	July 1, 2007	
A. Statutory Contributions – Chapter 353E	**Percent of Payroll**	**Dollar Amount**
1. Member Contributions	5.83%	$8,674,664
2. Employer Contributions	8.75%	13,019,436
3. Total	14.58%	$21,694,100
B. Required Contributions – Chapter 356		
1. Normal Cost:		
(a) Retirement benefits	8.02%	$11,930,777
(b) Disability benefits	1.48%	2,202,418
(c) Death	0.36%	529,189
(d) Withdrawal benefits	2.23%	3,322,640
(e) Total	12.09%	$17,985,024
2. Amortization of Supplemental Contribution UAAL		
(a) Before asset valuation method change	0.10%	148,794
(b) Cost impact due to asset valuation method change	0.04%	59,517
3. Allowance for Administrative Expenses	0.13%	193,432
4. Total	12.36%	$18,386,767
C. Contribution Sufficiency (Deficiency) (A.3 – B.4)	2.22%	$3,307,333
Projected annual payroll* for fiscal year beginning on the valuation date		$148,793,559

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

EXHIBIT VI

Supplementary Information Required by the GASB

Valuation date	July 1, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, assuming payroll increases at 5.00% per annum
Remaining amortization period	16 years remaining as of July 1, 2007
Asset valuation method	MPRIF Reserve: Market Value
	Non-MPRIF Assets: 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 in excess of 6.00% accounted for by 6.00% post-retirement assumption)
Plan membership:	
Pensioners and beneficiaries receiving benefits	275
Terminated vested members entitled to, but not yet receiving benefits	1,337
Other non-vested terminated members	1,291
Active members	3,566
Total	6,469

SEGAL

EXHIBIT VII

Actuarial Assumptions and Actuarial Cost Method

Net Investment Return:		
Pre-Retirement:	8.50% per annum	
Post-Retirement:	8.50% per annum (payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumptions)	
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumptions.	
Salary Increases:	Reported salary at valuation date increased according to the rate table below to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for new members.	
Mortality Rates:		
Healthy Pre-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back one year.
	Female:	1983 Group Annuity Mortality Table for females.
Healthy Post-Retirement:	Male:	1983 Group Annuity Mortality Table for males set forward two years.
	Female:	1983 Group Annuity Mortality Table for females set forward two years.
Disabled:	Male:	Combined Annuity Mortality Table.
	Female:	Combined Annuity Mortality Table.

Retirement Rates:	Age-related table as follows:

Ages:	50-53	2.00%
	54	5.00
	55	25.00
	56-59	10.00
	60-61	20.00
	62-64	40.00
	65-69	50.00
	70 & Over	100.00

Withdrawal Rates:	Graded rates based on actual experience developed by the June 30, 1997 experience analysis for the Correctional Employees Retirement Fund. Rates are shown in rate table.
Disability:	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.
Administrative Expenses:	Prior year administration expenses expressed as percentage of prior year projected payroll.
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit take the larger of their contributions accumulated with interest or the value of their deferred benefit.
Percent Married:	85% of members are assumed to be married.
Age of Spouse:	Females are assumed to be three years younger than males.

Social Security:	Based on the present law and 6.00% retroactive salary scale. Only earnings history while in state service is used. Future Social Security benefits replace the same proportion of salary as at present.
Special Consideration:	Married members assumed to elect subsidized joint and survivor form of annuity as follows: Males: 25.00% elect 50% J&S option 25.00% elect 100% J&S option Females: 5.00% elect 50% J&S option 5.00% elect 100% J&S option
Actuarial Cost Method:	Entry Age Normal Actuarial 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:	MPRIF Reserve: Market Value Non-MPRIF Assets: 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, 2001 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 6.00% per annum. For GASB compliance, assumes payroll increases of 5.00% per annum is used for this calculation in determining the actuarially required contribution rate.
Accrued Liability:	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:

	Rate (%)					
	Death		Withdrawal			
Age	Male	Female	Male	Female	Disability	Salary Increases
20	0.04%	0.02%	24.00%	16.00%	0.04%	7.25%
25	0.04	0.03	14.70	14.20	0.06	7.00
30	0.06	0.03	9.10	13.50	0.08	7.00
35	0.08	0.05	6.00	12.90	0.11	7.00
40	0.11	0.07	4.40	10.40	0.18	6.50
45	0.19	0.10	3.40	6.40	0.29	5.75
50	0.35	0.16	2.40	4.70	0.50	5.50
55	0.57	0.25	1.40	3.30	0.88	5.25
60	0.84	0.42	0.00	0.00	1.41	5.25
65	1.29	0.71	0.00	0.00	0.00	5.25
70	2.48	1.24	0.00	0.00	0.00	5.25

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

The only change in actuarial cost methods since the last valuation was a modification to the asset valuation method, effective with the July 1, 2007 valuation. Assets allocated to the Minnesota Post Retirement Investment Fund (MPRIF) must equal the Market Value of Assets as of the valuation date.

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.

Plan Year:	Effective July 1, 1999
Eligibility:	Local government employees in covered correctional service for a county-administered jail or correctional facility or in a regional correctional facility administered by multiple counties, spends at least 95% of working time in direct contact with persons confined in the jail or facility, and is not a member of the Public Employees Police and Fire Fund.
Contributions:	*Member:* 5.83% of salary. *Employer:* 8.75% of salary.
Allowable Service:	Local Government Correctional Service during which member contributions were made. May also include certain leaves of absence, military service and periods while temporary Worker's Compensation is paid.
Salary:	Includes wages, allowances and fees. Excludes lump sum payments at a separation and reduced salary while receiving Worker's 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:	1.9% of Average Salary for each year of Allowable Service, pro rata for completed months.

<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 to the actuarial equivalent of the benefit that would be payable if the member deferred the benefit until age 55.
Form of Payment:	Life annuity. 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. Members receiving benefits for at least one full month but less than 12 full months will receive a partial increase.

Disability

<u>Occupational Benefit</u>:

Age/Service Requirement:	Member who cannot perform duties as a direct result of a disability related to an act of duty.
Amount:	47.50% of Average Salary plus 1.90% of Average Salary for each year in excess of 25 years of Allowable Service (pro rata for completed months). Payment begins at disability and stops at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon re-employment but salary plus benefit cannot exceed current salary of position held at time of disability.

Non-Occupational Disability:

Age/Service Requirement:	At least one year of Allowable Service and disability not related to covered employment.
Amount:	Normal Retirement Benefit based on Allowable Service (minimum of 10 years) and Average Salary at disability. Payment begins at disability and stops at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon re-employment but salary plus benefit cannot exceed current salary of position held at time of disability.
Form of Payment:	Same as for retirement.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.

Retirement Benefits:

Age/Service Requirement:	Age 65 with continued disability.
Amount:	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 65 or the normal retirement benefit available at age 65, 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:	Member at any age or former member age 50 or older who dies before retirement or disability benefits commence with three years of Allowable Service. If an active member dies, benefits may commence immediately, regardless of age.
Amount:	Surviving spouse receives the 100% joint and survivor benefit using the Normal Retirement formula above. If commencement is prior to age 50, the appropriate early retirement formula described above applies except that one-half the monthly reduction factor is used from age 50 to the commencement age. In lieu of this benefit, the surviving spouse may elect a refund of contributions with interest or an actuarially equivalent term certain annuity (lump sum payable to estate at death).

Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.
<u>Surviving Dependent Children's Benefit</u>:	
Age/Service Requirement:	If no surviving spouse, all dependent children (biological or adopted) below age 20 who are dependent for more than half of their support on deceased member.
Amount:	Actuarially equivalent to surviving spouse 100% joint survivor annuity payable to the later of age 20 or five years. The amount is to proportionally divided among surviving children.
<u>Refund of Contributions With Interest</u>:	
Age/Service Requirement:	Active employee dies and survivor benefits are not payable or a former employee dies before annuity begins. If accumulated contributions with interest exceed total payments to the surviving spouse and children, then the remainder is paid out.
Amount:	The member's contributions with 6.00% interest.
Termination:	
<u>Refund of Contributions</u>:	
Age/Service Requirement:	Termination of local government service.
Amount:	Member's contributions with 6.00% interest compounded annually. 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 3.00% compounded annually until January 1 of the year following attainment of age 55 and 5.00% thereafter until the annuity begins.
Changes in Plan Provisions:	There have been no changes in plan provisions since the prior valuation.

4028855v1/05776.073