Chicago Transit Authority Supplemental Retirement Plan and Retirement Plan for Board Members Annual Actuarial Valuation

January 1, 2006

GRS

Gabriel Roeder Smith & Company

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May 1, 2006

Ms. Lynn Sapyta
Vice President of Finance/Comptroller
Chicago Transit Authority
567 W. Lake Street
Chicago, IL 60661

Dear Ms. Sapyta:

We are pleased to provide our annual Actuarial Valuation Report as of January 1, 2006, for the Chicago Transit Authority Supplemental Retirement Plan, the Retirement Plan for Board Members, and the Early Retirement Incentive Plan. This report provides financial disclosure information for fiscal year end 2005, pension expense for fiscal year 2006, and recommended contributions for plan year 2006. The actuarial assumptions and actuarial cost method used in this valuation are the same as those used in the prior actuarial valuation, except the interest rate used to value the qualified portion of the Supplemental Plan has been increased from 6.0 percent to 8.0 percent.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practice.

We will be pleased to review this report with you at your convenience.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Sincerely,

Michael R. Kivi, F.S.A.
Senior Consultant

Alex Rivera, F.S.A.
Senior Consultant

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SECTION A

Valuation Results

EXECUTIVE SUMMARY (CONT'D)

We have performed the actuarial valuation for the Chicago Transit Authority Supplemental Retirement Plan, the Retirement Plan for Board Members ("Supplemental Plans"), and the Early Retirement Incentive Plan ("ERIP") as of January 1, 2006. The primary purposes of this valuation are:

- To provide financial disclosure information for fiscal year end 2005 in accordance with GASB Nos. 25 and 27,
- To develop pension expense for fiscal year 2006, and
- To develop the recommended contribution for Plan year 2006.

The actuarial valuation data was based on census, asset, and plan information received from Chicago Transit Authority ("CTA"). The census data was reviewed for reasonableness.

Section C outlines the principal benefit provisions of the Supplemental Plans and ERIP. There have been no changes in the plan provisions since the actuarial valuation as of January 1, 2005, as performed by the prior actuary. The valuation covers four groups:

- Supplemental Plan members retiring after March of 2005, and eligible for benefits from the qualified trust,
- Supplemental Plan members retiring before March of 2005,
- Board Plan members, and
- Early Retirement Incentive Plan members.

The Supplemental Plan provides benefits to employees of the CTA in certain employment classifications established by the Executive Director, with the approval of the Transit Board. The Board Plan provides benefits for members of the Transit Board as if they were members of the Retirement Plan for CTA Employees with additional benefits available after five years of service. The Early Retirement Incentive Plan provides benefits to non-union members that elected to participate and retire during the second half of 1992.

During fiscal year 2005, the CTA transferred $15.79 million from the general account to a newly established qualified trust earmarked for members of the Supplemental Retirement Plan retiring after March of 2005. The implications of the transfer and establishment of a qualified trust are:

- The transfer of funds from the general account to the qualified trust is considered to be an employer contribution for GASB No. 27 purposes. This caused the balance sheet liability, for the qualified trust portion of the Supplemental Plan, to decrease from a liability of $6.10 million as of January 1, 2005, to an asset of $8.13 million as of December 31, 2005.
- Because a qualified trust has been established, the CTA should consider issuing financial statements for the trusted portion of the Plan consistent with the requirements of GASB No. 25.
- Qualified assets are currently invested in equities (61%), fixed income (37%), and cash (2%). We understand this asset allocation is expected to remain in place in the future. We also understand the CTA expects to fund the actuarially required contribution ("ARC") for the qualified Supplemental Plan. Consequently, the investment return assumption has been increased from 6.0 percent to 8.0 percent.

- After the qualified asset transfer, the CTA will no longer hold a reserve in the general fund for the Supplemental Plans. Plan assets will be held either in the qualified trust or in separate trusts earmarked for employee contributions. Such assets satisfy the definition of "assets" under GASB 27 and can be recognized when developing the annual pension expense. Consequently, only one set of calculations will be required for expense and funding purposes. Previously, two different sets of calculations were performed – one for accounting and another for funding, which reflected the reserve held in the general fund for the Supplemental Plans.
- Benefits for the non-qualified plans will be funded on a pay-as-you-go basis, and an interest rate of 6.0 percent has been used for these plans.
- The amortization period for the closed non-qualified Supplemental Plan and ERIP has been reduced from an open 30-year period to a closed 15-year period.

For the qualified portion of the Supplemental Plan, the actuarial accrued liabilities at December 31, 2005, decreased from $13.10 million to $10.06 million due to the increase in discount rate. The transfer of assets to the qualified trust and the resulting increase in the discount rate caused the GASB 27 annual required contribution ("ARC") to decrease from $1.62 million for plan year 2005 to $0 for plan year 2006.

For the non-qualified Supplemental Plan, the GASB 27 annual required contribution increased from $1.36 million for plan year 2005 to $2.02 million for plan year 2006. For the Board Plan, the annual GASB 27 annual required contribution increased from $266,000 to $281,000. For the Early Retirement Incentive Plan, the GASB 27 annual required contribution increased from $1.08 million to $1.45 million.

The aggregate GASB 27 annual required contribution for all of the plans decreased from $4.33 million to $3.76 million.

The following table compares the annual required contributions and annual pension cost with the estimated contributions for fiscal year 2006 ($ in millions):

Plan	GASB ARC	GASB APC	Estimated Contribution	Funding Policy
Supplemental – Qualified	$0.000	$0.042	$0.000	ARC
Supplemental – Non-qualified	$2.021	$1.689	$1.933	PAYGO
Board	$0.281	$0.267	$0.236	PAYGO
ERIP	$1.454	$1.060	$1.576	PAYGO
Total	**$3.756**	**$3.058**	**$3.745**	

SUMMARY OF ACTUARIAL VALUATION RESULTS
AGGREGATE

		January 1, 2005	January 1, 2006
Employee Data	Number of Active Members	165	147
	Number of Service Retirees	491	495
	Number of Terminated Vested Members	18	14
	Total	674	656
	Payroll of Active Members	$ 16,128,351	$ 15,045,709
Plan Liabilities	Actuarial Accrued Liability:		
	Active	$ 11,169,636	$ 8,953,643
	Retirees	36,400,441	37,712,915
	Deferred Vested	1,389,885	1,502,498
	TOTAL	$ 48,959,962	$ 48,169,056
	Actuarial Value of Assets at Valuation Date	$ 450,329	$ 17,048,373 [1]
	Unfunded (Overfunded) Actuarial Accrued Liability	$ 48,509,633	$ 31,120,683
	Funded Position of Plan's Actuarial Accrued Liability	0.9%	35.4%
GASB 25/27 Annual Costs	Gross Annual Normal Cost	$ 914,520	$ 606,853
	Amortization of Unfunded	3,414,198	3,110,700
	Annual Required Contribution (ARC)	$ 4,328,718	$ 3,756,036
	Interest on Net Pension Obligation	$ 1,621,585	$ 525,872
	Adjustment to ARC	$ (1,902,170)	$ (1,223,697)
	Annual Pension Cost	$ 4,048,134	$ 3,058,211
Recommended Contribution	Estimated Employer Contribution [2]	$ 19,599,656	$ 3,745,249

[1] Actuarial value of assets equals the market value of assets, including $16,566,682 in the qualified trust and $481,691 in accumulated employee contributions.

[2] Fiscal year 2005 reflects actual contributions, including a one-time employer contribution of $15,786,575 from the general account to the qualified trust.

SUMMARY OF ACTUARIAL VALUATION RESULTS
QUALIFIED PLAN

		January 1, 2005	January 1, 2006
Employee Data	Number of Active Members	159	141
	Number of Service Retirees	0	5
	Number of Terminated Vested Members	0	0
	Total	159	146
	Payroll of Active Members	$15,953,350	$ 14,870,708
Plan Liabilities	Actuarial Accrued Liability:		
	Active	$ 11,041,972	$ 8,783,277
	Retirees	-	$ 1,280,494
	Deferred Vested	-	-
	TOTAL	$ 11,041,972	$ 10,063,771
	Actuarial Value of Assets at Valuation Date	$ 147,401	$ 17,000,991 [1]
	Unfunded (Overfunded) Actuarial Accrued Liability	$ 10,894,571	$ (6,937,220)
	Funded Position of Plan's Actuarial Accrued Liability	1.3%	168.9%
GASB 25/27 Annual Costs	Gross Annual Normal Cost	$ 856,701	$ 552,427
	30-Year Amortization of Unfunded	766,780	(590,910)
	Annual Required Contribution (ARC)	1,623,481	-
	Interest on Net Pension Obligation	$ 365,717	$ (650,487)
	Adjustment to ARC	$ (428,998)	$ 692,604
	Annual Pension Cost	$ 1,560,201	$ 42,117
Recommended Contribution	Estimated Employer Contribution [2]	$ 15,786,575	$ -

[1] Actuarial value of assets equals the market value of assets, including $16,566,682 in the qualified trust and $434,309 in accumulated employee contributions.

[2] Fiscal year 2005 reflects actual contributions, including a one-time employer contribution of $15,786,575 from the general account to the qualified trust.

SUMMARY OF ACTUARIAL VALUATION RESULTS
NON-QUALIFIED PLAN, SUPPLEMENTAL

		January 1, 2005	January 1, 2006
Employee Data	Number of Active Members	0	0
	Number of Service Retirees	252	255
	Number of Terminated Vested Members	9	7
	Total	261	262
	Payroll of Active Members	$ -	$ -
Plan Liabilities	Actuarial Accrued Liability:		
	Active	$ -	$ -
	Retirees	19,050,777	19,936,332
	Deferred Vested	487,428	327,195
	TOTAL	$ 19,538,205	$ 20,263,527
	Actuarial Value of Assets at Valuation Date	$ 260,818	$ -
	Unfunded (Overfunded) Actuarial Accrued Liability	$ 19,277,387	$ 20,263,527
	Funded Position of Plan's Actuarial Accrued Liability	1.3%	0.0%
GASB 25/27 Annual Costs	Gross Annual Normal Cost	$ -	$ -
	15-Year Amortization of Unfunded [1]	1,356,778	2,021,282
	Annual Required Contribution (ARC)	1,356,778	2,021,282
	Interest on Net Pension Obligation	$ 539,442	$ 501,398
	Adjustment to ARC	$ (632,782)	$ (833,572)
	Annual Pension Cost	$ 1,263,438	$ 1,689,108
Recommended Contribution	Estimated Employer Contribution [2]	$ 1,897,506	$ 1,933,164

[1] Fiscal year 2005 amortization period is 30-year open.

[2] Fiscal year 2005 reflects actual contributions.

SUMMARY OF ACTUARIAL VALUATION RESULTS
NON-QUALIFIED PLAN, BOARD

		January 1, 2005	January 1, 2006
Employee Data	Number of Active Members	6	6
	Number of Service Retirees	14	15
	Number of Terminated Vested Members	9	7
	Total	29	28
	Payroll of Active Members	$175,001	$175,001
Plan Liabilities	Actuarial Accrued Liability:		
	Active	$ 127,664	$ 170,366
	Retirees	1,971,048	1,924,827
	Deferred Vested	902,457	1,175,303
	TOTAL	$ 3,001,169	$ 3,270,496
	Actuarial Value of Assets at Valuation Date	$ 42,110	$ 47,382 [1]
	Unfunded (Overfunded) Actuarial Accrued Liability	$ 2,959,059	$ 3,223,114
	Funded Position of Plan's Actuarial Accrued Liability	1.4%	1.4%
GASB 25/27 Annual Costs	Gross Annual Normal Cost	$ 57,819	$ 54,426
	30-Year Amortization of Unfunded	208,264	226,849
	Annual Required Contribution (ARC)	266,083	281,275
	Interest on Net Pension Obligation	$ 82,861	$ 80,478
	Adjustment to ARC	$ (97,199)	$ (94,403)
	Annual Pension Cost	$ 251,746	$ 267,350
Recommended Contribution	Estimated Employer Contribution [2]	$ 291,467	$ 236,218

[1] Actuarial value of assets equals the market value of assets which is comprised of $47,382 in accumulated employee contributions.

[2] Fiscal year 2005 reflects actual contributions.

SUMMARY OF ACTUARIAL VALUATION RESULTS
NON-QUALIFIED PLAN, EARLY RETIREMENT INCENTIVE

		January 1, 2005	January 1, 2006
Employee Data	Number of Active Members	0	0
	Number of Service Retirees	225	220
	Number of Terminated Vested Members	0	0
	Total	225	220
	Payroll of Active Members		
Plan Liabilities	Actuarial Accrued Liability:		
	Active	$ -	$ -
	Retirees	15,378,616	14,571,262
	Deferred Vested	-	-
	TOTAL	$ 15,378,616	$ 14,571,262
	Actuarial Value of Assets at Valuation Date	$ -	$ -
	Unfunded (Overfunded) Actuarial Accrued Liability	$ 15,378,616	$ 14,571,262
	Funded Position of Plan's Actuarial Accrued Liability	0.0%	0.0%
GASB 25/27 Annual Costs	Gross Annual Normal Cost	$ -	$ -
	15-Year Amortization of Unfunded [1]	1,082,376	1,453,480
	Annual Required Contribution (ARC)	1,082,376	1,453,480
	Interest on Net Pension Obligation	$ 633,565	$ 594,483
	Adjustment to ARC	$ (743,191)	$ (988,325)
	Annual Pension Cost	$ 972,749	$ 1,059,637
Recommended Contribution	Estimated Employer Contribution [2]	$ 1,624,109	$ 1,575,867

[1] Fiscal year 2005 amortization period is 30-year open.

[2] Fiscal year 2005 reflects actual contributions.

SECTION B

GASB Statement No. 25 and No. 27

Financial Disclosure for Fiscal Year End 2005

GASB 27 – Development of Net Pension Obligation (NPO)

	Supplemental Plan				
	Qualified	Non-Qualified	ERIP	Board	Total
NPO as of 12/31/2004	6,095,285	8,990,704	10,559,409	1,381,018	27,026,416
Annual Required Contribution (ARC)	1,623,481	1,356,778	1,082,376	266,083	4,328,718
Interest on NPO	365,717	539,442	633,565	82,861	1,621,585
Adjustment to ARC	(428,998)	(632,782)	(743,191)	(97,199)	(1,902,170)
Annual Pension Cost	1,560,201	1,263,438	972,749	251,746	4,048,134
Contributions for 2005	15,786,575	1,897,506	1,624,109	291,467	19,599,656
NPO as of 12/31/2005	(8,131,089)	8,356,636	9,908,049	1,341,297	11,474,894

GASB 25/27 - History of Annual Pension Cost and Annual Required Contributions

Year Ended		Annual Pension Cost (APC)		Actual Contributions	% of APC Contributed		Net Pension Obligation		Annual Required Contribution (ARC)	% of ARC Contributed
December 31, 2005										
Supplemental, qualified	$	1,560,201	$	15,786,575	1011.8%	$	(8,131,089)	$	1,623,481	972%
Supplemental, non-qualilfied		1,263,438		1,897,506	150.2%		8,356,636		1,356,778	140%
ERIP, non-qualified		972,749		1,624,109	167.0%		9,908,049		1,082,376	150%
Board, non-qualified		251,746		291,467	115.8%		1,341,297		266,083	110%
Total	$	4,048,134	$	19,599,656	484.2%	$	11,474,894	$	4,328,718	453%
December 31, 2004	$	4,091,739	$	3,687,638	90.1%	$	27,026,416	$	4,368,129	84%
December 31, 2003	$	4,428,133	$	3,060,000	69.1%	$	26,622,315	$	4,690,317	65%

GASB 25/27 - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b – a)/c]
January 1, 2005						
Supplemental, qualified	$ 147,401	$ 11,041,972	$ 10,894,571	1.3%	$ 15,953,350	68.3%
Supplemental, non-qualilfied	260,818	19,538,205	19,277,387	1.3%	N/A	N/A
Board, non-qualified	42,110	3,001,169	2,959,059	1.4%	175,001	1690.9%
ERIP, non-qualified	-	15,378,616	15,378,616	0.0%	N/A	N/A
Total	$ 450,329	$ 48,959,962	$ 48,509,633	0.9%	$ 16,128,351	300.8%
January 1, 2004	$ 355,973	$ 49,398,990	$ 49,043,017	0.7%	$ 17,765,177	276.1%
January 1, 2003	$ 319,836	$ 50,741,286	$ 50,421,450	0.6%	$ 18,884,569	267.0%
January 1, 2002	$ 260,292	$ 49,888,788	$ 49,628,496	0.5%	$ 17,701,668	280.4%
January 1, 2001	$ 302,889	$ 43,730,319	$ 43,427,430	0.7%	$ 15,401,660	282.0%
January 1, 2000	$ 244,342	$ 41,735,184	$ 41,490,842	0.6%	$ 14,639,322	283.4%

GASB No. 25 - Schedule of Funding Progress for Supplemental Qualified Plan

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b – a)/c]
12/31/2005	17,000,991	10,063,771	(6,937,220)	168.9 %	14,870,708	(46.7) %

During fiscal year 2005, the CTA created a qualified trust for a portion of the Supplemental Plan. This is the first year of disclosure for that plan under GASB #25.

GASB No. 25 - Schedule of Funding Progress for Board Plan

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b – a)/c]
01/01/2006	47,382	3,270,496	3,223,114	1.4 %	175,001	1,841.8 %
01/01/2005	42,110	3,001,169	2,959,059	1.4	175,001	1,690.9
01/01/2004	55,289	2,579,015	2,523,726	2.1	175,000	1,442.1
01/01/2003	55,285	2,368,856	2,313,571	2.3	200,000	1,156.8
01/01/2002	56,162	2,127,259	2,071,097	2.6	200,000	1,035.5
01/01/2001	50,331	1,802,753	1,752,422	2.8	162,500	1,078.4
01/01/2000	44,294	1,628,443	1,584,149	2.7	175,000	905.2

GASB No. 25 - Schedule of Employer Contributions for Supplemental Qualified Plan

Fiscal Year Ending December 31,	Annual Required Contribution	Actual Contribution [1]	Percent Contributed
2005	$ 1,623,481	$ 15,786,575	972.39%

[1] During fiscal year 2005, the CTA created a qualified trust for a portion of the Supplemental Plan and made a one-time contribution of $15.79 million.

GASB No. 27 - Summary of Actuarial Assumptions and Methods

The GASB 27 financial disclosure information for the fiscal year end 2005 was based on the following assumptions and methods.

Valuation Date	January 1, 2005
Actuarial Cost Method	Projected Unit Credit
Actuarial Value of Assets	Market Value of Assets
Contribution Policy	Actuarially Determined [1]
Amortization Method	Level Dollar Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Investment Rate of Return as of January 1, 2005 *- All Plans*	6.0% per year
Investment Rate of Return as of December 31, 2005 *- Qualified Plan*	8.0% per year
- Non-qualified Plans	6.0% per year
Projected Salary Increases	5.5% per year
Cost-of-Living Increases	0.0% per year

[1] During fiscal year 2005, the CTA created a qualified trust for a portion of the Supplemental Plan and made a one-time contribution of $15.79 million. The funding policy going forward will be to contribute the ARC for the qualified portion and to pay benefits when due for the remaining plans.

SECTION C

Benefit Provisions and Valuation Data

BRIEF SUMMARY OF PLAN PROVISIONS
SUPPLEMENTAL

Eligibility for Participation:

Employees of the CTA in certain employment classifications established by the Executive Director, with approval of the Board, are eligible to participate.

Average Annual Compensation (AAC):

The highest average compensation over any four calendar years out of the final 10 calendar years prior to normal retirement.

Minimum Benefit:

The minimum benefit payable to an employee under normal, early or disability retirement is equal to one-sixth of one percent of AAC multiplied by the years of service limited to a maximum of five percent of AAC.

Normal Retirement

Eligibility: Attainment of age 65 with completion of three years of service.
Benefit: The annual benefit is equal to the lesser of: one percent of AAC per year of service, and the excess of 75 percent of AAC over the benefit payable under the Retirement Plan for CTA employees.

Early Retirement

Eligibility: Attainment of age 55 with completion of three years of service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Benefit: The annual benefit is equal to the lesser of: one percent of AAC per year of service, and the excess of 75 percent of AAC multiplied by the ratio of service completed at early retirement to service projected to age 65 over the benefit payable under the Retirement Plan for CTA Employees, before any reduction for early retirement. This benefit commences at age 65. The minimum benefit commences at early retirement.

Benefits can commence prior to age 65 under certain conditions. Employees hired before January 1, 2000, with more than 25 years of service can commence benefit payments immediately with no additional reduction. Employees hired after January 1, 2000, with more than 25 years of service can commence benefit payments at age 55 with no additional reduction. For employees with less than 25 years of service, benefits can commence any time after 55 with a 5% reduction for each year under 65.

Disability Retirement

Eligibility: An employee is eligible for a disability allowance if disability occurs after completing 10 years of service, or after five years if the disability is covered under the Workmen's Compensation Act, as defined in the Retirement Plan for CTA Employees.
Benefit: The annual benefit is equal to the lesser of: one percent of AAC per year of service, and the excess of 75 percent of AAC over the benefit payable under the Retirement Plan for CTA employees.

Death Benefit:
Refund of bridged service contributions.

Termination Benefit
Eligibility: Completion of 10 years of service.
Benefit: The annual benefit is equal to the lesser of: one percent of AAC per year of service, and 75 percent of AAC reduced by the benefit payable under the Retirement Plan for CTA employees. The benefit commences at age 65

Bridged Service:
Participants who retire on or after February 1, 1984 may receive credit for service with a governmental agency which provides reciprocity of service with the CTA. To receive such service credit, the employee must commence working for the CTA within 12 months of terminating at the governmental agency and apply for the service credit within 18 months of first eligibility for bridged service. The employee is also required to complete a minimum period of employment with the CTA which depends on the level at which they are employed. In addition to the increased supplemental benefits, the Supplemental Plan is responsible for paying any additional benefits that the employee would be eligible for under the Retirement Plan for CTA Employees had they received this additional service under both plans.

BRIEF SUMMARY OF PLAN PROVISIONS
EARLY RETIREMENT INCENTIVE

Pursuant to Ordinance number 92-68, non union members of the Retirement Plan for CTA Employees (Base Plan) eligible to retire under the provisions of that plan, were eligible to participate in the plan from March 30, 1992, through November 30, 1992. Members electing to participate in the plan elected to retire effective June 1, 1992, and received the following benefits:

- An additional five years of service credit for purposes of determining the retirement benefit under the Base Plan, and if eligible, under the Supplemental Plan,
- Retirement benefits were unreduced for commencement prior to age 65, and
- A $200 per month additional benefit payable for a period of two years.

Employees who first became eligible to retire after June 1, 1992, but not later than December 1, 1992, could participate in the plan if they elected to retire in the month they met the retirement eligibility conditions.

BRIEF SUMMARY OF PLAN PROVISIONS
BOARD

Average Annual Compensation (AAC):
The highest average compensation over any four calendar years out of the final 10 calendar years prior to normal retirement.

Normal Retirement:
Eligibility: Attainment of age 65 with completion of two years of service or attainment of age 50 with completion of five years of service.
Benefit: With two years of service, 2.15 percent of AAC per year of service plus benefits payable under the supplemental plan. With five years of service, 2.15 percent of AAC per year of service subject to a minimum of 62.5 percent of pay and a maximum of 65 percent of pay plus the minimum benefit payable under the Supplemental Plan.

Death Benefit:
Refund of bridged service contributions.

Death Benefit Post-Retirement: A death benefit of $4,000 will be paid for a board member who dies while receiving a retirement allowance.

Termination Benefit
Eligibility: Completion of two years of service.
Benefit: With two years of service, 2.15 percent of AAC per year of service plus benefits payable under the supplemental plan, payable at age 65. With five years of service, 2.15 percent of AAC per year of service subject to a minimum of 62.5 percent of pay and a maximum of 65 percent of pay plus the minimum benefit payable under the Supplemental Plan, payable at age 50.

Bridged Service: The same provisions apply as under the Supplemental Plan.

ACTIVE SUPPLEMENTAL MEMBERS AS OF JANUARY 1, 2006
BY ATTAINED AGE AND YEARS OF SERVICE

Attained	Years of Service to Valuation Date									
Age	**0**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**Over 35**	**Totals**
Under 25	0	0	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	0	0	**0**
30-34	0	0	0	0	0	0	0	0	0	**0**
35-39	0	1	1	2	0	0	0	0	0	**4**
40-44	0	3	6	3	3	6	0	0	0	**21**
45-49	0	4	7	0	8	5	3	0	0	**27**
50-54	0	6	5	0	4	5	10	5	0	**35**
55-59	0	1	7	1	9	7	7	4	2	**38**
60-64	0	1	2	1	3	1	4	2	2	**16**
65-69	0	0	0	0	0	0	0	0	0	**0**
Over 70	0	0	0	0	0	0	0	0	0	**0**
Total	**0**	**16**	**28**	**7**	**27**	**24**	**24**	**11**	**4**	**141**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	51.7 years
Service:	18.8 years
Annual Pay:	$105,466

ACTIVE BOARD MEMBERS AS OF JANUARY 1, 2006
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date 0	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35	Totals
Under 25	0	0	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	0	0	**0**
30-34	0	0	0	0	0	0	0	0	0	**0**
35-39	0	0	0	0	0	0	0	0	0	**0**
40-44	0	1	0	0	0	0	0	0	0	**1**
45-49	0	1	1	0	0	0	0	0	0	**2**
50-54	0	0	0	0	0	0	0	0	0	**0**
55-59	0	3	0	0	0	0	0	0	0	**3**
60-64	0	0	0	0	0	0	0	0	0	**0**
65-69	0	0	0	0	0	0	0	0	0	**0**
Over 70	0	0	0	0	0	0	0	0	0	**0**
Total	**0**	**5**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**6**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	51.1 years
Service:	3.7 years
Annual Pay:	$29,167

SCHEDULE OF BENEFITS
QUALIFIED PLAN

Age	Number	Annual Payments
Under 45	0	$ -
45-49	0	-
50-54	4	96,105
55-59	0	-
60-64	1	2,029
65-69	0	-
70-74	0	-
75-79	0	-
80-84	0	-
85-89	0	-
Over 90	0	-
Total	5	$ 98,134

SCHEDULE OF BENEFITS
NON-QUALIFIED PLAN, SUPPLEMENTAL

Age	Number	Annual Payments
Under 45	1	$ 1,004
45-49	1	48,669
50-54	16	131,951
55-59	50	516,223
60-64	56	535,946
65-69	35	289,124
70-74	27	183,001
75-79	16	57,946
80-84	29	100,920
85-89	13	36,675
Over 90	11	21,866
Total	255	$ 1,923,326

Schedule of Benefits
Non-Qualified Plan, Board

Age	Number	Annual Payments
Under 45	0	$ -
45-49	0	-
50-54	2	29,773
55-59	0	-
60-64	1	16,330
65-69	4	61,401
70-74	3	27,200
75-79	4	53,728
80-84	1	9,172
85-89	0	-
Over 90	0	-
Total	15	$ 197,604

SCHEDULE OF BENEFITS
NON-QUALIFIED PLAN, EARLY RETIREMENT INCENTIVE

Age	Number	Annual Payments
Under 45	0	$ -
45-49	0	-
50-54	0	-
55-59	4	16,150
60-64	42	227,846
65-69	71	557,520
70-74	63	521,977
75-79	29	213,029
80-84	8	46,640
85-89	3	11,849
Over 90	0	-
Total	220	$ 1,595,010

SECTION D

Valuation Procedures

ACTUARIAL COST METHOD

Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using the *Projected Unit Credit cost method* having the following characteristics:

- The normal cost for each individual active member equals the portion of the actuarial present value of projected benefits allocated to service earned during the current year.
- The actuarial accrued liability for each individual active member equals the portion of the actuarial present value of projected benefits allocated to service earned during prior plan years. The actuarial accrued liability for retired and inactive members equals the present value of benefits.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities for the qualified Supplemental Plan and Board Plan were amortized over a 30-year open period by level (principal and interest combined) dollar. Unfunded actuarial accrued liabilities for the non-qualified Supplemental Plan and ERIP were amortized over a 15-year closed period by level dollar.

Actuarial Value of Pension Plan Assets. The actuarial value of assets is set at the current market value of assets.

ACTUARIAL ASSUMPTIONS

The contribution and benefit values of the Plan are calculated by applying actuarial assumptions to the benefit provisions and participant information furnished, using the actuarial cost method described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- long-term rates of investment return to be generated by the assets of the Plan
- patterns of pay increases to members
- rates of mortality among members, retirees and beneficiaries
- rates of withdrawal of active members
- rates of disability among members
- the age patterns of actual retirement.

In a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survive; a period of time which can be as long as a century.

Actual experience of the Plan will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

The assumed rate of investment return used was 8.00%, annually, for the qualified plan and 6.00% for the non-qualified plans.

The mortality table used to measure retirement mortality was based on the 1994 Group Annuity Mortality. This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Sample Attained Ages	Future Life Expectancy (years)	
	Men	Women
50	30.69	34.89
55	26.15	30.17
60	21.83	25.59
65	17.84	21.28
70	14.29	17.30
75	11.12	13.60
80	8.37	10.31

The disability retirement mortality table is a 50/50 blend of the 1994 Group Annuity Mortality Table and the 1965 Modified Railroad Retirement Table of Disabled Mortality. This assumption is used to measure probabilities of each benefit payment being made after disability.

Sample Attained Ages	Future Life Expectancy (years)	
	Men	Women
50	20.95	20.95
55	18.42	18.42
60	15.82	15.82
65	13.27	13.27
70	10.85	10.85
75	8.61	8.61
80	6.61	6.61

Rates of separation from active membership are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members terminating employment.

Age	Rate of Termination
25	0.0550
30	0.0425
35	0.0319
40	0.0225
45	0.0150
50	0.0106
55 and over	0.0000

The rate of salary increase used for individual members is 5.5%. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based. Board member salaries are assumed to remain stable.

Sample rates of disability were as follows:

Age	Rate of Disability
25	0.0020
30	0.0020
35	0.0032
40	0.0052
45	0.0069
50	0.0090
55	0.0121
60	0.0159
65 and over	0.0000

Rates of retirement were as follows:

	Probability of Retirement	
Age	**If service is less than 25***	**If service is 25 or greater**
50 or less	0.000	0.075
51–54	0.000	0.075
55–56	0.015	0.150
57-59	0.020	0.150
60	0.025	0.200
61	0.040	0.200
62	0.200	0.550
63–64	0.150	0.400
65	0.600	0.750
66-69	0.250	0.333
70	1.000	1.000

**For ages under 65, the above rates are multiplied by 75% if service is between 22 and 23 years, 50% if service is between 23 and 24 years and 25% if service is between 24 and 25 years.*