

**SUMMARY ACTUARIAL REPORT
ON THE
GUARANTEED PAYMENT PLAN**

JUNE 30, 2007

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Introduction

The Metro Council created the Guaranteed Payment Plan effective July 1, 2000 to ensure actuarially sound funding for a group of five plans supervised by the Metro Benefit Board and the Board of Education.

Under the Guaranteed Payment Plan, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years beginning with the effective date. Payments for each constituent plan are transferred to a payment account from which distributions are disbursed to the constituent plans as necessary to satisfy current benefit needs and funding objectives of the Guaranteed Payment Plan. Appropriations made by Metro and the Board of Education to fund obligations of the aggregate plan may not be reduced until all plan obligations are fully amortized. Plan improvements adopted subsequent to inception are to be funded over a period ending June 30, 2030.

The five plans included in the Guaranteed Payment Plan are listed below.

- Metropolitan Board of Education Teacher Retirement Plan,
- Davidson County Board of Education Retirement Plan,
- Nashville City Teachers Retirement Plan
- Former Davidson County Pension System,
- Former City of Nashville Pension System

This report summarizes and consolidates the results of the June 30, 2007 valuations pertaining to the five separate retirement plans under consideration --- the Metro, County and City teacher retirement plans. Each of the five plans is closed to new participants. Funding issues that are specific to the constituent plans are addressed in separate plan reports, attached hereto.

Plan Participants

Taken as a whole, the five plans now cover 7 active employees and 2,569 retired employees. Detailed tables concerning the composition of these groups are included in the separate reports for each plan; the table below summarizes that information.

Active Participants

	2001	2002	2003	2004	2005	2006	2007	Current Annual Payroll
Metro Teachers	110	79	51	18	13	10	6	\$374,495
County Teachers	8	5	4	2	1	1	1	71,769
City Teachers	1	1	1	1	0	0	0	0
City Employees	0	0	0	0	0	0	0	0
County Employees	0	0	0	0	0	0	0	0
Total	119	85	56	21	14	11	7	\$446,264

Retired and Vested Terminated Participants

	2001	2002	2003	2004	2005	2006	2007	Current Gross Annual Pensions
Metro Teachers	1,288	1,288	1,289	1,301	1,275	1,246	1,217	\$36,160,139
County Teachers	472	454	392	372	351	340	312	8,510,960
City Teachers	325	299	283	255	246	233	210	5,753,485
City Employees	885	861	806	780	733	715	681	9,664,126
County Employees	219	216	193	176	174	168	149	2,007,330
Total	3,189	3,118	2,963	2,884	2,779	2,702	2,569	\$62,096,040

Total Participants

	2001	2002	2003	2004	2005	2006	2007
Metro Teachers	1,398	1,367	1,340	1,319	1,288	1,256	1,223
County Teachers	480	459	396	374	352	341	313
City Teachers	326	300	284	256	246	233	210
City Employees	885	861	806	780	733	715	681
County Employees	219	216	193	176	174	168	149
Total	3,308	3,203	3,019	2,905	2,793	2,713	2,576

The table shows the rapid decline in the number of active participants. Only the teacher plans continue to have active participants. The table also shows the more gradual decline in the total number of plan participants.

General Funding Considerations

The liability of Metro with respect to these plans is substantial. If the value of existing assets, expected State payments and expected employee contributions is deducted from the present value of all benefits expected to be paid by the plan in the future, the remainder is \$290,302,029. This is the amount that Metro would have to set aside as of the valuation date (in addition to existing assets) in order to fund in one lump sum all the benefits expected to be paid in the future. From another viewpoint, this figure is the discounted amount of all future contributions to be made to the plan by Metro, no matter what the timing of those actual payments turns out to be. The table below provides a breakdown of this amount by plan.

(Dollars in Thousands)	Present Value of Future Benefits*	Present Value of Future Employee Contributions	Actuarial Value of Assets	Remaining Liability
Metro Teachers	\$228,256	\$27	\$81,844	\$146,385
County Teachers	42,140	0	3,787	38,353
City Teachers	24,819	0	2,404	22,415
City Employees	74,126	0	5,240	68,886
County Employees	15,393	0	1,130	14,263
Total	\$384,734	\$27	\$94,405	\$290,302

* Net of State cost-sharing in the three teacher plans.

Clearly, the funding of an obligation of this magnitude is a subject of considerable importance to Metro. Prior to GPP inception, only the Metro Teachers plan had any advance funding. The other plans had been funded entirely on a "pay-as-you-go" basis. As of June 30, 2005, all plans are being actuarially pre-funded through the GPP.

Although the actuarial method utilized in valuations of the GPP (level dollar amortization) is intended to smooth costs, as a dollar amount, from year to year, no actuarial method can completely realize that goal. Therefore, it should be expected that variations will occur from year to year in the contribution amount generated by the actuarial valuations, as actual experience differs from assumed experience with respect to such happenings as death, disabilities, terminations, salary increases, etc. Because the contributions may not be reduced from initial year funding levels until all of the obligations are fully amortized, the effect of favorable plan experience will be to reduce the amortization period below the remainder of the original 30-year period.

Funding Determinations at June 30, 2007

An actuarial valuation of the GPP was conducted as of June 30, 2007. The purpose of the valuation is to determine the cost implications of the plan including a determination of the expected remaining amortization period and the required increase, if any, in the contribution amount for future years to ensure that the plan's liabilities are amortized over the 30-year period that commenced July 1, 2000.

On the basis of the valuation, it has been determined that the annual funding requirements for the 2007-08 year for the plan are as follows:

Estimated Contributions	\$33,577,294
Expected Amortization Period	14.23 years

Because the expected amortization period ends before the mandated June 30, 2030 date, no upward adjustment is required to the contributions to the GPP.

The table on the following page sets forth more detailed information on a plan by plan basis.

Actuarial Asset Value

It should be noted that the actuarial asset value is determined using a smoothing technique designed to reduce the variance in funding levels relating to the volatility of asset performance. Under the smoothing method, any deviation of the actual return from the expected return is recognized pro-rata over a five-year period. The development of the actuarial asset value is shown in detail on pages nine and ten of the attached valuation report for the Metro Teachers plan.

As of the valuation date, the market value of plan assets was \$101,693,279. There were \$7,288,385 in unexpected asset gains that had not yet been recognized. As a result, the actuarial asset value on the valuation date was \$94,404,894, including the accrued transfers.

The unrecognized gains will be recognized over the next four years. The recognition of these amounts will further reduce the expected amortization period, or offset unfavorable plan experience in future years.

Individual Plan Data at June 30, 2007

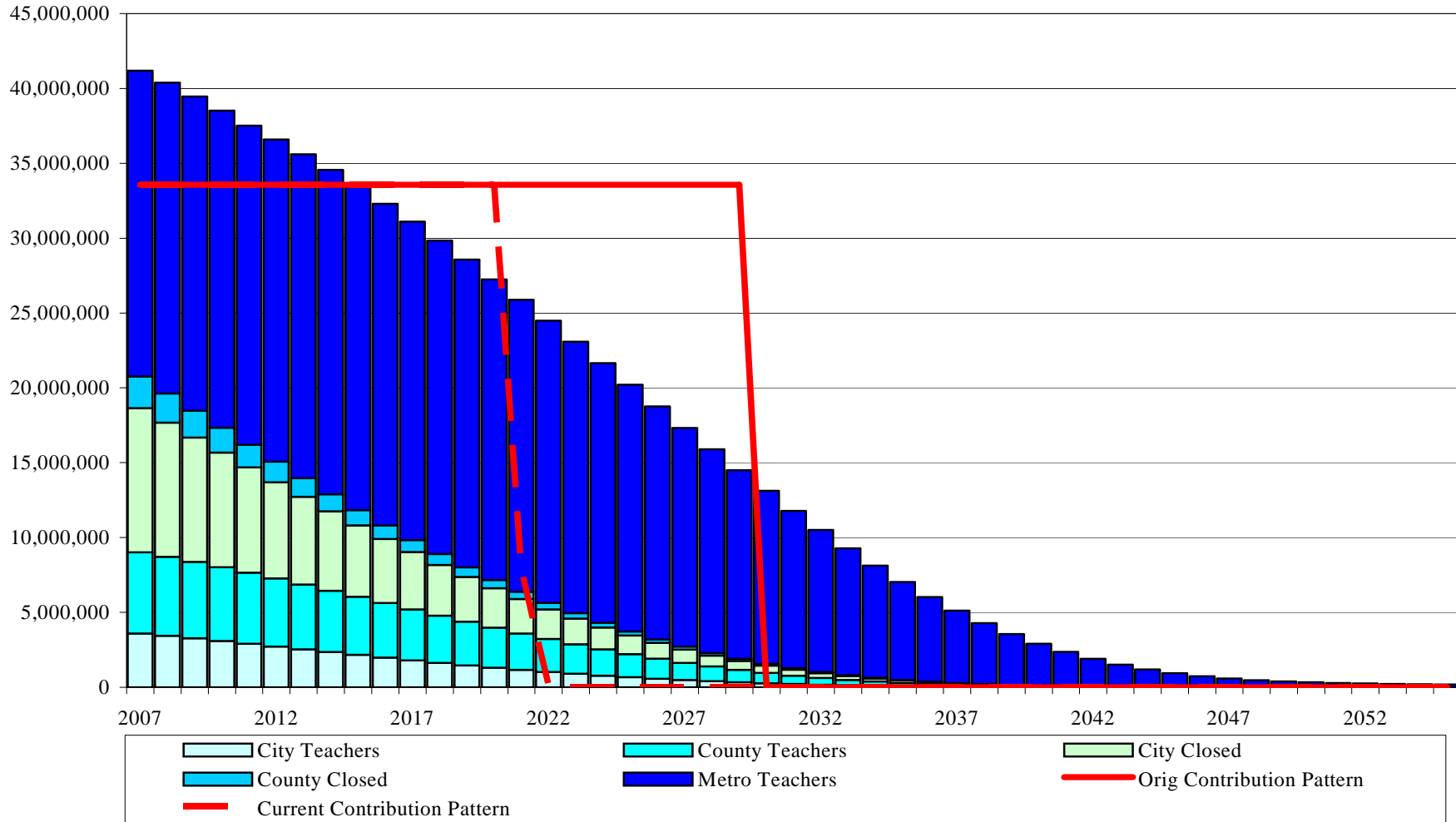
*Guaranteed Payment Plan Summary
July 1, 2007*

	<i>Closed Metro Plans</i>		<i>Board of Education Plans</i>			<i>Aggregate Totals</i>
Plan Description:						
Employee Group	County Employees	City Employees	Metro Teachers	County Teachers	City Teachers	
Fund Number	166	366/367	1-175	1-174	2-368	
Fund Description	Davidson County Employees Retirement Fund	Civil Service / Police and Fire	Teacher's Retirement Plan	Employee's Pension & Insurance	Teacher's Civil Service	
Key Assumptions:						
Rate of Investment Return	8.00%	8.00%	8.00%	8.00%	8.00%	
Rate of Salary Increases	N/A	N/A	5.00%	5.00%	5.00%	
Mortality	110% RP-2000	110% RP-2000	1994 UP	1994 UP	1994 UP	
COLA	2.75%	2.75%	3%	3%	3%	
Coverage:						
Actives	0	0	10	1	0	11
Retirees / beneficiaries	149	681	1,209	312	210	2,561
Other	0	0	8	0	0	8
Total	149	681	1,227	313	210	2,580
Contribution Data (fye 2007):						
Actual Employer Contribution to Plan**	\$2,468,413	\$11,558,978	\$7,341,680	\$7,505,736	\$4,611,407	\$33,486,214
Normalized Actuarial Method:						
Present Value of Future Benefits	\$15,393,075	\$74,125,552	\$228,256,030 *	\$42,140,201 *	\$24,818,863 *	\$384,733,721
Actuarial Assets	1,129,978	5,239,396	81,844,272	3,787,317	2,403,931	94,404,894
Present Value of Employee Contributions	0	0	26,798	0	0	26,798
Present Value of Future Contributions	14,263,097	68,886,156	146,384,960	38,352,884	22,414,932	290,302,029
Fixed Funding (Est. for fye 2007)	3,501,843	14,297,691	4,285,000	6,900,360	4,592,400	33,577,294
Resulting Amortization Period						14.23 yrs

* Net of State Reimbursements

** Net of Management Fees

**Metro Guaranteed Payment Plan
Contribution and Benefit Payment Projection**



(Excludes payments funded by State payments to the teacher plans.)

Summary of Actuarial Assumptions

(Sample Values per 1,000 Lives)

	AGE			
	35	50	60	70
<u>Mortality Rates – Board of Education Plans</u>				
1994 Uninsured Pensioner Mortality Table				
Male	0.92	2.77	8.58	25.52
Female	0.51	1.54	4.77	14.76
<u>Mortality Rates – Closed Metro Plans</u>				
110% RP-2000 Healthy Annuitant Table				
Male	0.85	2.35	5.37	24.43
Female	0.53	1.84	4.32	18.42
<u>Disablement Rate</u>				
127% of Class 2 – 1985 Disability Study				
Male	2.53	10.54	28.78	N/A
Female	3.20	10.85	22.77	N/A
<u>Withdrawal Rate</u>				
Estimated Experience	50.00	20.00	0.00	N/A
<u>Mortality Following Disablement</u>				
Male: 75% of Pension Benefit Guaranty Corporation	20.90	28.70	45.20	55.40
Female: Pension Benefit Guaranty Corporation	21.40	25.70	33.10	41.10
<u>Assumed Salary Increases</u>				
5.00% per annum until retirement age				
<u>Rate of Investment Return</u>				
8.00% per annum				
<u>Rate of Retirement</u>				
4/5 retire at later of date of eligibility and age 65				
1/5 retire as soon as eligible				
<u>Spouse Frequency and Ages</u>				
Assume 85% married, with husbands four years older than wives				

Cost of Living Increases

Board of Education – Benefits increase 3% annually after commencement.
Metro Closed Plans – Benefits increase 2.75% annually after commencement.

Asset Valuation Method

Five-year smoothing of difference between market value and expected valuation assets

Actuarial Valuation Method

Level Dollar Amortization

Actuarial Certification

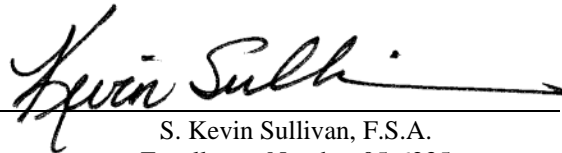
The actuarial valuations summarized in this report have been performed utilizing generally accepted actuarial principles and are based on actuarial assumptions which we consider to be reasonably related, in the aggregate, to experience under the plans and to reasonable expectations. It is our opinion that the results fully and fairly disclose the actuarial position of the plans on the valuation date.

Date

June 26, 2008

Date

J. Bradford Fisher, F.S.A.
Enrollment Number 05-3869



S. Kevin Sullivan, F.S.A.
Enrollment Number 05-6235