

**NASHVILLE CITY TEACHERS
RETIREMENT PLAN**

**ACTUARIAL VALUATION
AND REPORT**

JULY 1, 2010



Bryan, Pendleton, Swats & McAllister, LLC
A Wells Fargo Company

March 4, 2011

Mr. Chris Henson, CPA
Chief Financial Officer
Metropolitan Nashville Public Schools
2601 Bransford Avenue
Nashville, Tennessee 37204

Dear Mr. Henson:

The attached report summarizes the results of the actuarial valuation of the Nashville City Teachers Retirement Plan as of July 1, 2010. We trust this report will be helpful in complying with the reporting requirements of the Governmental Accounting Standards Board.

The opportunity to serve the Metropolitan Board of Public Education is appreciated, and we will be pleased to supplement this report in any way, as you request.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles and is based on actuarial assumptions which we consider to be reasonably related, in the aggregate, to reasonable expectations. It is our opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. The undersigned is an actuary at BPS&M, is a member of the American Academy of Actuaries, and has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Sincerely

A handwritten signature in black ink that reads 'J. Bradford Fisher, F.S.A.'.

J. Bradford Fisher, F.S.A.

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Current Valuation Results

An actuarial valuation of the Nashville City Teachers Retirement Plan was performed as of July 1, 2010. The purpose of the valuation was to examine the liabilities and to determine the necessary amounts to comply with GASB financial reporting. Prior to the implementation of the Guaranteed Payment Program, benefits were financed on a "pay as you go" basis.

Beginning on July 1, 2000, the Plan became a portion of the Guaranteed Payment Program (GPP), an umbrella plan created by the state and local government to ensure actuarially sound funding for a group of five plans supervised by the Metro Benefit Board and the Board of Education. Under the GPP, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years. Payments for the Plan move to a payment account from which distributions are paid to the constituent plans of the GPP as necessary to satisfy current benefit needs and to satisfy funding objectives of the GPP. Funding issues that are specific to the GPP are addressed in a separate report.

Comparison of Plan Information From Recent Valuations

	2010	2009	2008	2007	2006
Active Participants					
Number	0	0	0	0	0
Annual Payroll	\$0	\$0	\$0	\$0	\$0
Retired Participants					
Number	179	190	200	210	233
Average Age	84.62	83.89	82.96	82.24	81.78
Annual Payroll	\$5,215,361	\$5,361,971	\$5,619,050	\$5,753,485	\$6,168,742
Total Participants	179	190	200	210	233
Present Value of Future Benefits	\$20,386,265	\$21,629,242	\$23,637,839	\$24,818,863	\$27,215,294
Actuarial Value of Assets	3,186,479	2,827,904	3,104,280	2,403,931	1,545,079
Assumed Rate of Return	8.00%	8.00%	8.00%	8.00%	8.00%

The Basis of Valuation section of this report sets forth a summary of benefits provided under the Nashville City Teachers Retirement Plan and summarizes the actuarial assumptions on which the valuation was based. The Actuarial Computations and Disclosure Information sections set forth details of the plan's funded status in accordance with GASB Statements Number 25 and 27. The Employee Data section summarizes the employee data on which this valuation was based.

All calculations made in this report have been made utilizing employee data supplied by the Metropolitan Board of Public Education, asset information supplied by the Metropolitan Government of Nashville and Davidson County, and the actuarial assumptions summarized herein.

Summary of Provisions of the Plan

Eligibility

All teachers in the Nashville City schools hired prior to April 1, 1963, are eligible under the plan.

Normal Retirement

Condition

A member may retire and receive an immediate benefit upon either

- (i) reaching age 60 and having accumulated at least 15 years of service; or
- (ii) completion of at least 25 years of service before reaching age 60.

Benefit

The monthly benefit under qualification (i) above is 1/12 of the product of:

- 2-1/2% of the highest annual established salary, and
- Years of Service (not less than 15 years, but not more than 24 years).

The monthly benefit under (ii) above is 1/12 of the product of:

- 2% of the highest annual established salary, and
- Years of Service (not less than 25 years, but not more than 30 years).

Early Retirement

Condition

A participant may elect early retirement after 15 years of credited service.

Benefit

A deferred benefit, commencing at age 60, is determined as of the Early Retirement Date as in the Normal Retirement Benefit above, based on service and salary at the date of early retirement.

Disability Retirement

Condition

If a participant becomes totally and permanently disabled as defined in the plan after the completion of 10 years of credited service or due to injuries arising in the line of duty regardless of service, he may retire and receive a disability benefit.

Benefit

The monthly benefit, commencing on the date of disability is equal to 1/12 of 60% of the highest established annual salary.

Death Before Retirement

If a member dies prior to retirement, a refund of 75% of the member's contributions is payable to his beneficiary, plus \$2,500 if death results from injury received in the line of duty.

Termination of Employment

If employment is terminated before a member is eligible for a benefit as provided above, a refund of 75% of the member's contributions without interest is payable.

Contributions

Members contribute 2% of earnings for a maximum of 24 years.

Each year the employer contributes an amount determined in accordance with the Guaranteed Payment Program.

Reclaim of Service

A member who terminated service, received a refund, subsequently returned to service, and is now a plan member, may elect to reclaim the earlier service by repaying the refund plus interest.

Broken Service - No Refund

A member who terminated service, received no refund, subsequently returned to service and is now a plan member, may elect to reclaim the earlier service at no cost.

Transfer Option

A member may elect to transfer to the Tennessee Consolidated Retirement System at any time prior to retirement.

Military Service

A member who had active duty military service during certain periods of armed conflict may claim up to a maximum of four years of creditable service.

Cost-of-Living Increment After Retirement

Each July 1, up to 3% of the original retirement benefit is added to a member's retirement benefit. The percentage increase is based on the increase in the Consumer Price Index (all items--United States city average), but will not exceed 3%. In any year when the CPI increase is less than 1% or a decrease, there is no benefit adjustment made on the following July 1.

Unused Sick Leave

A member may use unused sick leave as creditable service on the basis of 20 days equalling one month.

Summary of Actuarial Assumptions

(Sample Values per 1,000 Lives)

	AGE		
	70	80	90
<u>Mortality Rates</u>			
1994 Uninsured Pensioner Mortality Table			
Male	25.52	66.70	164.44
Female	14.76	42.36	125.02
<u>Disablement Rate</u>			
Not Applicable			
<u>Withdrawal Rate</u>			
Not Applicable			
<u>Assumed Salary Increases</u>			
Not Applicable			
<u>Rate of Investment Return</u>			
8.00% per annum			
<u>Rate of Retirement</u>			
Not Applicable			
<u>Cost of Living Increases</u>			
Benefits increase 3% annually after commencement			
<u>Actuarial Funding Method</u>			
Level Dollar Amortization			
<u>Asset Valuation Method</u>			
Market value			

Determination of GASB "Annual Required Contribution"

Present Value of Benefits (Net of State Reimbursements)	
Active Lives	\$ 0
Retired Lives	<u>20,386,265</u>
Total	\$ 20,386,265
Less Actuarial Value of Assets	<u>(3,186,479)</u>
Present Value of Future Costs	\$ 17,199,786
15-Year Amortization of Future Costs from July 1, 2002	3,058,896
Interest Adjustment for Mid-year Payment	<u>122,356</u>
Annual Required Contribution	\$ 3,181,252

Governmental Accounting Standards Board Statement Nos. 25 and 27 Information

Governmental Accounting Standards Board Statement 25 establishes financial reporting standards for defined benefit pension plans sponsored by employers that are subject to governmental accounting standards. Governmental Accounting Standards Board Statement 27 provides standards for reporting pension expenditures and expense, and related pension liabilities and assets, for such plans. This section provides pertinent plan disclosure information for the 2010-2011 financial statements.

The Schedule of Employer Contributions and the Three-Year Trend Information should be updated at year-end to reflect the contributions made during the current fiscal year.

Actuarial computations under Statements 25 and 27 are for purposes of fulfilling employer governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the statements.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2003	\$0	\$31,877,857	\$31,877,857	0.0%	\$127,441	25,013.8%
07/01/2004	0	29,562,402	29,562,402	0.0%	132,349	22,336.7%
07/01/2005	567,317	28,677,079	28,109,762	2.0%	0	N/A
07/01/2006	1,545,079	27,215,294	25,670,215	5.7%	0	N/A
07/01/2007	2,403,931	24,818,863	22,414,932	9.7%	0	N/A
07/01/2008	3,104,280	23,637,839	20,533,559	13.1%	0	N/A
07/01/2009	2,827,904	21,629,242	18,801,338	13.1%	0	N/A
07/01/2010	3,186,479	20,386,265	17,199,786	15.6%	0	N/A

Determination of Annual Pension Cost

Annual Required Contribution	\$3,181,252
Interest on net pension obligation	(673,603)
Adjustment to annual required contribution	1,617,258
Annual pension cost	<u>\$4,124,907</u>

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution (ARC)	Actual Contribution	Percentage Contributed
06/30/2004	\$3,723,477	\$3,960,092	106.4%
06/30/2005	3,601,764	4,515,813	125.4%
06/30/2006	3,664,376	4,719,340	128.8%
06/30/2007	3,462,604	4,611,407	133.2%
06/30/2008	3,216,757	4,480,390	139.3%
06/30/2009	3,165,266	3,796,290	119.9%
06/30/2010	3,150,541	3,599,837	114.3%

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2008	\$3,781,327	118.5%	(\$8,877,778)
06/30/2009	3,876,197	97.9%	(8,797,871)
06/30/2010	3,977,673	90.5%	(8,420,035)

Distribution of Retired Participants' Gross Pensions

BY AGE

Age Group	Male			Female			Total		
	No	Annual Pensions		No	Annual Pensions		No	Annual Pensions	
		Total	Average		Total	Average		Total	Average
0-65	0	\$ 0	\$ 0	0	\$ 0	\$ 0	0	\$ 0	\$ 0
66-70	0	0	0	2	72,543	36,271	2	72,543	36,271
71-75	9	352,696	39,188	17	568,598	33,446	26	921,294	35,434
76-80	7	279,057	39,865	21	702,031	33,430	28	981,088	35,038
81-85	12	434,399	36,199	32	920,005	28,750	44	1,354,404	30,781
86+	13	417,512	32,116	66	1,468,520	22,250	79	1,886,032	24,873
TOTAL	41	\$1,483,664	\$36,186	138	\$3,731,697	\$27,041	179	\$5,215,361	\$29,136